

United Way of Central Indiana's Economic Impact

Measuring the Economic Effects of the United Way's Collaboration with Funded Organizations in Central Indiana



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Prepared for
United Way of
Central Indiana



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Executive Summary

For more than a century, the United Way of Central Indiana has worked to aid the region's most vulnerable residents, develop programs and resources that help Hoosier families achieve a more secure financial future, and respond rapidly to unique emergencies such as the COVID-19 pandemic. Through United Way's investments and its network of partners, more than 8.2 million basic needs and economic mobility services--in addition to more than 94 million meals--were delivered to Central Indiana residents between 2020 and 2023. While these activities define United Way's core mission, the organization also provides secondary benefits to Central Indiana by providing a boost to the region's economy through its investments with hundreds of other organizations in the community.

This report focuses on these secondary benefits by summarizing the results of a detailed analysis of the economic impacts of United Way's investments in the Central Indiana region. The first section of the report highlights the scale and breadth of United Way's grantmaking between 2020 and the first half of 2023. The next section details the impact the spending related to these investments has on the region's economy in terms of employment, compensation, and GDP. In the closing section, we broaden the scope of this analysis to consider the full economic impact--regardless of revenue source--of the nonprofit organizations who received grants from United Way in recent years.

Key Findings

Impact of United Way Investments

- Between 2020 and the first half of 2023, United Way issued 1,775 grants to 387 different organizations in Central Indiana. The total value of these grants was more than \$135 million.
- On average between 2020 and 2022, the value of United Way's investments supported an estimated 600 jobs per year directly with funded organizations. Add in an additional 200 jobs supported by the ripple effects of these investments, and the total employment impact of United Way's investments climbs to 800 jobs per year in Central Indiana. These jobs are worth \$36 million in annual employee compensation.
- The employment multiplier of these investments (i.e., the ratio of direct employment to the total jobs impact) of 1.33 means that every 100 direct jobs with funded organizations support an additional 33 jobs at other businesses in Central Indiana.
- Every \$1 million in United Way investment supported 21 total jobs in Central Indiana between 2020 and 2022.
- The full impact of United Way's investments contributed an average of \$45.1 million per year

to Central Indiana's GDP between 2020 and 2022.

- The average GDP multiplier of 1.84 indicates that every dollar of GDP directly generated by funded organizations spur an additional \$0.84 in economic activity for other businesses in the region.

Full Impacts of Nonprofit Organizations that Have Received United Way Grants

- Of United Way's 387 grantees over this period, 320 organizations were designated as tax-exempt by the IRS. Looking at the full employment impacts of these nonprofits (i.e., the impact of all services provided by these organizations, not just those supported by United Way investments), these 320 nonprofits employed roughly 17,270 workers in Central Indiana in 2021. Add in another 5,780 ripple effect jobs, and the full employment impact of these organizations jumps to more than 23,000 jobs in the region.
- The combined effects of these nonprofits contributed more than \$1.52 billion to Central Indiana's GDP in 2021. The multiplier of 1.73 suggests that every dollar of GDP generated directly by these organizations creates another \$0.73 in economic activity for other businesses in the region.

Profile of United Way Investments, 2020 to 2023

United Way of Central Indiana serves the residents of Boone, Hamilton, Hancock, Hendricks, Marion, Morgan, and Putnam counties. United Way is a unique player in Central Indiana, bringing the resources of philanthropy, government, corporations, the social sector and neighborhoods together to confront intergenerational poverty. To this end, United Way invested nearly \$136 million between 2020 and 2023 (see **Figure 1**). These investments were spread over 1,775 grants issued to 387 different organizations in the region.

United Ways investments are spread across several strategies (see **Figure 2**). Between 2020 and the first half of 2023, United Way invested nearly \$44 million in grants through its Family Opportunities strategy—which focuses on education, financial stability and well-being of the whole family, providing pathways for their success and improved quality of life through a 2-generational approach. Over this same span, United Way made more than \$39 million in grants through its Basic Needs strategy, which helps to provide vulnerable individuals and families with a broad array of life’s essentials including safe and affordable housing, healthy food access, quality health care and reliable transportation. Together these two strategies accounted for more than 60 percent of the value of United Way’s investments over this period.

