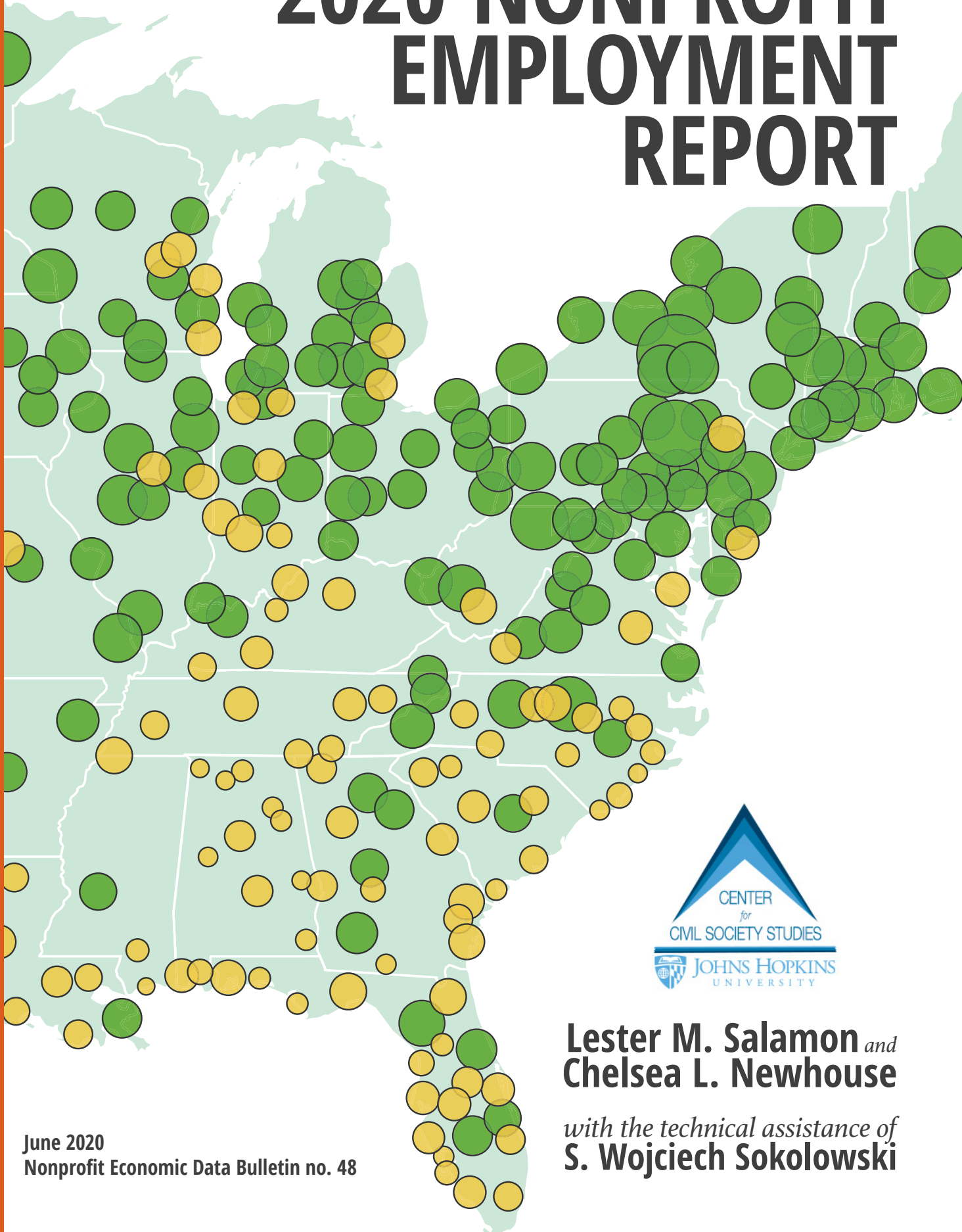


Johns Hopkins Center for Civil Society Studies

2020 NONPROFIT EMPLOYMENT REPORT



Lester M. Salamon *and*
Chelsea L. Newhouse

with the technical assistance of
S. Wojciech Sokolowski

June 2020
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The 2020 Nonprofit Employment Report

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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 occasions 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 •

