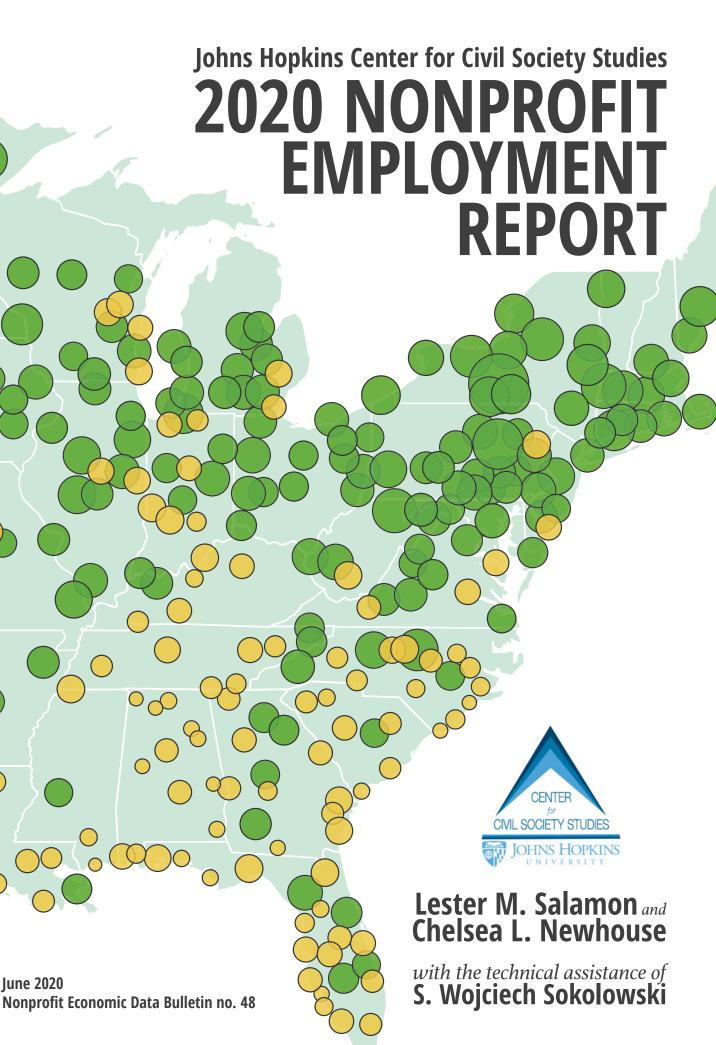
June 2020



The 2020 Nonprofit Employment Report

Nonprofit Economic Bulletin no. 48 • June 2020

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Suggested citation:

Lester M. Salamon and Chelsea L. Newhouse, "The 2020 Nonprofit Employment Report," *Nonprofit Economic Data Bulletin no. 48.* (Baltimore: Johns Hopkins Center for Civil Society Studies, June 2020). Available at ccss.jhu.edu.

The authors wish to express their appreciation to the Charles Stewart Mott Foundation whose support made this report possible. The findings and interpretations reported here are those of the authors only, however, and may or may not be consistent with those of any entities with which the authors are affiliated or that have assisted or supported the work.

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Cover image: Nonprofit share of private employment by Metro Statistical Area, 2017. Green=above national average of 10.2%; Yellow=below national average.

• PREFACE •

This report is part of an on-going series that examines employment and wages in private, nonprofit establishments¹ in the United States. While our Center has been producing these reports for nearly 20 years, this year's report, like this year itself, is unique for several reasons.

As we began work on this report, the 2020 COVID-19 pandemic was just beginning to show its initial effects around the world, and the resulting nation-wide economic and social impacts in the United States were still only partially visible. However, as the pandemic reached the United States, it became clear that efforts to slow its spread would have profound impacts on all aspects of our lives, and not least of all on the nonprofit sector. But as is too often the case, these effects seemed especially likely to be ignored in the rush of attention to the other sectors impacted by the pandemic. This not only made this year's report especially important in order to establish the most recent baseline of information possible against which to chart the virus's impact, but also, it induced us to go beyond our normal practice of reporting only on past developments by seeking information that would allow us to make meaningful estimates of the impact of current developments, and current policy responses, on this crucial sector in something approaching real time.

Accordingly, this report seeks to shed light on two aspects of the current nonprofit employment scene: *first*, the pre-COVID-19 nonprofit workforce realities as they are visible in the unusual body of data we have succeeded in tapping on U.S. nonprofit employment dynamics; and *second*, estimates of the scale of impacts on nonprofit employment of both the enormous economic and social changes unleashed by the COVID-19 pandemic, and the ability of nonprofit organizations to gain access to the policy measures put in place to shield American society from this impact, as both of these are visible as of June 2020 when this report went to press.

In both respects, the data presented here can be of crucial importance to sector leaders, government policymakers, the media, and citizens at large in comprehending the vital role that the nonprofit sector plays in the social and economic well-being of the nation, the way in which COVID-19 is impacting this sector, and the challenges that nonprofits have encountered in gaining access to the financial support that government policy has theoretically opened up to the hundreds of thousands of nonprofit organizations and millions of nonprofit employees that qualify as "small businesses" under the recent federal programs of assistance to such organizations.

Also contributing to the special importance of this 2020 Johns Hopkins Nonprofit Employment Report is that this report is the last to reflect directly the handiwork of our long-time colleague and friend, **Dr. S. Wojciech Sokolowski**, who passed away on May 3, 2020 following a long illness, as this report neared completion. Wojciech played a fundamentally central role in the **Nonprofit Economic Data Project**. His statistical expertise, creative approach, and collaborative spirit were pivotal to developing and refining the methodology used to identify nonprofits in the existing governmental data system on which this and previous reports relied, and future reports will also make ample use of. This has opened a unique body of data on nonprofit employment that is far more reliable, comprehensive, and detailed than any previously or presently available, making it possible for the first time to get a clear view of the economic impact of nonprofit organizations locally and nationally, and to compare them to other industries in a systematic and reliable way. The resulting body of data has been crucial for nonprofit leaders nationally and locally to represent this important sector in policy discussion, in the media, and to the public at large, making clear not just the social impact of this sector, but also its economic impact in towns and communities throughout the nation. It is with gratitude and heavy hearts that we therefore dedicate this 2020 Johns Hopkins Nonprofit Employment Report to him.

¹ 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.