Also included in this report are United Way’s sector support and capital funds strategies. Through the support of the Lilly Endowment, Inc., these investments support the human service network through asset development, infrastructure investments, leadership investment, and technical assistance for organizations for sustainability and effective mission delivery. The Capital Projects fund provides grants to organization’s capital improvements and allow organizations to leverage

Figure 1: Value of United Way investments by year, 2020 to 2023

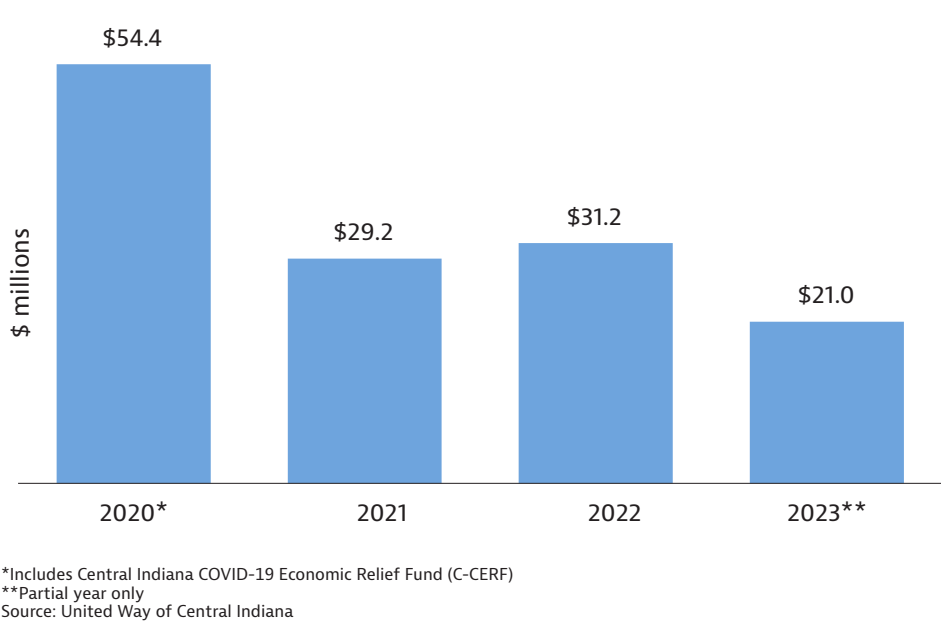
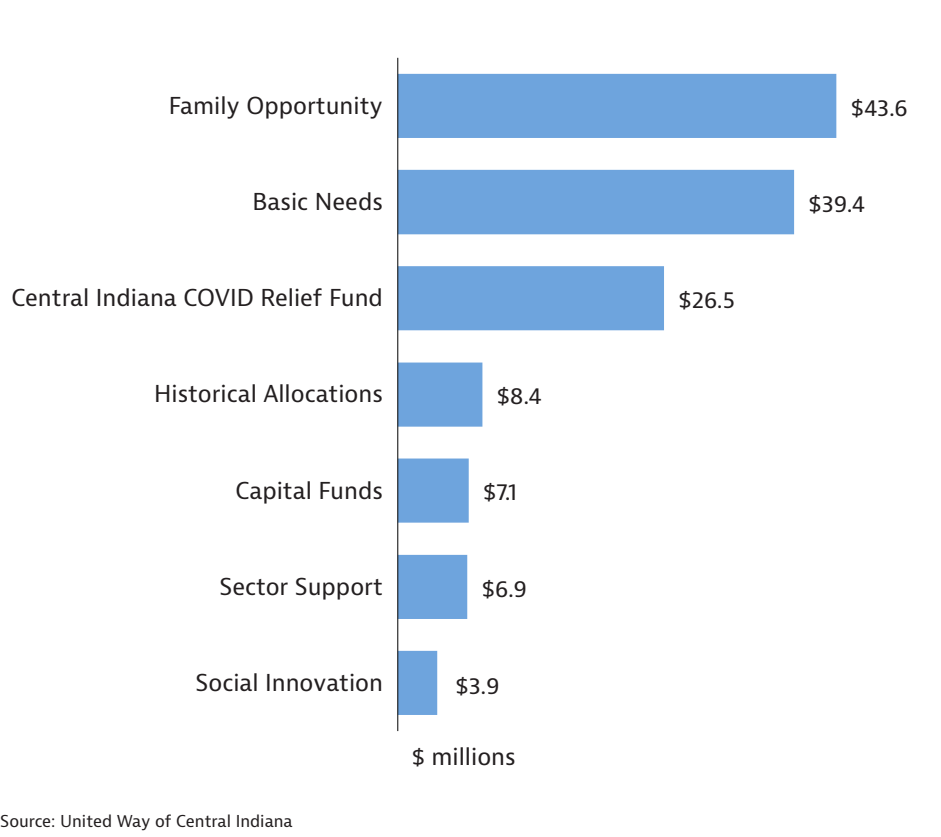