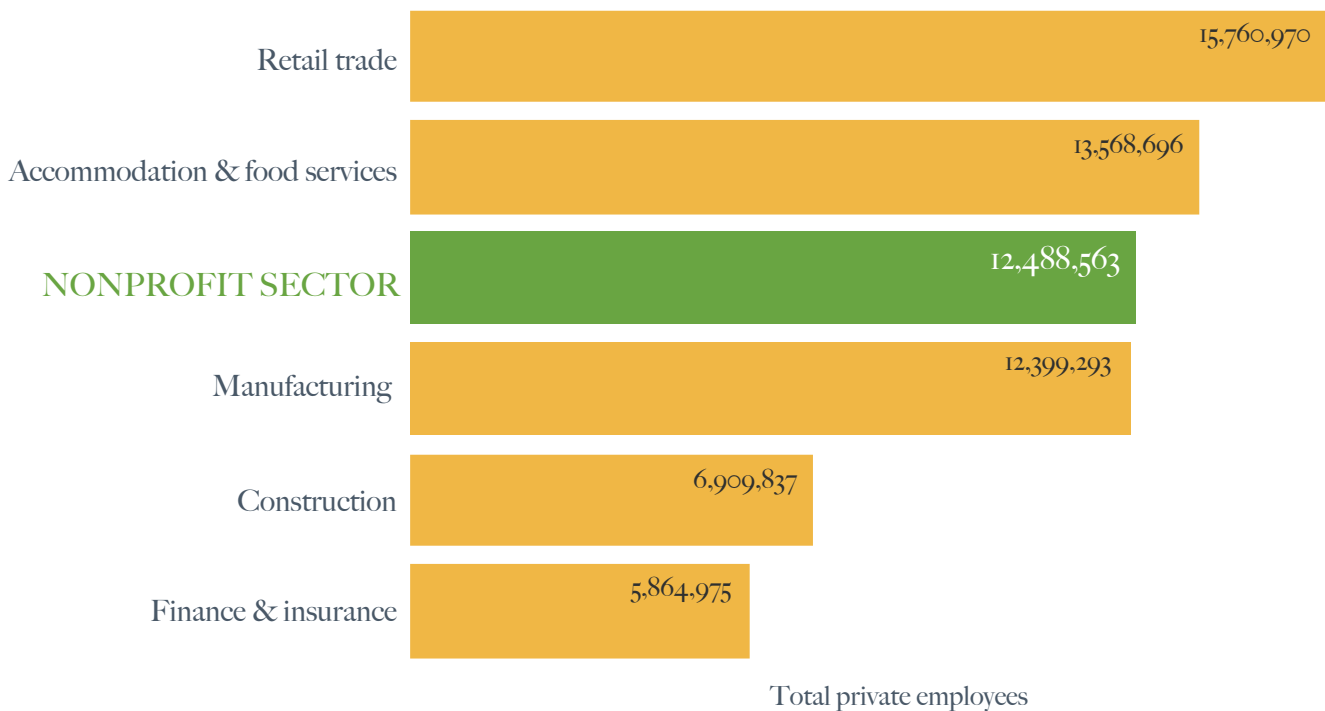
Key Findings: Nonprofit Employment— A Mighty Economic Force

1 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.