• INTRODUCTION •

This report presents the latest-available data on nonprofit employment and wages generated by the U.S. Bureau of Labor Statistics from the Quarterly Census of Employment and Wages using a technique first developed by the Johns Hopkins Center for Civil Society Studies. QCEW is an administrative dataset collected by states as a part of the federal Unemployment Insurance (UI) program and draws on the quarterly surveys of workplaces that state employment security offices have conducted since the 1930s. Under federal law, all nonprofit places of employment with four or more employees are required to participate in the unemployment insurance system. However, 22 states also extend this requirement to places of employment with one or more employees. Although the program does not cover self-employed and family workers, QCEW data encompass approximately 97% of non-farm employment, providing a virtual census of employees and their wages as well as the most complete universe of employment and wage data, by industry, at the State, regional, and county levels.

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 geographic location of the workers instead of attributing all of them to the home office of the parent organization; (c) use of the standard classification of organizations by field of activity used for other economic sectors, making possible comparisons with other economic sectors such as for-profit businesses in terms of the number of people employed, the economic field, and the average wages paid, by state, county, and metro area; and (d) professional management by highly competent statistical experts in the U.S. Bureau of Labor Statistics. (See Appendix B for additional detail about the QCEW and the methodology used for this report).

Since the BLS unfortunately does not routinely separate QCEW data on nonprofit organizations from data on private business enterprises but rather merges such data with data on for-profit enterprises into a conglomerate identified only as "private employment," the scale of the nation's nonprofit workforce and how it is distributed across the country or among the numerous activity areas has been historically obscured even though such data have long been present in BLS computers. To correct this problem and bring the scale of nonprofit employment into clear view for the first time, the Johns Hopkins Center for Civil Society Studies (JHU/CCSS) found a way to identify nonprofit establishments in the BLS data system and extract data on nonprofit employment from the BLS files. Through a special research arrangement, BLS granted JHU/CCSS researchers access to these data to apply this method on several occasion in the 1990s and into the 2000s, and ultimately took on the task of applying this methodology and creating special nonprofit data runs itself, but only on a once-every-five-years basis beginning in 2012. The present report draws on the most recent BLS such data, which cover the year 2017² and the intervening years between 2007 and 2017. We are deeply grateful to the Charles Stewart Mott Foundation, which provided the financial support that made the development of this special extraction methodology possible; and to David Talan, Kevin Cooksey, and their colleagues at the Bureau of Labor Statistics, who carried out the tabulation.

² U.S. Bureau of Labor Statistics. (2019). "Nonprofit Data Files, 2017 Annual Averages." (Washington, DC: Bureau of Labor Statistics). Available at: bls.gov/bdm/nonprofits/nonprofits.htm.

The balance of this report falls into three major parts. **Part I** examines **five key findings** emerging from the BLS data on nonprofit employment for 2017 and the years 2007 to 2016 that preceded it. In particular, it puts the nonprofit paid workforce into context in terms of other major industries in the U.S. economy, shows the even more substantial role this sector plays in the fields in which it is most active, documents the nonprofit contribution to job growth, provides evidence on the nonprofit role as a generator of payroll income and hence of tax revenue, and rebuts the widespread assumption that nonprofit wages lag behind those of the for-profit sector. In the process, the data demonstrate that, side by side with their considerable social contributions, U.S. nonprofit organizations comprise a far more sizable and dynamic economic force in this country than is commonly appreciated.

Against this backdrop, **Part II** of this report provides a first approximation of the extent of job losses that nonprofit organizations may have suffered through May of 2020, the first three months of the current COVID-19 crisis. In addition, it documents the extent to which this sector is made up of firms that should be benefiting from the recently enacted federal government **Payroll Protection Program** by virtue of having fewer than 500 employees and thus qualifying as "small businesses."

A final section then summarizes the implications of these various findings.

• PART I •

Key Findings: Nonprofit Employment— A Mighty Economic Force

America's Third Largest Workforce

Although the nonprofit sector is not itself an "industry," but rather a distinctive set of institutions that operates in various different industries—such as health, education, and social services—it is nevertheless instructive to compare the scale of its workforce to that of the country's five largest industries. When this is done, as shown in **FIGURE 1**, a surprising conclusion emerges: as of 2017, the most recent year on which data are available, **U.S. nonprofits employed the third largest workforce of any U.S. industry**, behind only retail trade and accommodation and food service, but well ahead of all branches of manufacturing. In particular, with **12.5 million paid workers**, nonprofits thus employed:

- → More than twice as many workers as the nation's finance and insurance industry.
- → 81% more workers than the nation's construction industry.
- → Nearly 100,000 more workers than the nation's manufacturing industry.
- → Within 8% as many workers as the restaurant and hotel industry.
- → And nearly 80% as many workers as the U.S. retail trade industry.

FIGURE 1 • Employment in nonprofits vs. private employment in key industries, 2017

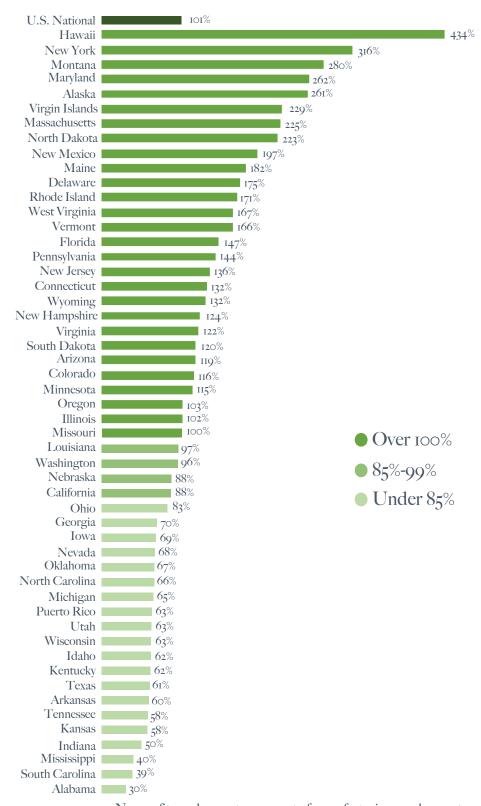


Total private employees

Because the manufacturing sector is often seen as a bellwether for the health and vitality of a region's economy, it is especially revealing to note that nonprofits employ more workers than manufacturing in over half (28) of the country's states and territories, including states as diverse as Pennsylvania, Massachusetts, West Virginia, and Minnesota, as shown in FIGURE 2. In a further 4 states, nonprofits represent over 85% of total manufacturing employment.

For further detail on the scale of nonprofit employment in the states, see **APPENDIX A**.