Figure 2: Total Value of Investments by Strategy, 2020 to 2023



other community support through matching funding partnerships. These strategies accounted for more than 10 percent of the total value of United Way's investments over this period.

In addition to executing on these core strategies, United Way also administered the \$26.5 million Central Indiana COVID-19 Community Economic Relief Fund (C-CERF), which was governed by a Task Force led by founding partners: Lilly Endowment

Inc., Central Indiana Community Foundation (through the Glick Fund and The Indianapolis Foundation), Eli Lilly and Company Foundation, Nina Mason Pulliam Charitable Trust, Richard M. Fairbanks Foundation, and United Way of Central Indiana. C-CERF provided critical financial support to community and faith-based organizations dealing with the unprecedented challenges created by the pandemic.

During this period, through United Way's investments and its network of partners, more than 8.2 million basic need and economic mobility services, in addition to more than 94 million meals, were delivered to Central Indiana residents. This impact reflects the activities associated only with United Way investments; the collective work delivered through these organizations is far greater.



Economic Impact: United Way's Investments

When organizations undertake the activities supported by United Way grants, they generate additional economic activity in the Central Indiana region. Funded organizations may use these investments to hire new employees or retain existing ones, cover the cost of other operating expenses, make capital investments, or some combination of these. As a result, the economic activity initiated by these investments cascade throughout the Central Indiana economy and create significant economic ripple effects for other businesses and households in the region.

To estimate these additional impacts, the research team from the Indiana Business Research Center at IU's Kelley School of Business used the IMPLAN economic modeling software to construct an input-output analysis of United Way's investments in Central Indiana. The IMPLAN model draws from a variety of secondary data sources to provide a detailed account of the Central Indiana economy.

The first step in conducting this input-output analysis was to organize United Way's grant funding into the specific industries in which the funded organizations operate. This process is critical since each industry has a unique impact profile based on factors such as the characteristics of its labor force, its supply chain requirements, and the degree to which the geographic region of analysis meets those supplier needs. The 387 organizations that received United Way grants operate in 28 different industries.¹

To give an example of how the model generates the economic effects described in the following sections of this report, we outline the impacts that would result from a grant of \$1 million

to an organization that operates in the Community Food and Housing Relief Services industry in Central Indiana.

In the terminology of economic impact analysis, this \$1 million in grant funding is referred to as direct output, a term that describes the value of goods or services produced by an organization or industry. The model calculates direct employment by applying an industry-specific output-per-worker ratio to this level of output. In this context, direct employment simply means the number of jobs supported or created at the organization that received a United Way grant. Employment estimates in this report do not include any jobs created through United Way-supported workforce development programming.

The model estimates that the output-per-worker for a Central Indiana organization in the Community Food and Housing Relief Services industry is approximately \$92,450. Applying this ratio to the \$1 million in output yields an estimated 11 direct jobs resulting from this grant. The model uses similar sets of relationships to estimate direct employee compensation and direct GDP.

Once these direct economic impacts are calculated, the next step in an input-output analysis is to produce estimates of the economic "ripple effects" that an organization generates through its supply chain purchases and through the household spending of its employees.

Continuing with the example of a United Way grant to a food and housing relief services provider, the model estimates that 59 percent of the value of the supply chain purchases this organization requires are provided by other businesses in Central Indiana. This spending creates additional economic impacts in the region.