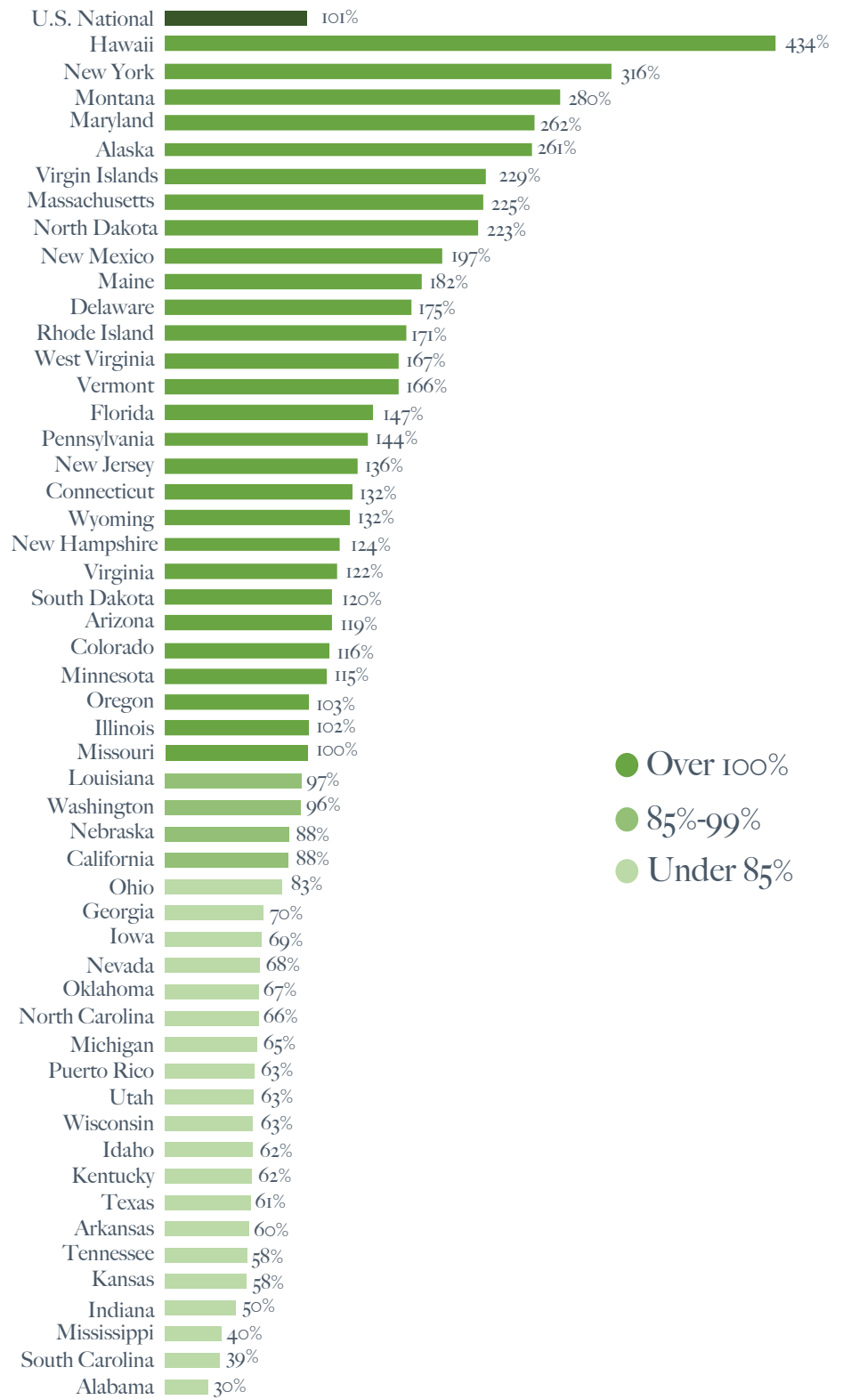
FIGURE 1 • Employment in nonprofits vs. private employment in key industries, 2017



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



- Over 100%
- 85%-99%
- Under 85%

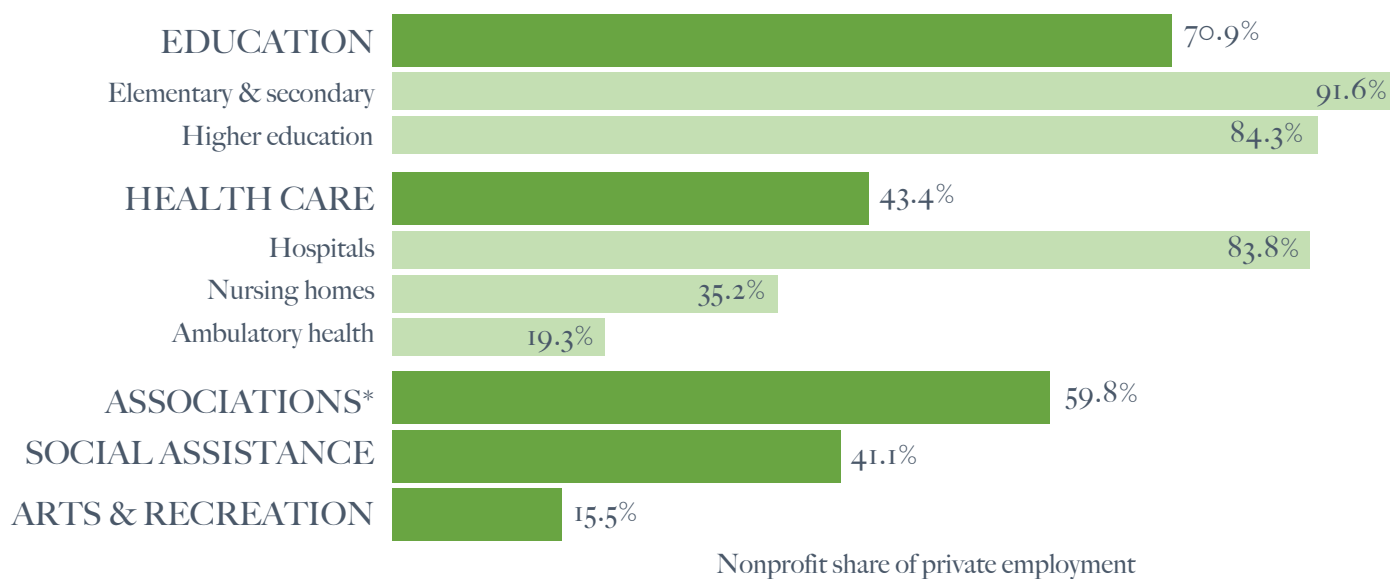
Nonprofit employment as percent of manufacturing employment