FIGURE 2 • Nonprofit employment as a percent of manufacturing employment, by state and territory, 2017



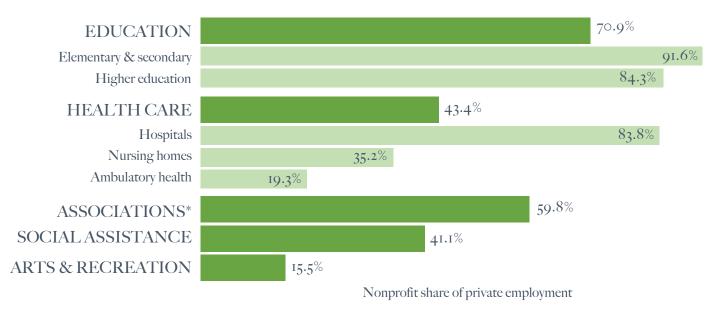
Nonprofit employment as percent of manufacturing employment

An Even Larger Share of Private Employment in Fields in which Nonprofits Are Active

Although nonprofits are present in many fields that are not commonly thought of as being amenable to the nonprofit model—such as construction, manufacturing, and accommodations—they tend to concentrate in a relative handful of primary fields—particularly health care, education, social assistance, and arts and recreation. And in these fields, nonprofits constitute an especially large share of private employment. Thus, as **FIGURE 3** shows, nonprofits accounted in 2017 for:

- → Nearly three quarters (71%) of the nation's private employment in education, including 84% of private elementary and secondary education employment and 92% of private higher education employment.
- Over 41% of private employment in social assistance, including child day care, and individual and family services.
- → Over 43% of private employment in health services, including:
 - 84% of private employment in hospitals;3
 - Over a third of private employment in nursing homes; and
 - Nearly 20% of private employment in ambulatory health care.⁴
- → Nearly 60% of private employment in religious, civic, and professional organizations.
- → And 15.5% of private employment in arts and recreation, with considerably higher shares of symphonies and museums.

FIGURE 3 • Nonprofit share of private employment, by selected industry, 2017



^{*}Includes religious, grantmaking, civic, professional, and similar organizations.

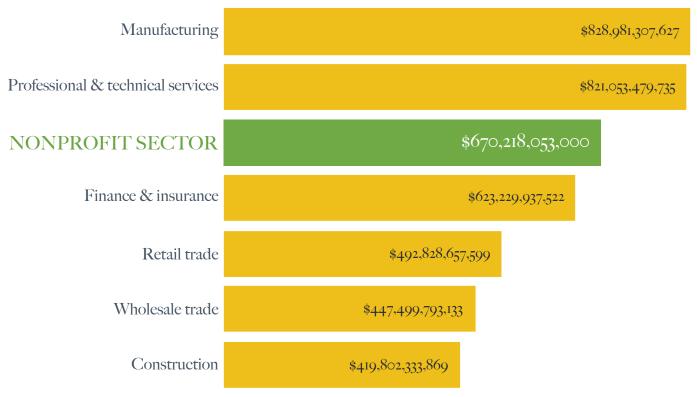
³ When public hospitals are included as well, nonprofits account for 66% of total hospital employment.

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

3 A Major Generator of Income and Tax Revenue

Nonprofits paid over **\$670 billion in wages** nationwide in 2017. As shown in **FIGURE 4**, this makes the nonprofit sector the **third largest generator of payroll income in the United States**, behind only professional and technical services and manufacturing. Retail trade, which employs the most workers in the country, as shown in Figure 3 above, has only the 5th largest payroll.

FIGURE 4 • Total annual wages paid by nonprofits vs. key U.S. industries, 2017



Total wages paid

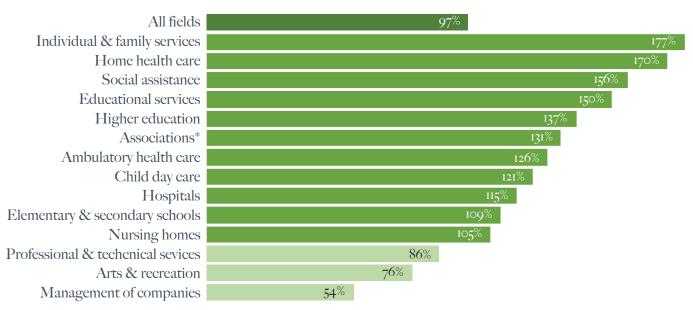
Higher Average Wages in Most Fields

This substantial nonprofit payroll scale reflects not only the considerable size of the nonprofit workforce, but also two facts that run counter to widespread misconceptions: first, the fact that while nonprofits may pay lower wages than the average for-profit in the general economy, this disparity is far smaller than is frequently assumed; and second, the fact that in the fields in which nonprofits operate, they actually pay wages that on average are actually higher than for-profit firms in the same fields.

Thus, the national average weekly wage in the nonprofit sector in 2017, at \$1,032, was 97% as large as the average economy-wide weekly wage in the private for-profit sector. But in fields in which nonprofits and forprofits are both heavily involved, nonprofit average weekly wages tend to be higher than those offered by for-profit firms in the same fields. In particular, as **FIGURE 5** shows:

- Nonprofit individual and family services and home health care organizations pay over 70% more than their for-profit counterparts.
- → Nonprofit social assistance organizations pay 56% more than for-profits operating in the same field.
- → Nonprofit educational institutions pay on average 50% more than for-profit educational institutions. This includes an average of 9% more in elementary and secondary schools and 37% more in colleges, universities, and professional schools.
- → Nonprofit **ambulatory health care** organizations pay **26% more** on average than for-profits in that field; nonprofit hospital weekly wages exceed those in for-profits by 15%, and nonprofit nursing homes pay an average of 5% more than for-profit homes.
- → In only three of the major fields in which nonprofits operate do for-profit firms pay higher average weekly wages than nonprofits, but these are all non-human service fields and the special case of arts and recreation, which includes professional sports.

FIGURE 5 • Nonprofit average weekly wages as a share of for-profit average weekly wages, major nonprofit fields, 2017



Nonprofit average weekly wage as a percent of for-profit wages

^{*}Includes religious, grantmaking, civic, professional, and similar organizations.