Additionally, the model estimates that the cost of employee compensation accounts for more than 37 percent of the total expenses for this industry,

and that employees will spend their earnings on food, clothing, health care, entertainment, etc., with much of this spending occurring in the region. The impacts from both of these spending streams—the supply chain purchases and the household spending—are referred to as the economic ripple effects of United Way's investments in the following text and tables.

In the case of the \$1 million grant to the food and housing relief services provider, these employment ripple effects amount to an estimated 5 additional jobs at other businesses in Central Indiana. Add these ripple effects to the 11 direct jobs, and the full employment impact in this example climbs to 16 jobs in the region.

This analysis measures United Way's economic contributions to the region in three ways—employment, employee compensation and gross domestic product (GDP). All economic effects reported in this analysis refer to impacts in United Way's Central Indiana service region, which consists of Boone, Hamilton, Hancock, Hendricks, Marion, Morgan, and Putnam counties.

Employment Impacts

As referenced in the previous section of this report, United Way's annual investments for a full year ranged from a high of \$54.4 million in 2020 to a low of 29.2 million in 2021. Looking at 2020, when United Way remained focused on its core mission while also administering the Central Indiana COVID-19 Economic Relief Fund, governed by a Task Force of leaders from the founding partners: Lilly Endowment Inc., Central Indiana Community Foundation (through the Glick Fund and The Indianapolis Foundation), Eli Lilly and Company Foundation, Nina Mason Pulliam Charitable Trust, Richard M. Fairbanks Foundation, and United Way of Central Indiana, the \$54 million in investments

¹ See "Methodology Notes" in the appendix for more on the process for assigning industries and estimating direct employment.

Table 1: Employment Impacts of United Way Investments

	Direct Effects (Jobs)	Ripple Effects (Jobs)	Total Employment Effects (Jobs)	Multipliers
2020	860	280	1,140	1.33
2021	450	150	600	1.33
2022	500	160	660	1.32
2023*	360	110	470	1.31
Annual Average, 2020 to 2022	600	200	800	1.33

*Partial year only

Source: Indiana Business Research Center, using data from United Way and the IMPLAN economic modeling software

Table 2: Employee Compensation Impacts of United Way Investments (\$ millions)

	Direct Effects	Ripple Effects	Total Employee Compensation	Multipliers
2020	\$31.6	\$19.1	\$50.7	1.60
2021	\$17.6	\$9.9	\$27.5	1.56
2022	\$19.2	\$10.7	\$29.9	1.56
2023*	\$13.0	\$7.3	\$20.3	1.56
Annual Average, 2020 to 2022	\$22.8	\$13.2	\$36.0	1.58

*Partial year only

Source: Indiana Business Research Center, using data from United Way and the IMPLAN economic modeling software

supported an estimated 860 jobs directly with funded organizations. As the grantees made use of these funds, they supported an additional 280 jobs with other businesses in Central Indiana. Add these ripple effects to the direct jobs, and the total employment footprint of United Way's investments in 2020 climbed to an estimated 1,140 jobs (see **Table 1**).

During more typical years like 2021 and 2022, United Way's investments had an average total employment impact of an estimated 630 jobs in the region.

A useful way to interpret the employment ripple effects is to look at the multipliers. Between 2020 and 2022, for instance, the ratio of direct employment to the total employment effect yields a multiplier of 1.33, meaning that every direct job with a funded organization supports an additional 0.33 jobs at other businesses in Central Indiana (or every 100 direct jobs support another 33 jobs in the region).

An even more meaningful measure is the ratio of investment dollars to total employment impact. Between 2020 and 2022, every \$1 million in United Way investment supported 21 total jobs in Central Indiana.

United Way's average direct employment impact of 600 jobs between 2020 and 2022 generated nearly \$23 million in annual employee compensation. Additionally, the ripple effect jobs supported by the household spending of these direct workers, along with the supply chain spending in the area by funded organizations, created more than \$13 million in employee compensation per year in Central Indiana over this period. All told, the average total compensation impact of United Way's investments was \$36 million per year between 2020 and 2022 (see **Table 2**). This total translates to an average compensation per worker of slightly more than \$45,000.