2 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



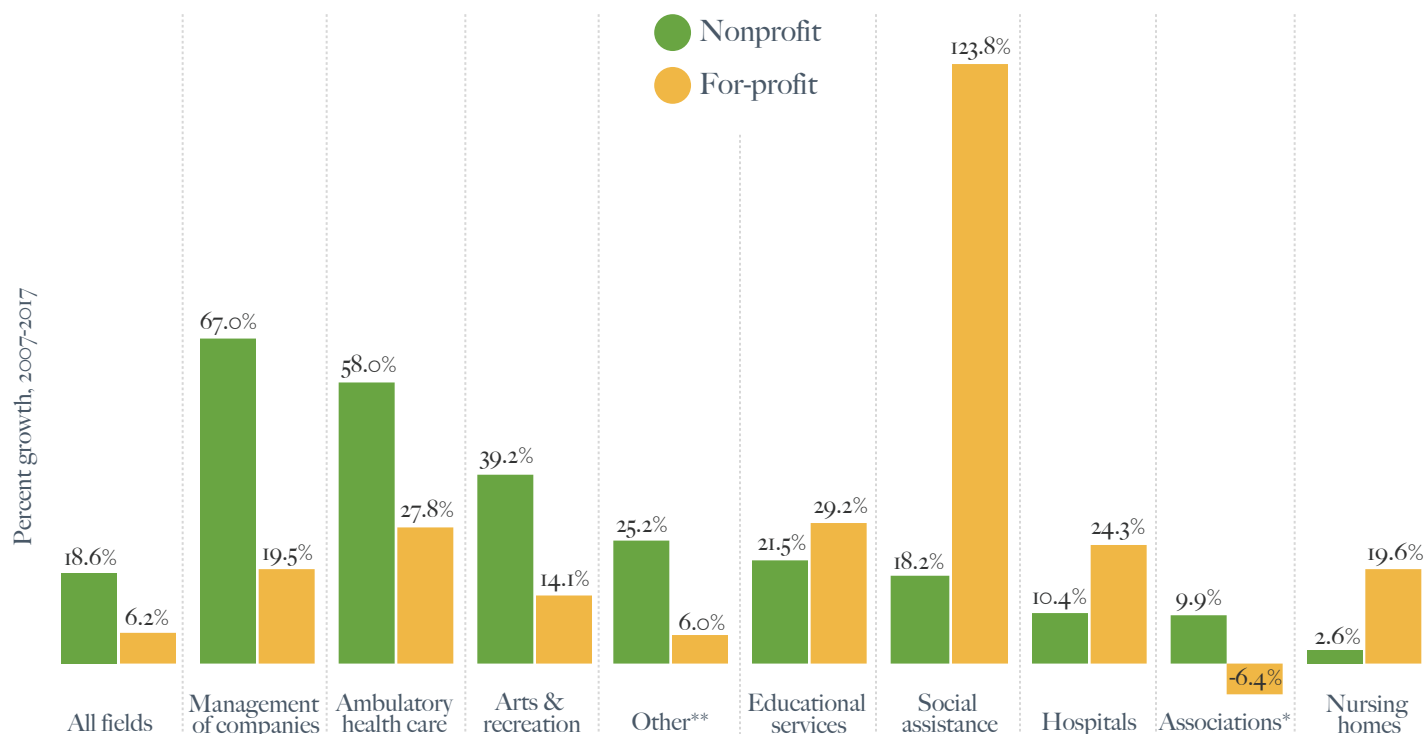
*Includes religious, grantmaking, civic, professional, and similar organizations.