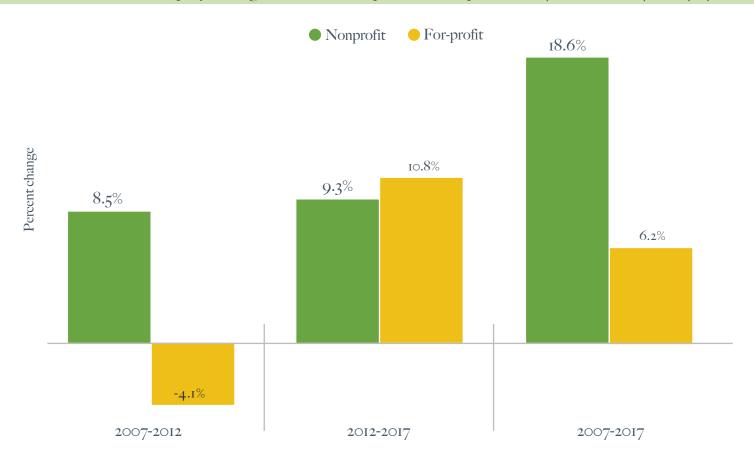
A Dynamic Sector Contributing Significantly to Employment Growth

As **FIGURE 6** shows, the nonprofit sector saw significant growth over the period 2007 to 2017, increasing its workforce by a total of 18.6%. By contrast, for-profit employment in the economy as a whole grew by a much more tepid 6.2%.

Especially notable was the growth of nonprofit employment during the recessionary period following the 2007-08 financial crisis. During this 2007-2012 period, nonprofits boosted their employment by 8.5% while for-profit businesses reduced their economy-wide employment by an aggregate total of -4.1%. The growth in nonprofit employment likely reflects the combination of the counter-cyclical programs already on the federal government's books and the passage of the Affordable Care Act, which pumped additional support into the health care arena where nonprofits are especially active.

For-profits recovered significantly in the latter portion of this 11-year period, but nonprofits continued to grow their employment base as well. As a result, over the entire 2007 to 2017 period **nonprofits outpaced economy-wide for-profit job growth by a factor of 3:1 (18.6% vs. 6.2%)**.

FIGURE 6 • Employment growth rate, nonprofit vs. for-profit, 2007-2012, 2012-17, 2007-17



This pattern of vigorous nonprofit job growth was evident in virtually every state, moreover, as shown in **TABLE 1**.

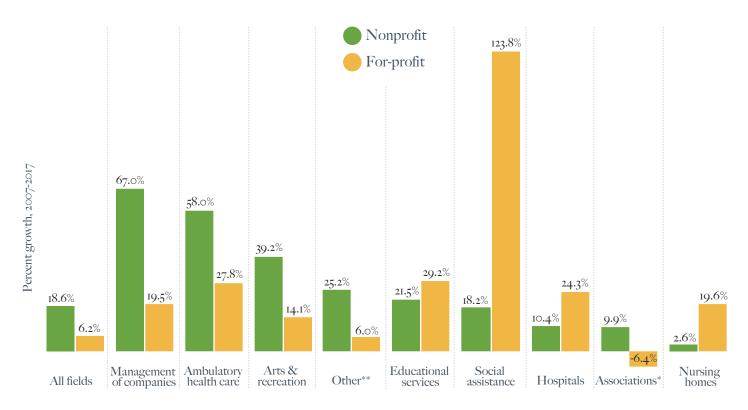
In fact, in 28 of the states and territories for which there are longitudinal data, the growth of nonprofit jobs during the full 2007-2017 period exceeded the national average of 18.6%. In 25 of the 50 states, nonprofit job growth exceeded 20 percent over this period. What is more, nonprofit employment in all but 4 states and Puerto Rico experienced a nonprofit job growth rate that exceeded the average economywide for-profit job growth rate of 6.2% between 2007-2017, and only one state—Rhode Island—experienced a cumulative decrease in nonprofit employment (-2.3%) over this period.

TABLE I • Nonprofit employment growth rates, by state, 2007-2012, 2012-17, 2007-17

| | 2007-2012 | 2012-2017 | 2007-2017 | |
|------------------------|---------------|--------------|----------------|--|
| National | 8.5% | 9.3% | 18.6% | |
| Alabama | 5.6% | 2.2% | 7.9% | |
| Alaska | 16.3% | 5.6% | 22.9% | |
| Arizona | 16.1% | 16.0% | 34.8% | |
| Arkansas | 10.2% | 9.5% | 20.7% | |
| California | 10.0% | 10.5% | 21.6% | |
| Colorado | 14.4% | 14.7% | 31.3% | |
| Connecticut | 9.6% | 5.2% | 15.3% | |
| Delaware | 14.7% | 12.6% | 29.2% | |
| District of Columbia | 11.1% | 7.0% | 18.9% | |
| Florida | 9.1% | 14.7% | 25.2% | |
| Georgia | 10.1% | 16.8% | 28.6% | |
| Hawaii | 6.2% | 10.0% | 16.8% | |
| Idaho | 18.9% | 16.4% | 38.5% | |
| Illinois | 6.2% | 6.6% | 13.1% | |
| Indiana | 12.1% | 9.1% | 22.3% | |
| Iowa | 5.4% | 3.6% | 9.2% | |
| Kansas | 6.7% | -0.7% | 6.0% | |
| Kentucky | 11.8% | 10.9% | 24.1% | |
| Louisiana | 16.6% | 16.2% | 35.4% | |
| Maine | 7.9% | 7.4% | 16.0% | |
| Maryland | 10.0% | 4.5% | 14.9% | |
| Massachusetts | 5.9% | 9.9% | 16.3% | |
| Michigan | 1.0% | 5.0% | 6.1% | |
| Minnesota | 9.1% | 12.3% | 22.5% | |
| Mississippi | 9.5% | 8.1% | 18.4% | |
| Missouri | 9.2% | 8.7% | 18.7% | |
| Montana | 11.2% | 8.4% | 20.5% | |
| Nebraska | 7.4% | 6.0% | 13.8% | |
| Nevada | 10.9% | 21.5% | 34.8% | |
| New Hampshire | 7.6% | 10.9% | 19.4% | |
| New Jersey | 3.7% | 5.0% | 8.8% | |
| New Mexico | 7.2% | 6.1% | 13.8% | |
| New York | 5.6% | 8.2% | 14.3% | |
| North Carolina | 15.8% | 9.5% | 26.8% 24.8% | |
| North Dakota Ohio | 15.3% 6.7% | 8.2% 9.9% | 17.2% | |
| Oklahoma | 9.6% | 7.6% | | |
| | 9.5% | 16.3% | 18.0% | |
| Oregon Pennsylvania | 5.5% | 4.0% | 27.3% 9.7% | |
| Puerto Rico | 4.9% | 0.2% | 9.7 % 5.1% | |
| Rhode Island | 0.0% | -2.3% | -2.3% | |
| South Carolina | 15.2% | 15.3% | 32.8% | |
| South Dakota | 14.8% | 7.0% | 22.8% | |
| Tennessee | 6.4% | 9.5% | 16.5% | |
| Texas | 13.2% | 14.3% | 29.3% | |
| Utah | 14.7% | 20.8% | 38.5% | |
| Vermont | 9.7% | 11.0% | 21.8% | |
| Virginia | 12.3% | 11.8% | 25.5% | |
| Washington | 13.7% | 19.1% | 35.4% | |
| West Virginia | 9.7% | 8.1% | 18.5% | |
| Wisconsin | 8.0% | 3.6% | 11.9% | |
| Wyoming | 4.1% | -1.5% | 2.6% | |
| . 0 | | | | |

As shown in **FIGURE 7**, nonprofit employment also grew in all fields between 2007 and 2017. The fastest growth during this period occurred in industries where nonprofits represent relatively low shares of private employment, including: retail trade (80%); management of companies (67%); ambulatory health care (58%); the arts (39%); and administrative and waste services (36%).