The multiplier of 1.58 suggests that every dollar of employee compensation supported directly at funded

organizations create another \$0.58 in earnings for workers at other businesses in the region.

Impact of United Way’s Investments on Central Indiana’s GDP

As for broader economic activity, the combined effects of United Way’s investments contributed \$45.1 million per year to Central Indiana’s gross domestic product (GDP) between 2020 and 2022.² Focusing on more typical years like 2021 and 2022, the total GDP impact of United Way’s investments was \$35.9 million per year.

² GDP is a measure of the value of an economic activity after subtracting the costs of the goods and services needed to produce that activity. GDP consists of four components: employee compensation, proprietor income, other property income and indirect business tax.

The average GDP multiplier of 1.84 indicates that each dollar of GDP directly generated by funded organizations spur an additional \$0.84 in economic activity for other businesses in the region.



Table 3: Impacts of United Way Investments on Central Indiana’s GDP (\$ millions)

	Direct GDP Effects	GDP Ripple Effects	Total GDP Effects	Multipliers
2020	\$33.9	\$29.5	\$63.4	1.87
2021	\$19.1	\$15.3	\$34.4	1.80
2022	\$20.7	\$16.7	\$37.4	1.81
2023*	\$13.8	\$11.3	\$25.1	1.82
Annual Average, 2020 to 2022	\$24.6	\$20.5	\$45.1	1.84

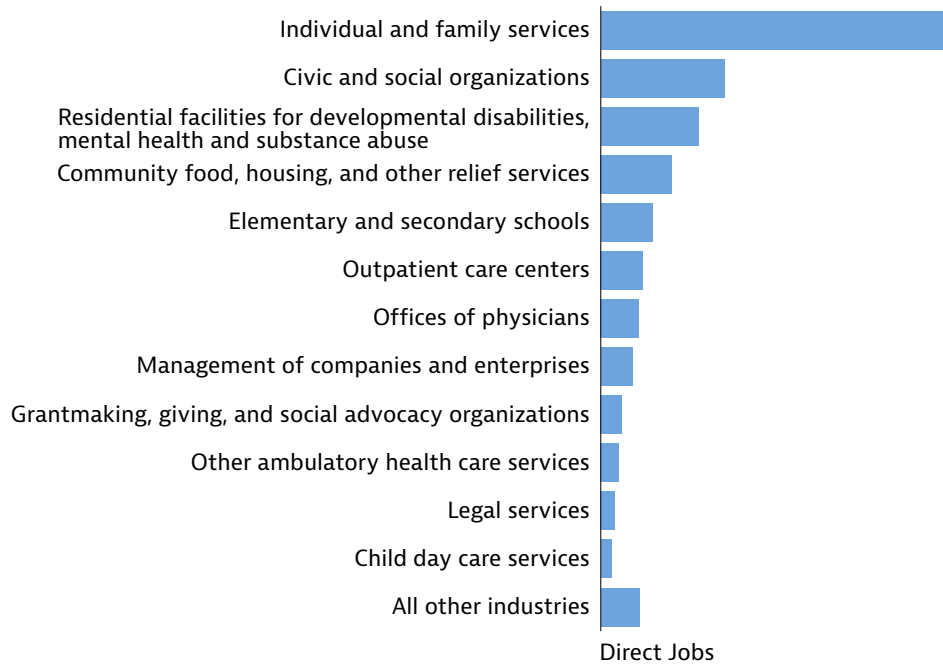
*Partial year only
Source: Indiana Business Research Center, using data from United Way and the IMPLAN economic modeling software

Full Economic Impact of Nonprofit Organizations Receiving United Way Grants

To this point, this study has focused exclusively on the economic effects related to United Way’s investments with its funded organizations. These organizations, however, have multiple sources of revenue and provide services beyond those supported through United Way grants. As such, the full economic impact of these organizations is significantly larger. With this in mind, we broaden our view to estimate the full economic impact in Central Indiana of nonprofit organizations who have received United Way funding.

United Way issued grants to 387 different organizations between 2020 and 2023. Of this total, 320 are designated as tax-exempt nonprofits by the Internal Revenue Service. (Examples of funded organizations that do not fit this designation include public school corporations, township trustees, private service providers, etc.). The analysis in this section reflects only the impact of these 320 nonprofit organizations.