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

⁴ 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.

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.

**Other includes: Information; Professional, scientific, and technical services; Retail trade; and Administrative & waste services management

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:

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.

• 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;

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.

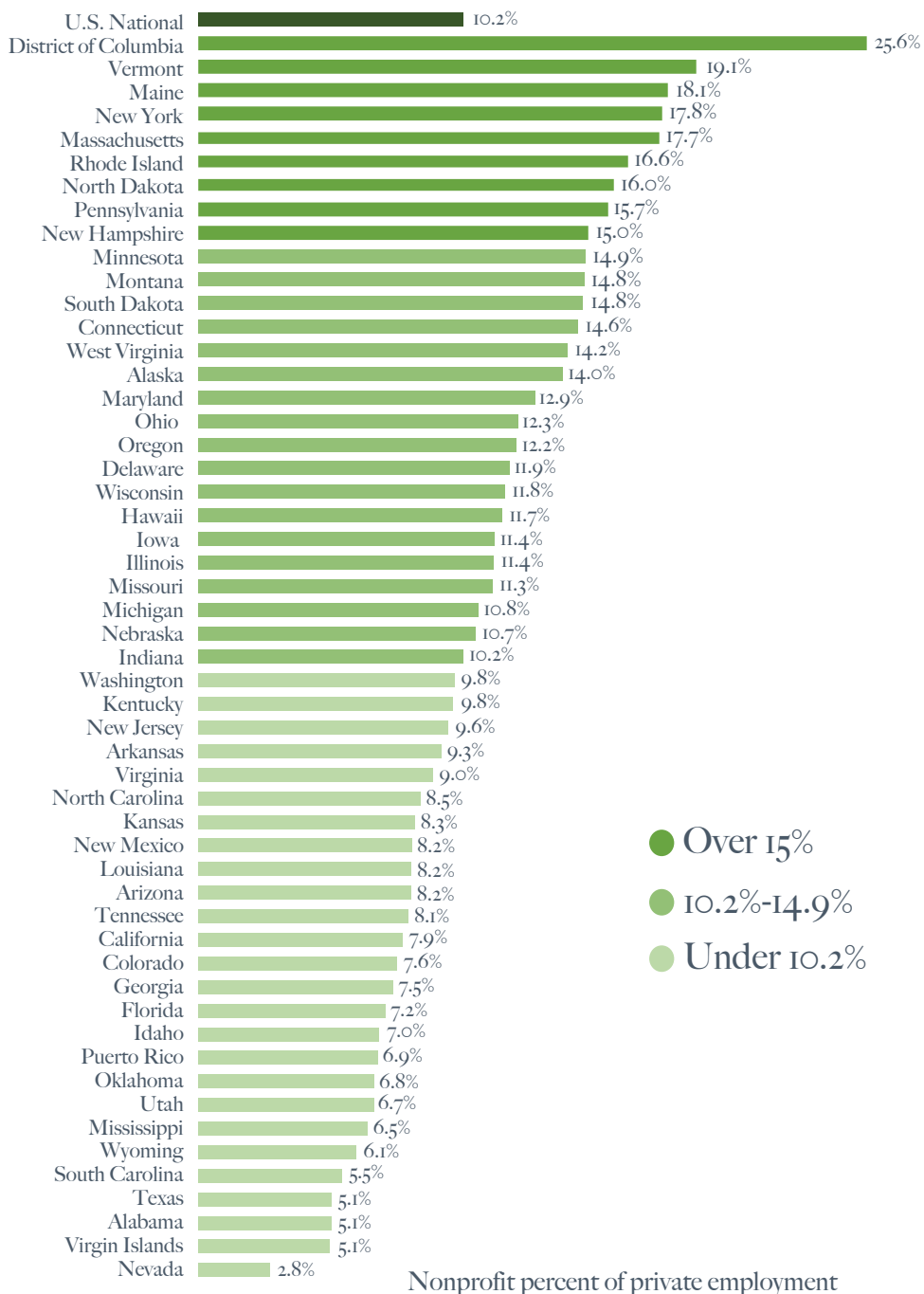
While competition certainly has its place in this field as in many others, the competition needs to be on a level playing field—particularly given the special contributions that nonprofits have been found to make in devising innovative forms of service, serving more disadvantaged clients, and staying 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