FIGURE 7 • Nonprofit vs. for-profit employment growth rate, 2007-2017, by field



^{*}Includes religious, grantmaking, civic, professional, and similar organizations.

5 Nonprofit Loss of Market Share

While nonprofits exceeded the employment growth rate of the for-profit sector in the economy overall between 2007-2017, a different picture is evident in many fields that nonprofits have long dominated. In particular, for-profit employment in a number of traditional nonprofit fields grew faster than nonprofit employment—continuing a trend identified in previous reports.⁵ Apparently, the same factors—especially expanded governmental support—that fueled nonprofit growth in these field attracted for-profit competitors that offered lower wages and therefore lower costs to cash-strapped governments and that likely had more aggressive marketing efforts and were thus able to claim market share from nonprofit providers. While both sectors gained ground, the for-profits gained the edge. Thus, as shown in Figure 7:

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^{**}Other incudes: Information; Professional, scientific, and technical services; Retail trade; and Administrative & waste services management

⁵ See Lester M. Salamon and Chelsea L. Newhouse, "The 2019 Nonprofit Employment Report," Nonprofit Economic Data Bulletin no. 47. (Baltimore: Johns Hopkins Center for Civil Society Studies, January 2019). Available at: ccss.jhu.edu/publications-findings/?did=507.

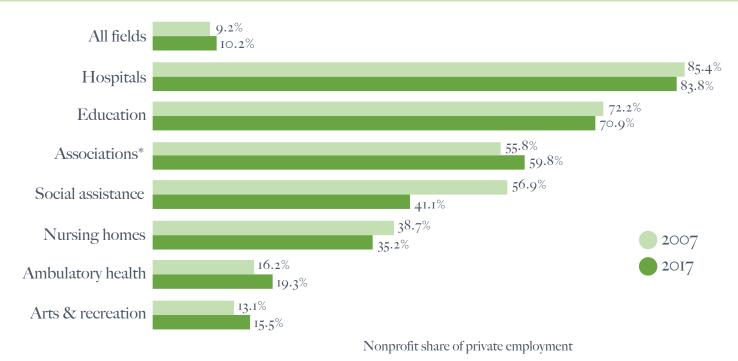
- → While nonprofit employment in **nursing and residential care** grew by 2.6% during this period, for-profit employment in this field grew by nearly 20%.
- → In **hospitals**, for-profit employment growth outpaced nonprofit employment growth 24.3% to 10.4%.
- → In **social assistance**, for-profit employment growth outpaced nonprofit growth roughly 124% to 18%.
- → And in **education**, the for-profit edge was 29% to 22%.

As a consequence, in many of the fields in which nonprofits have traditionally dominated, for-profits made significant inroads in terms of market share. In particular, as shown in **FIGURE 8**:

- → In hospital care, it went from 85.4% in 2007 to 83.8% in 2017.
- → In education, it declined from 72.2% in 2007 to 70.9% in 2017.
- → In **social assistance**, it dropped precipitously—from 56.9% to 41.1%.
- → In **nursing and residential care**, nonprofit employment went from 38.7% of all private employment in 2007 down to 35.2% in 2017.
- → The only major fields in which nonprofits gained market share over this period were associations (+4%); ambulatory heath care (+3.1%); and the arts (+2.4%).

In short, while the data demonstrate the resilience of the nonprofit sector in the face of tough economic circumstances, they also lay bare the challenges these organizations face in an increasingly competitive environment.

FIGURE 8 • Nonprofit share of private employment, by industry, 2007 vs. 2017



^{*}Includes religious, grantmaking, civic, professional, and similar organizations.

• PART II • Nonprofits & COVID-19

Nonprofit COVID-19 job losses

Despite its recent history of robust job growth, the nonprofit sector has not been immune from the job-killing consequences of the recent COVID-19 pandemic. The precise scale of these losses is not yet clearly apparent, however, since the Bureau of Labor Statistics has not yet done any update of its 2017 nonprofit employment data. We therefore do not know whether nonprofits managed to repeat their prior documented practice of resisting the sharper declines in employment that for-profit employers, even in the same service fields, imposed on their workforces during previous recessions. Further complicating estimates during this recent crisis is the fact that the May employment situation estimates reported by the Bureau of Labor Statistics have been subject to a great deal of push-back from experts because the standard survey used for monthly employment reporting did not sufficiently differentiate between workers who were actually "back to work" as opposed to those who were being paid a salary through the federal Payroll Protection Program but not actually returning to work (see, for example, "What to Make of the Rebound in the U.S. Jobs Report," New York Times, June 5, 2020). This is believed to have grossly over-estimated the apparent increase in employment reported in the May BLS employment figures, especially in industries like those in which nonprofits are particularly involved where the re-opening of retail stores and restaurants were not likely to have been involved.

In view of these technical problems in the available data, we were reduced to estimating the nonprofit job losses during the critical first three months of the active impact of the coronavirus—March, April, and May, 2020. To do so, we took the conservative approach of assuming that nonprofit job losses were roughly proportional to the share of nonprofit jobs in the various fields in which nonprofits were active as of the latest date for which such data are available, i.e., 2017. Further, in view of the confusion surrounding worker responses to the BLS surveys in May, we assumed that only half of the job additions in these fields reported in May were actually job restorations, as opposed to artifacts of the way the data on salary coverage as opposed to actual job gains were reported.

As shown in **TABLE 2** below, these calculations yield an estimate of a sizable 1.6 million nonprofit job losses in this three-month period. This means that 13% of nonprofit jobs disappeared in this period. While this translated into almost 9% of all private job losses, in the fields in which nonprofits are active—which happen to be some of the most critical fields of human service needed during a pandemic—the losses of nonprofit jobs were proportionally much more sizable. Included here were:

- → 71% of private educational service job losses, including 84% of those in private elementary and secondary schools;
- → 43% of private health care job losses, including 35% of those in nursing and residential care facilities, 45% of those in outpatient care centers, and 84% of those in private hospitals;
- → 41% of private job losses in social assistance, including 91% of those in private community food and housing services and 86% of those in private vocational rehabilitation services:

- → 57% of the job losses in private performing arts companies and 87% of those in private museums and similar facilities; and
- → 60% of the losses in private religious, civic, and professional organizations.

