Nonprofit organizations contribute to the quality of life for all Indiana citizens. What is not widely appreciated, however, is that the private nonprofit sector is a major economic force in the state of Indiana.

A report released by the Center on Philanthropy and the School of Public and Environmental Affairs at Indiana University, in cooperation with the John Hopkins Nonprofit Employment Data Project, presents new information on the size, composition, and distribution of paid employment in Indiana's private nonprofit sector. It is part of a larger project, *Indiana Nonprofits: Scope and Community Dimensions*, currently underway at Indiana University.

### Employment

Nonprofit organizations employed a minimum of 222,000 paid workers in Indiana in 2001, including 194,000 that worked for registered charities. This means that 7.7 percent of Indiana employees worked for a nonprofit organization, or about 1 out of every 13 workers.

Over half of all Indiana nonprofit establishments are charities (thereby eligible to receive tax-deductible contributions under Section 501(c)(3) of the Internal Revenue Code). They employ about 88 percent of all nonprofit employees, suggesting that on average they are significantly larger than nonprofits registered under other subsections of the IRS codes, such as general social welfare or mutual-benefit nonprofits.

### Payroll

The 222,000 nonprofit employees in Indiana earned an estimated $6 billion in wages in 2001, with $5.4 billion earned by those working for charities. Overall, nonprofit employees accounted for 6.6 percent of the state’s total payroll of $92.3 billion. The nonprofit payroll exceeded the payrolls for several sectors, including finance, insurance, and real estate ($5.8 billion), construction ($5.4 billion), and state and federal government combined ($4.6 billion). Nonprofit payrolls, however, were less than the payrolls for local government ($7.6 billion), nondurable manufacturing ($7.5 billion), retail trade ($9 billion), and durable manufacturing ($19.6 billion).

### Wages

The average weekly wage for nonprofit employees in Indiana is 19 percent lower than that of for-profit workers and 18 percent lower than that for government workers. However, when focusing on industries where nonprofits are concentrated, such as social services and health, nonprofits offer higher wages than for-profit providers in some service fields, although both are generally lower than average weekly wages paid to government employees.

The data do not allow us to determine whether the differences in earnings of nonprofit, for-profit, and government employees reflect real differences in wage levels or different rates of using part-time workers.

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**Figure 1**

*Indiana’s Nonprofit Employment by Field, 2001*

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

The sector’s role in the Indiana economy is underestimated because some nonprofits (such as religious congregations) are not required to participate in the ES-202 reporting systems. Others cannot be identified as nonprofits because they are not required to register with the IRS (such as congregations) or do not do so for a variety of reasons.
percent of all nonpro
metropolitan regions, accounting for 80
percent of total county employment in 2001, or
about one in six employees. This most likely
reflects the presence of large nonprofit health
and educational institutions in that community.

Nonprofit employment accounts for just
over 6 percent of total employment in the
non-metropolitan areas of the state; however,
nonprofit employment exceeds 12 percent of
total county employment in Grant, Jefferson,
Montgomery, and Putnam counties.

At $600, the average weekly wages for
nonprofit workers were highest in the South
Bend region. Nonprofit wages were notably
below the statewide average of $521 for the
Bloomington ($457) and Fort Wayne
($453) areas and were significantly below the
statewide average in the Lafayette ($431) and
Kokomo ($408) regions.

Growth
Between 1995 and 2001, employment in
the Indiana nonprofit sector increased by
37,000, or 20 percent. This growth in nonprofit
employment more than offset the loss of
33,000 jobs in the durable manufacturing
industry.

Between 1995 and 2000, nonprofit
employment grew at a rapid rate of 3.3 percent
per year, slowing to 2.1 percent between 2000
and 2001 (see Figure 3).

As a result of the comparatively high rate of
growth in nonprofit employment, the nonprofit
share of total Indiana employment grew from
6.8 percent in 1995 to 7.7 percent in 2001.

Health services accounted for almost half
(49 percent) of the overall growth in Indiana.
Social services accounted for 23 percent, while
educational services absorbed another 16
percent of the growth in employment.

The number of nonprofit employees in
legal services actually declined by 29 percent
over the 1995 to 2001 period, while for-profit
employment increased in that field by 16 percent.

Among the state’s regions, the highest
rate of average annual growth in nonprofit
employment over the 1995 to 2000 period
occurred in Bloomington (6.8
percent), at more than twice the
statewide rate. However, nonprofit
employment declined 0.4 percent in
Bloomington, while it continued to increase

The Gary,
Evansville, Lafayette,
and Kokomo regions
had below average
rates of growth in
nonprofit employment
for both periods, with nonprofit employment in
Kokomo actually declining 2.1 percent between

Not adjusting for inflation, total payroll for
nonprofit employees increased by 49 percent,
from $4.1 billion in 1995 to $6 billion in 2001.
This was faster than both for-profits and
government organizations.

As a result of these differential growth rates,
the nonprofit share of total payroll in Indiana
increased from 5.8 percent to 6.6 percent.
This increase was less than the growth in the
sector’s share of total employment, suggesting
that the average weekly wages of nonprofit
employees—which increased by $99—grew
more slowly than those of workers in the for-
profit and government sectors.

The economic role of the nonprofit sector
is not well understood by policymakers, the
press, or the public at large. As a result,
this sector is often overlooked in economic
development and education and training efforts
that could prove extremely beneficial to it in the
long term. Hopefully, with a greater knowledge
of the nonprofit sector’s economic impact,
Indiana citizens will understand the immense
stake they have in its continued health.

For more about the study, visit
www.indiana.edu/~nonprof

Average Annual Rates of Growth in Indiana Employment by Sector

<table>
<thead>
<tr>
<th>Sector</th>
<th>1995 to 2000</th>
<th>2000 to 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Nonprofits</td>
<td>3.3%</td>
<td>1.6%</td>
</tr>
<tr>
<td>For-Profit</td>
<td>2.1%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Government</td>
<td>1.5%</td>
<td>-2.2%</td>
</tr>
<tr>
<td>Charities Only</td>
<td>3.9%</td>
<td>-3.1%</td>
</tr>
</tbody>
</table>

Regional Distribution
Like Indiana’s population, most of the state’s
nonprofit employment is located in the state’s
metropolitan regions, accounting for 80
percent of all nonprofit employment in the state
(Editor’s note: the regions used in this study
do not have the same county configurations
as the federally-defined metropolitan statistical
areas). Moreover, the nine-county Indianapolis
metropolitan area had more than 65,000
nonprofit employees, or almost 30 percent of
the total Indiana nonprofit employment in 2001.

The nonprofit share of total regional
employment varies considerably across the
state’s metropolitan areas (see Figure 2). The
nonprofit sector is particularly important in the
South Bend region, accounting for almost 17
percent of total county employment in 2001, or
about one in six employees. This most likely
reflects the presence of large nonprofit health
and educational institutions in that community.

Nonprofit employment accounts for just
over 6 percent of total employment in the
non-metropolitan areas of the state; however,
nonprofit employment exceeds 12 percent of
total county employment in Grant, Jefferson,
Montgomery, and Putnam counties.