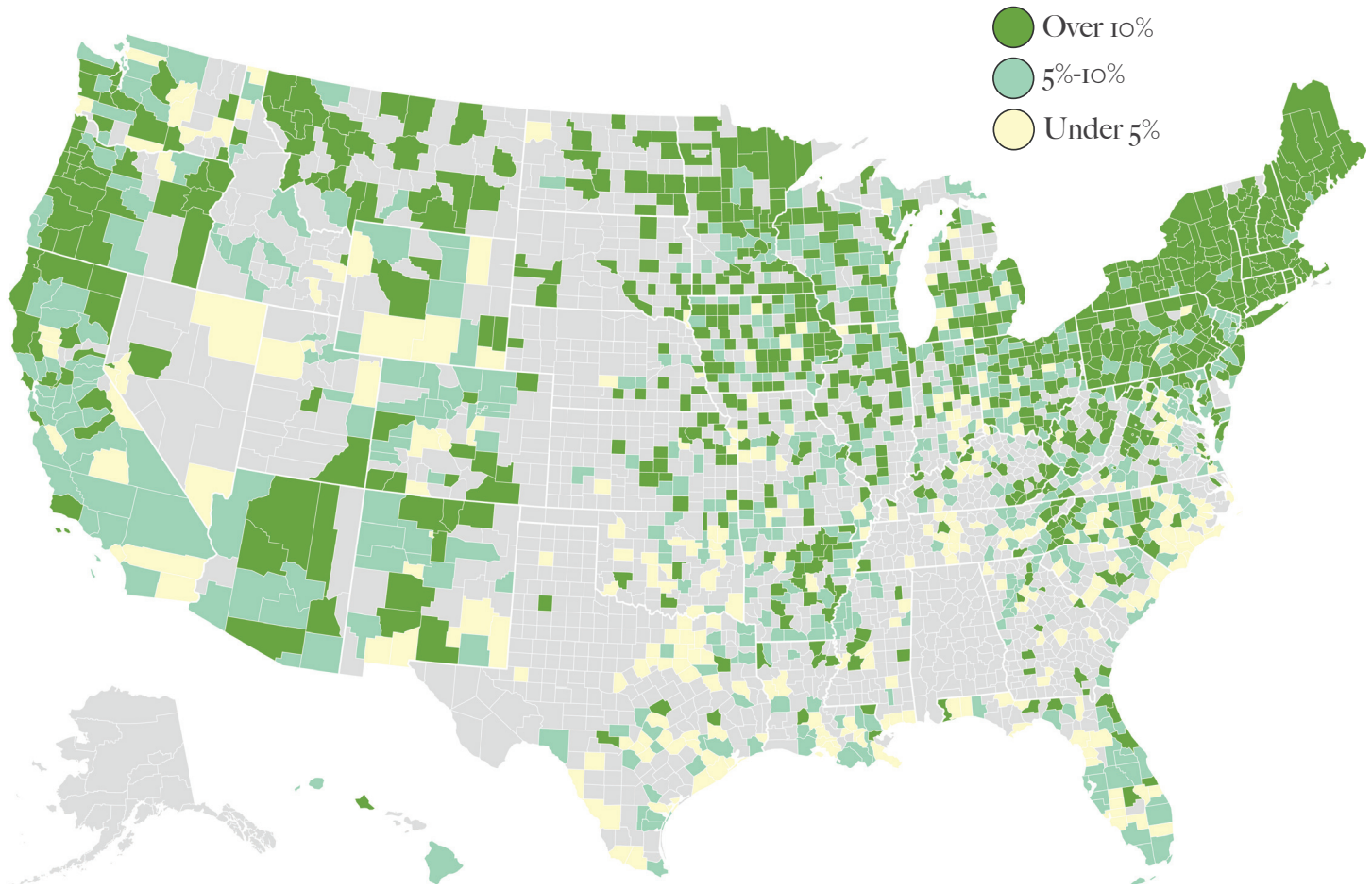
Economists regularly consider any industry or economic sector that employs 5% of a country’s workforce to be a “major” industry or sector. It is therefore notable that the 12.3 million paid workers employed by U.S. nonprofit establishments as of 2017 accounted for a substantial 10.2% of the total U.S. 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 A1 • Nonprofit share of private employment, by state, 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%.