While there is no way to know yet whether these estimates reflect the situation on the ground, we hope that they will provide a valuable baseline against which future data can be compared. In particular, understanding the projected effects will allow us to see whether nonprofits' historical resiliency holds up under this unique economic pressure—as it did during the more traditional recessionary period following the 2008 economic downturn.

TABLE 2 • Estimated nonprofit job losses by field, April thru May 2020, based on BLS overall private employment situation data

| Industry title | Total job losses, March-May, 2020 | NP job losses March-May, 2020 (estimated) | NP share of private jobs lost (estimated) |
|---|---|--|---|
| All private non-farm employment Professinal, Scientific, and Technical services | -18,723,000 -489,200 | -1,643,128 -14,689 | 8.8% 3.0% |
| Educational Services Elementary and secondary schools Colleges, univerities, and professional schools Educational support services | -455,600 | -323,201 | 70.9% 84.3% 91.6% 41.3% |
| Health Care Ambulatory health care services Offices of physicians Offices of dentists Offices of other health care practitioners Outpatient care centers Hospitals Nursing and residential care facilities | -1,322,600 -1,041,150 -229,650 -398,100 -175,150 -83,600 26,700 36,600 | -574,530 -200,942 -58,345 -4,189 -8,552 -37,276 22,381 12,883 | 43.4% 19.3% 25.4% 1.1% 4.9% 44.6% 83.8% 35.2% |
| Social Assistance Individual and family services Child day care centers Community food and housing, other relief services Vocational rehabilitation services | -630,150 -223,900 -332,600 -8,100 -65,550 | -259,007 -79,316 -97,568 -7,389 -56,421 | 41.1% 35.4% 29.3% 91.2% 86.1% |
| Arts, Entertainment, and Recreation Performing arts, spectator sports, and similar Performing arts companies Museums, historical sites, and similar | - 1,327,250 -226,200 -49,100 | -205,964 -48,723 -42,492 | 15.5% 21.5% 57.0% 86.5% |
| Other Services (except public administration) Religious, grantmaking, civic, professional, and similar Religious organizations Grantmaking and giving services Social advocacy organizations Civic and social organizations Business, professional, labor, political, and similar | -1,155,000 -246,050 | - 218,167 -147,061 | 18.9% 59.8% 84.9% 91.5% 87.6% 71.3% 13.8% |
| Other fields* | -11,394,500 | -47,570 | 0.4% |

^{*}Includes: Construction; Manufacturing; Wholesale trade; Retail trade; Transportation & warehousing; Information; Finance & insurance; and Accommodation & food services Job loss data from BLS monthly employment situation reports for: March (bls.gov/news.release/archives/empsit_04032020.htm), April (bls.gov/news.release/archives/empsit_05082020.htm), and May (bls.gov/news.release/archives/empsit_06052020.htm) 2020.

Nonprofits and the Paycheck Protection Program

Fortunately, Congress enacted, and the President signed, an important protection for workers thrown out of work by the coronavirus epidemic. Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, a **Paycheck Protection Program** (PPP) was put in place offering to "small businesses" with fewer than 500 employees the ability to apply for forgivable loans of 2.5 times monthly payroll expenses, up to \$10 million, to cover payroll costs, rent and utilities, and interest on mortgage and debt.

Although the PPP legislation made provision for coverage of nonprofit firms, insufficient emphasis was placed either in the program's roll-out or in press coverage of it that nonprofits are "small businesses" eligible for assistance under this law. Adding to the problem, the early management of this program by the nation's commercial banks channeled most of the available assistance to large, for-profit firms with multiple establishments and with established connections with the financial institutions in charge of managing the program. In fact, however, as shown in **TABLE 3** below, data we have been able to secure from the Bureau of Labor Statistics⁶ reveals that the vast majority (97.7%) of nonprofit firms fall into the category of being "small businesses." These organizations account for close to 5 million nonprofit employees and over \$190 billion in nonprofit payrolls. To date, however, the government has provided no information on the extent to which these small nonprofit "businesses" have been able to benefit from this Paycheck Protection Program.

TABLE 3 • Nonprofit firms, employment, and wages eligible for PPP support under the 500-employee limit

| Dimension | Number | Share of total nonprofit |
|--|---------------|-----------------------------|
| Nonprofit firms below 500 employees | 162,167 | 97.7% |
| Employees in nonprofit firms below 500 employees | 4,782,982 | 38.3% |
| Wages in nonprofit firms below 500 employees | \$190,656,119 | 28.4% |

⁶ Available at: https://www.bls.gov/bdm/nonprofits/nonprofits.htm

• PART III •

Conclusion & Implications

America's nonprofit sector is thus a far more sizable and robust economic force in the American economy than is widely recognized. In addition to its crucial programmatic contributions to the country's health, education, social service, and cultural activities, nonprofits constitute the country's third largest workforce and generate its third largest payroll of any national industry, and hence make important contributions to the tax revenue of the country's national, state, and local governments.

But this vital sector has not been immune from the negative impacts of the current COVID-19 pandemic. An estimated 1.6 million nonprofit workers have lost their jobs, putting significant pressure on the crucial services that these organizations have historically provided. These pressures come on top of the impacts these organizations have experienced in recent years from the shift in government support to these organizations from direct producer-side grants to indirect subsidies channeled to organizations through tax expenditures and vouchers provided to consumers. The result has been to attract for-profit providers into markets originally pioneered by nonprofit providers. Coupled with the access for-profit providers have to capital through the issuance of stocks and bonds, the result has been to create an uneven playing field for nonprofit providers and a steady deterioration of nonprofit market shares.