Figure 3: Direct Employment by Industry for Nonprofits Receiving United Way Grants, 2021



Source: Indiana Business Research Center

Table 4: Economic Effects of Nonprofits that have Received United Way Grants, 2021

	Direct Effects	Ripple Effects	Total Effects	Multipliers
Employment	17,274	5,776	23,050	1.33
Employee Compensation (\$millions)	\$727.1	\$417.7	\$1,144.8	1.57
GDP (\$millions)	\$879.9	\$643.9	\$1,523.8	1.73

Source: Indiana Business Research Center, using data from United Way and the IMPLAN economic modeling software

Unlike the previous section, which examined the annual impacts of United Way’s investments over a series of years, this analysis is focused on the full impact of this set of organizations in 2021.

These 320 nonprofits represent 25 different industries. In terms of direct employment, funded nonprofits in the Individual and Family Services industry

have the largest total employment at 6,570 jobs in Central Indiana in 2021 (see **Figure 3**). United Way grantees engaged in civic and social organizations, residential support and treatment services, and community

relief services also combine for an additional 5,600 direct jobs.³

All told, these funded nonprofits supported 17,270 direct jobs in Central Indiana in 2021. Add in the ripple effects from supply chain purchases by

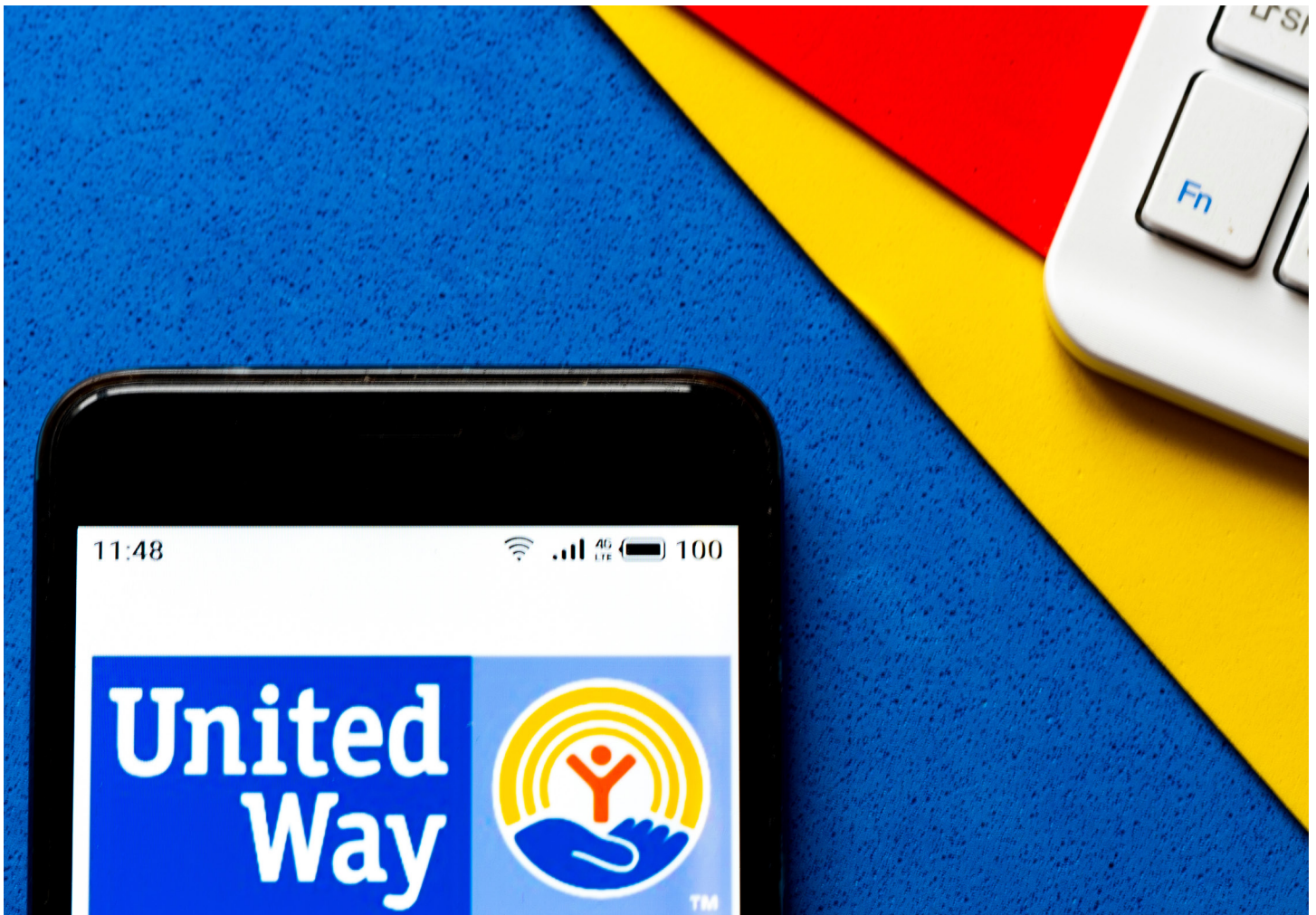
³ See “Methodology Notes” in the appendix for more on the process for assigning industries and estimating direct employment.