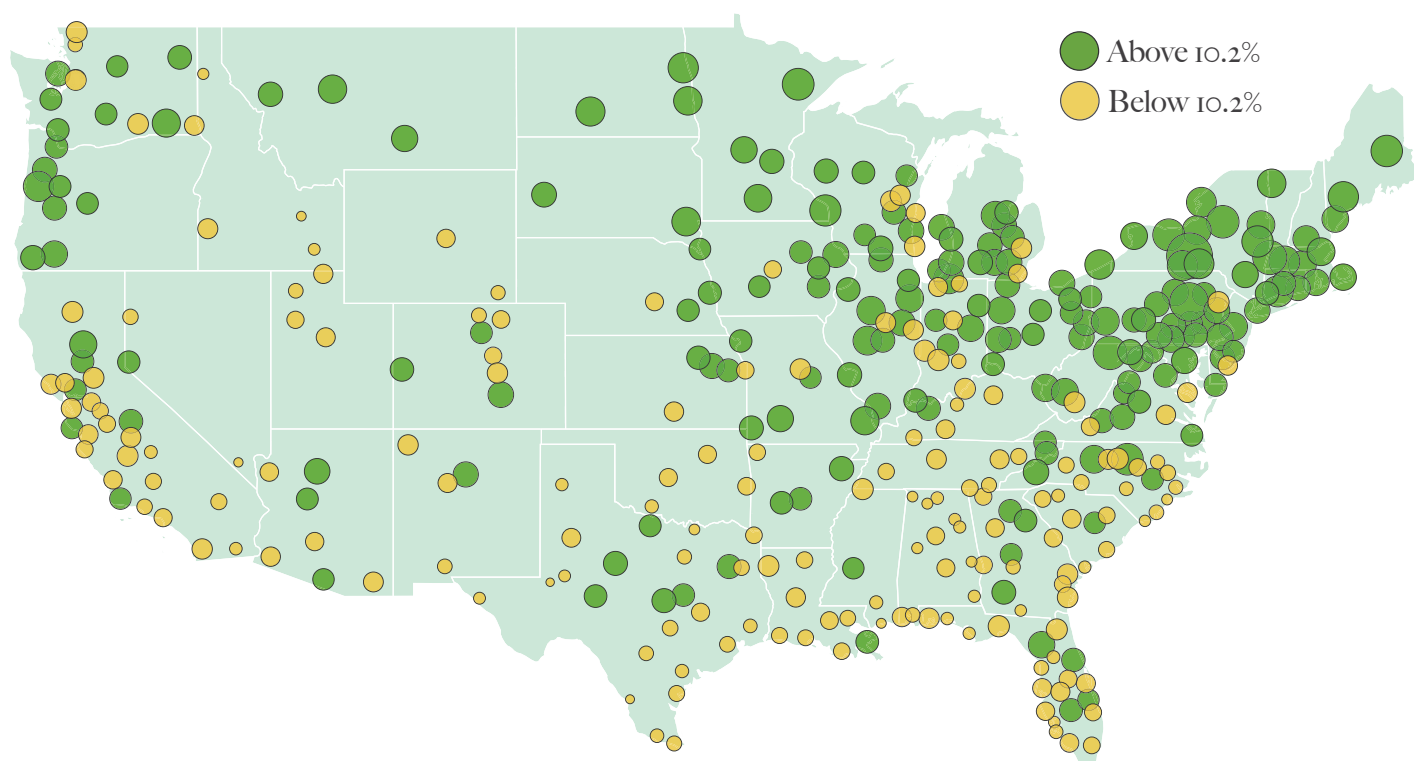
FIGURE A3 • Nonprofit share of private employment, by county, 2017



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



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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