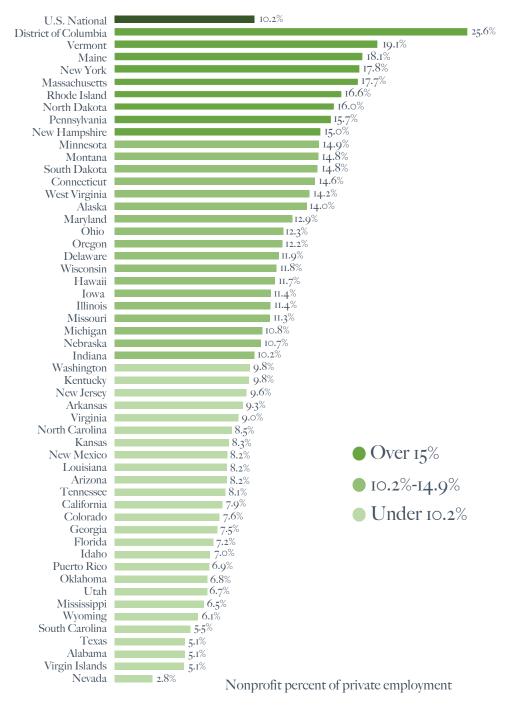
While competition certainly has its place in this field as in many others, the competition needs to be on a level playing field—particularly given the special contributions that nonprofits have been found to make in devising innovative forms of service, serving more disadvantaged clients, and staying the course even when economic circumstances turn sour. If evidence of the sort provided here can call attention both to the unique strengths and contributions that this sector has generated and some of the challenges it now faces, it will have served its purpose well. The vitality of American life may well depend on it.

• APPENDIX A •

Additional Data

Economists regularly consider any industry or economic sector that employs 5% of a country's workforce to be a "major" industry or sector. It is therefore notable that the 12.3 million paid workers employed by U.S. nonprofit establishments as of 2017 accounted for a substantial 10.2% of the total U.S. private workforce. In over half of the states and territories, moreover, nonprofits exceed the national average, and in 12 states they account for ~15% or more, including states as diverse as West Virginia, South Dakota, Connecticut, and Alaska, as shown in APPENDIX FIGURE 1.

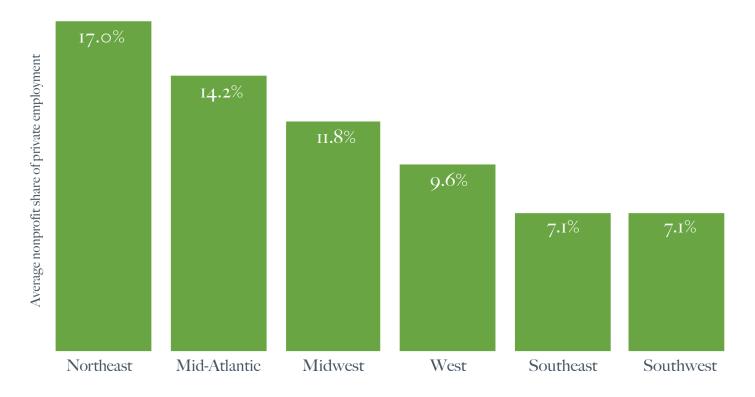
FIGURE AI • Nonprofit share of private employment, by state, 2017



There are significant regional differences in terms of nonprofit share of private employment, with nonprofits in the Northeast (17%), Mid-Atlantic (14.2%), and Midwest (11.8%) regions comprising an above-average share of the private workforce, and states in the West (9.6%), Southwest (7.7%), and Southeast (7.1%) falling below the national average, as shown in **APPENDIX FIGURE 2**. In particular:

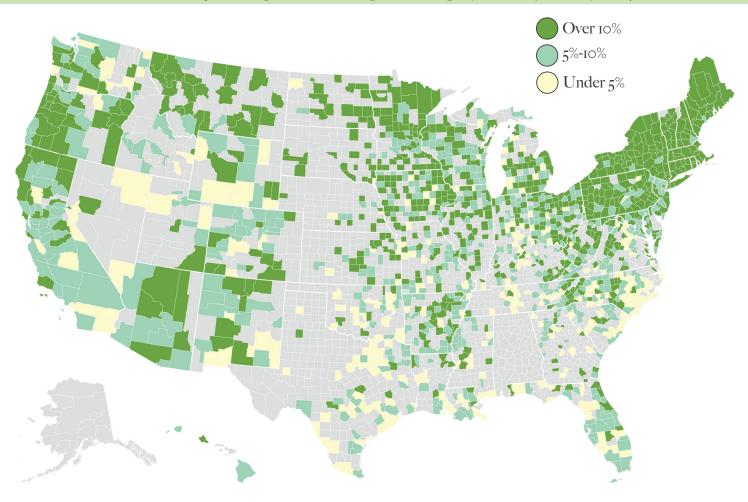
- → All states in the **Northeast region** (Connecticut, New Hampshire, Rhode Island, Massachusetts, New York, Maine, and Vermont) are above the national average, with the smallest share being seen in Connecticut at 14.6%.
- → In the **Mid-Atlantic region** (Delaware, Maryland, Pennsylvania, D.C., West Virginia, Virginia, and New Jersey), only Virginia and New Jersey fall below the national average, while in D.C., the nonprofit sector makes up over a quarter of the private workforce.
- → In the **Midwest states**, only Kentucky and Kansas fall below the national average while all other states exceed that mark.
- → In the **West**, 4 out of 9 states exceed the national average, however, Nevada at 2.8% has the smallest nonprofit sector in the nation in terms of employment share.
- → In both the Southeast (including the Virgin Islands and Puerto Rico) and Southwest, the average nonprofit share of employment is just 7.1%, with the highest share in these two regions in Arkansas at 9.3%.

FIGURE A2 • Nonprofit share of private employment, by region, 2017



An even clearer picture of the relative position of nonprofit organizations vis-à-vis overall private employment can be gained by examining this relationship at the county level. This is done in **APPENDIX FIGURE 3**, which shows that nonprofits represented over 10% of total private employment in nearly half (47.1%) of the 1638 counties for which county-level data are available. In another 34.2% of these counties, nonprofits represented between 5 and 10% of private employment, and in only 18.6% of the counties was it under 5%.

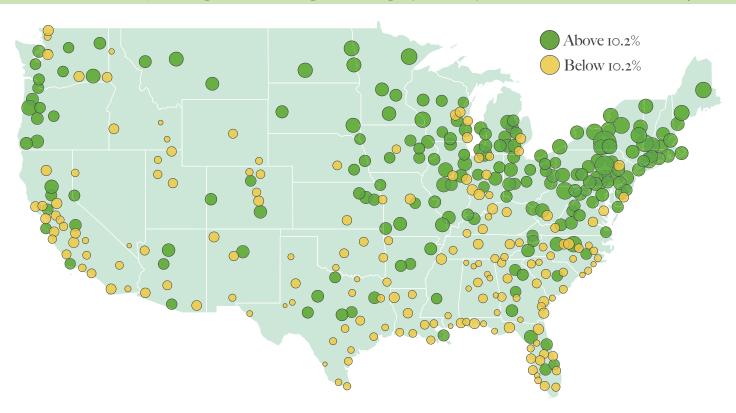
FIGURE A3 • Nonprofit share of private employment, by county, 2017



A Ubiquitous Presence

While 88% of U.S. nonprofit employment is located in metropolitan areas—it is by no means the case that nonprofit employment is a purely urban phenomenon. To the contrary, **newly available regional data** make clear that the nonprofit share of private jobs in metropolitan areas is roughly equivalent to that in the nation as a whole—10.4% vs. 10.2%. This reflects the fact that **in nearly half (380) of the country's metropolitan areas for which data are available, the average share of private employment that nonprofits account for, at 7.1%, is well below the 8.7% average in the nation's non-metropolitan areas.** More revealingly, nearly half (48%) of the 380 metropolitan areas for which data are newly available have nonprofit shares of their private employment below the 10.2% U.S. average as shown in **APPENDIX FIGURE 4**.