these organizations and the household spending of these workers, and the full employment impact of these nonprofits climbs to more than 23,000 jobs in the region (see **Table 4**). The employment multiplier of 1.33 means that every direct job with a funded nonprofit creates an additional 0.33 jobs at other

businesses in Central Indiana (or every 100 direct jobs support another 33 jobs in the region).

In terms of economic impact, these jobs are worth \$1.15 billion in employee compensation. Furthermore, the combined effects of these nonprofits contribute more than \$1.52 billion to

Central Indiana's GDP. The multiplier of 1.73 suggests that every dollar of GDP generated directly by these organizations spurs another \$0.73 in economic activity for other businesses in the region.



Conclusion

United Way of Central Indiana's mission is to partner to design, support and grow systems that accelerate financial stability and upward mobility for individuals and families living in or near poverty and striving for a brighter future. As this report details, while fulfilling this core mission, United Way's investments also provide a significant boost to the Central Indiana economy. All told, United Way's activities supported 800 jobs per year in Central Indiana between 2020 and 2022

while also contributing \$45 million in annual GDP to the region's economy.

When it comes to the full economic impact of nonprofit organizations that have received United Way grants, these numbers only scratch the surface. The total economic effects generated by the 320 nonprofit organizations that have received United Way funding had a total employment impact of more than 23,000 jobs in Central Indiana in 2021. Furthermore, the combined effects of

these nonprofits contributed more than \$1.52 billion to Central Indiana's GDP.

These findings clearly demonstrate that United Way has a significant impact on the Central Indiana economy.

Appendix

Key Terms

- **Direct Effects:** Refers to the change in employment, income or GDP in Central Indiana that can be attributed to United Way investments or to the economic activity generated by funded nonprofits.
- **Ripple Effects:** A combination of the indirect and induced effects generated by the direct effects. Indirect effects measure the change in GDP or employment caused when funded organizations increase their purchase of goods and services from suppliers, for instance, and, in turn, those suppliers purchase more inputs and so on throughout the economy. Induced effects reflect the changes—whether in GDP or employment—that result from the household spending of employees directly linked to United Way-related activities, along with the employees of its suppliers.
- **Total Effects:** The sum of the direct effects and ripple effects.
- **Multiplier:** The multiplier is the magnitude of the economic response in a particular geographic area associated with a change in the direct effects. The multiplier equals the total effect divided by the direct effect.
- **GDP:** Also known as value added, GDP is a measure of the economic activity generated by a given organization or industry. GDP is the difference between an industry's total sales and the cost of its production inputs. GDP consists of four components: employee compensation, proprietor income, other property income and indirect business tax.
- **United Way Strategies:** To learn more about United Way's grantmaking strategies

visit <https://www.uwci.org/grantmaking>.