FIGURE A4 • Nonprofit share of private employment, by Metro Statistical Area, 2017



• APPENDIX B •

Methodology

Quarterly Census of Employment and Wages (QCEW)

The data on IRS Section 501(c)3 tax exempt entities reported here come from the Quarterly Census of Employment and Wages (QCEW), which is administered by state Labor Market Information agencies under the supervision of the Bureau of Labor Statistics (BLS) in the U.S. Department of Labor. QCEW is an administrative dataset collected by states as a part of the federal Unemployment Insurance (UI) program and draws on the quarterly surveys of workplaces that state employment security offices have conducted since the 1930s. Under federal law, all nonprofit places of employment with four or more employees are required to participate in the unemployment insurance system. However, 22 states also extend this requirement to places of employment with one or more employees.

The principal exclusions from the QCEW dataset vary by state and include employees of religious organizations, railroad workers, small-scale agriculture workers, self-employed workers, domestic service workers, crew members on small vessels, state and local government elected officials, and insurance and real estate agents who receive payment solely by commission. However, QCEW data encompass approximately 97% of non-farm employment—providing a virtual census of employees and their wages as well as the most complete universe of employment and wage data, by industry, at the State, regional, and county levels. In terms of nonprofit employment, the exclusion of religious organizations as well as entities with less than four employees is the most significant; however, religious organizations may elect to be covered by the unemployment insurance program and those that do are covered in the data. At this time the exact number of employees in tax-exempt establishments not covered by QCEW is not known, but we estimate it to be no more than 3% of total employment in the nonprofit sector.

Finding Nonprofits in the QCEW

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 separately from the for-profit employment. As a consequence, the nonprofit sector has essentially been buried in the data. To remedy this, the Johns Hopkins Center for Civil Society Studies' Nonprofit Economic Data Project developed a methodology for 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). The nonprofit micro-data were subsequently aggregated by county and fields of activity to meet the federal disclosure rules mandated by law to protect the confidentiality of company specific information.

The result is the most accurate and up-to-date picture of nonprofit employment yet available. This is so because the QCEW data have a number of critical advantages over other data sources available to shed light on nonprofit employment trends. In particular, these data:

- Are collected every quarter;
- → 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 97% of all nonprofit employment;
- Record the results using a classification structure that is widely used in other official economic data series, thus facilitating cross-sector comparisons; 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.

In 2014, BLS started releasing its own generated nonprofit data on a 5-year cycle at the national and state level but not the county level, following a methodology of record matching similar to that pioneered by the Johns Hopkins researchers. However, BLS improved that methodology by adding organizations called "reimbursables" that were not included in the IRS business register. Reimbursables are organizations that under state unemployment laws are not required to pay unemployment insurance contributions each quarter, but rather are allowed to reimburse the unemployment insurance system when a claim is made. Most states will restrict such units to 501(c)3 nonprofits. The QCEW micro data include information on reimbursables. The data reported here cover the year 2017 as revised through May 2020, readers are advised that BLS frequently makes adjustments to its initial estimates and future adjustments may affect certain aspects of the analysis. More information, including the full data tables on nonprofit employment and wages, are available from the BLS at: bls.gov/bdm/nonprofits/nonprofits.htm.

Data Limitations and Suppression

The primary limitation of the nonprofit employment data come from the federally mandated disclosure rules that require suppression of statistical information that allows the identification of single institutional units.

This suppression is applied at the industry level. In practice, this suppression can take two forms. First, the so-called "primary suppression" is applied when aggregates contain fewer than 3 units or when a single unit exceeds 80% of the aggregate total. Due to the large number of nonprofit aggregates in these data, the primary suppression rules that guided the data assembly by JHU researchers are somewhat stricter and require at least 10 units per aggregate and a maximum 75% of the aggregate total per single unit. In addition, the so-called "secondary suppression" must be applied if the value of the non-disclosable aggregate can be calculated from the disclosed values (e.g. by subtraction); when this is the case, the disclosure of additional aggregates must also be suppressed to eliminate this possibility.

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 501c(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 the methodology used to produce this report please contact ccss@jhu.edu or the BLS Business Employment Dynamics information line (available via the BLS link above).

ABOUT THE CENTER FOR CIVIL SOCIETY STUDIES

The Johns Hopkins Center for Civil Society Studies is a leading source of ground-breaking research and knowledge about the nonprofit sector, social investing, and the tools of government. Working in collaboration with governments, international organizations, investment innovators, and colleagues around the world, the Center encourages the use of this knowledge to strengthen and mobilize the capabilities and resources of the public, nonprofit, and for-profit sectors to address the complex problems that face the world today. The Center conducts research and educational programs that seek to improve current understanding, analyze emerging trends, and promote promising innovations in the ways that government, civil society, and business can collaborate to address social and environmental challenges.

ABOUT THE NONPROFIT ECONOMIC DATA PROJECT (NED)

Nonprofit organizations are facing increased pressures in states and localities throughout the United States, but the nonprofit sector's ability to respond to these pressures has been limited by a lack of timely information about how prevailing economic realities are affecting the sector. The Johns Hopkins Nonprofit Economic Data Project (NED) is helping to tackle this problem by charting economic trends in the nonprofit sector, and producing cutting-edge reports on key components of the nonprofit economy in regions and states across the country. Tapping a wide assortment of the best data sources available, the Center's NED reports cover nonprofit employment, revenues, expenditures, assets, philanthropic resources, and volunteering for the sector as a whole and in particular fields, such as health, education, social services, and arts and culture. They also document changes over time and reveal how nonprofits stack up in comparison to for-profit organizations overall and in key nonprofit fields. Over 40 such reports have been prepared, making it possible for nonprofit leaders to put their sector on the mental maps of policy-makers, the media, the sector itself, and citizens at large. For information on how you can commission a report on the nonprofit economy in your state or region, contact chelsea.newhouse@jhu.edu.



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