Methodology Notes

Industry Assignments: The first step in conducting the input-output analysis was to assign North American Industry Classification System (NAICS) codes to each United Way grant recipient. To accomplish this task, United Way provided Employer Identification Numbers (EIN) for each grant recipient to the IBRC. The IBRC matched these EINs against a proprietary data source and the Business Master File for Exempt Organizations (BMF) from the IRS. The proprietary data source provides a direct match between EIN and NAICS code, while BMF files provide National Taxonomy of Exempt Entities (NTEE) codes. The NTEE codes were converted to NAICS codes using a crosswalk developed by the Urban Institute. To make the data suitable for use in the IMPLAN economic modeling software, NAICS codes were then converted to IMPLAN industry codes using a crosswalk provided by IMPLAN.

Direct Employment: The estimated direct employment supported by United Way investments is derived from IMPLAN's industry-specific output-per-worker ratios. IMPLAN defines output as the value of goods or services produced by an establishment or industry. The IBRC modeled all United Way investment as regular output. Therefore, the estimates for direct employment related to United Way investments are the product of the annual value of United Way grants by industry and IMPLAN's output-per-worker ratios for each industry.

By contrast, in the section that details the full economic impact of nonprofit organizations that have received United Way grants, direct employment counts for were drawn from administrative records. Like the process for assigning industries,

the IBRC matched EINs against a proprietary data source and IRS Form 990 files to determine the total employment in 2021 of each nonprofit organization that received at least one grant from United Way over the period of analysis.

Throughout the report, direct employment refers exclusively to human service sector jobs at the organizations that received United Way grants. Employment estimates in this report do not include any jobs created through workforce development programming.

About IMPLAN Economic Impact Modeling Software

IMPLAN is built on a mathematical input-output (I-O) model that expresses relationships between sectors of the economy in a chosen geographic location. In expressing the flow of dollars through a regional economy, the input-output model assumes fixed relationships between producers and their suppliers based on demand. It also omits any dollars spent outside of the regional economy—say, by producers who import raw goods from another area, or by employees who commute and do their household spending elsewhere.

The idea behind input-output modeling is that the inter-industry relationships within a region largely determine how that economy will respond to economic changes. In an I-O model, the increase in demand for a certain product or service causes a multiplier effect, layers of effect that come in a chain reaction. Increased demand for a product affects the producer of the product, the producer's employees, the producer's suppliers, the supplier's employees, and so on—ultimately generating a total effect in the economy that is greater than the initial change in demand. For instance, demand for Andersen Windows' wood

window products increases. Sales grow, so Andersen must hire more people, and the company may buy more from local vendors, and those vendors in turn must hire more people ... who in turn buy more groceries. The ratio of that overall effect to the initial change is called a regional multiplier and can be expressed like this:

$$\frac{(\text{Direct Effect} + \text{Indirect Effects} + \text{Induced Effects})}{(\text{Direct Effect})} = \text{Multiplier}$$

Multipliers are industry- and region-specific. Each industry has a unique output multiplier because each industry has a different pattern of purchases from firms inside and outside of the regional economy. (The output multiplier is in turn used to calculate income and employment multipliers.)

Estimating a multiplier is not the end goal of input-output analysis. Most analysts wish to estimate other numbers and get answers to questions such as: How many jobs will this new firm produce? How much will the local economy be affected by this plant closing? What will the effects be of an increase in product demand? Based on those user choices, IMPLAN software constructs “social accounts” to measure the flow of dollars from purchasers to producers within the region. The data in those social accounts will set up the precise equations needed to finally answer those questions users have—about the impact of a new company, a plant closing or greater product demand—and yield the answers.

IMPLAN constructs its input-output model using aggregated production, employment, and trade data from local, regional, and national sources, such as the U.S. Census Bureau’s annual County Business Patterns and the U.S. Bureau of Labor Statistics’ annual report called Covered Employment and Wages. In addition to gathering enormous amounts of data from government sources, the company also estimates

some data where they haven’t been reported at the level of detail needed (county-level production data, for instance), or where detail is omitted in government reports to protect the confidentiality of individual companies whose data would be easily recognized due to a sparse population of businesses in the area.

The IBRC’s analysts attended advanced training in the IMPLAN modeling software. The estimates that the IBRC analysts generate are closely scrutinized to ensure that they are accurate and reflect the most trustworthy application of the modeling software. In all instances, the most conservative estimation assumptions are used to produce the IMPLAN results.

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