

Nonprofit Employment
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Michigan Nonprofit Employment

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MICHIGAN NONPROFIT EMPLOYMENT

A report of
**THE JOHNS HOPKINS
NONPROFIT ECONOMIC
DATA PROJECT**

**LESTER M. SALAMON
STEPHANIE LESSANS GELLER**

with the technical assistance
of **S. WOJCIECH SOKOLOWSKI**

KEY FINDINGS

1. The nonprofit sector is a major economic force in Michigan, employing 11 times as many workers as the state's motor vehicle manufacturing industry (see page 3).
2. The 374,537 nonprofit employees in Michigan earned nearly \$14.5 billion in wages in 2009, which translates into an estimated \$90 million of personal income tax revenues for Michigan's state and local governments (see page 3).
3. While nonprofit employment in Michigan is primarily concentrated in the state's metropolitan areas, it is not restricted to any one region. In fact, the nonprofit sector accounts for a significant share of total private employment in both urban and rural areas of the state (see pages 4-5).
4. Over two-thirds of all nonprofit jobs in the state are in the health services field, but significant numbers of workers are employed in education and social services as well (see pages 5-6).
5. The nonprofit sector has been one of the few engines of job growth in Michigan in recent years. Between the end of the previous recession in 2001, and the peak prior to the current recession in 2007, nonprofit employment grew by 17.4 percent, while for-profit employment declined by 9.5 percent (see pages 7-8).
6. Despite the current recession, nonprofit employment in Michigan has continued to grow by an average of 1.3 percent per year between the second quarters of 2007 and 2009, while for-profit employment suffered significant losses (see pages 8-9).
7. Nonprofit job growth over the past two years was especially strong in the ambulatory health care, social assistance, and higher education fields. By contrast, nonprofit arts and culture organizations experienced a decline in jobs over this same period (see pages 9-10).
8. Despite this continued growth in nonprofit employment, the demand on nonprofit organizations has easily outpaced the ability of nonprofits to meet the demand, producing enormous strains on these organizations (see page 10).
9. Reflecting the striking decline in for-profit employment in the state and the continued growth in nonprofit jobs, Michigan's nonprofit employment increased as a share of overall private employment from 8 percent in 2001 to 12 percent in 2009 (see pages 10-11).
10. To survive in the face of growing competition from for-profit providers in a number of key fields, such as nursing home care, ambulatory health, and social services, nonprofits have had to move increasingly into the suburbs (see page 11-12).
11. Overall weekly wages of nonprofit employees are lower than those of for-profit and government workers. But, in industries in which nonprofits and for-profits are both significantly involved, nonprofit average weekly wages generally outpace for-profit wages (see pages 12-13).

Introduction

Background

Nonprofit organizations play a critical role in Michigan, contributing to the quality of life for all Michigan citizens through the health care, education, job training, youth development, nursing home care, arts, culture and other services they provide, and through the opportunities they offer for democratic participation in the life of Michigan communities. What is not widely appreciated, however, is that nonprofit organizations are also a major force in the state's economy, and in the economies of all the state's regions.

This report presents the latest information on the size, composition, distribution, and growth of paid employment in the nonprofit sector in Michigan as of the second quarter of 2009, the most recent period for which data are available. Moreover, it provides the first comprehensive analysis of changes in Michigan's nonprofit employment not only over the past decade but also between 2007 and 2009—the period during which the state experienced increased economic stress as result of the severe national recession.

Such information is especially critical at the present time given the increased demands being placed on the state's nonprofit organizations as a result of a decade or more of serious economic strains. Evidence of those strains is considerable. Thus, for example:

- Michigan has lost jobs every year since 2001.¹
- At 13.2 percent, Michigan's current unemployment rate is the second highest in the nation, behind only Nevada. By contrast, the national unemployment rate is 9.5 percent.²
- Unemployment in some of Michigan's urban areas is even higher. For example, unemployment reached 25 percent in Detroit and 27 percent in Flint—two areas severely affected by the downsizing and restructuring of the state's once dominant automobile industry.³
- Poverty in Michigan is also above the U.S. average (14.4 percent vs. 13.2 percent). Again, some urban areas in the state are suffering even more. Thus, Detroit has over a third (33.8 percent) of its residents living in poverty, and Flint has nearly one-fourth (22.9 percent).⁴

Not surprisingly, this economic distress has significantly increased the need for nonprofit services. A recent Johns Hopkins Nonprofit Listening Post Project survey thus found that 74 percent of Michigan respondents served more clients between September 2008 and March 2009 than between the same period a year before. By contrast, just 45 percent of respondents operating elsewhere in the nation served more people during this same period compared to the previous year.⁵

QCEW—Our Powerful New Data Source

Given these pressures, it becomes increasingly important to understand how well Michigan nonprofits have been able to cope with this increased demand. Fortunately, a new data source has become available that can help shed light on this important question. This data source draws on the quarterly surveys of Michigan workplaces that the Michigan Department of Labor & Economic Growth (DLEG) conducts under the national Quarterly Census of Employment and Wages (QCEW) program overseen by the U.S. Bureau of Labor Statistics. A component of the country's unemployment insurance system, all places of employment in Michigan with at least one employee are required to participate in this QCEW survey, and this includes all *nonprofit* places of employment except for religious congregations, though some religious organizations nevertheless elect to participate and to be covered by unemployment insurance. Although nonprofit places of employment have long been covered by the QCEW surveys, however, the data generated by these surveys have never broken out the nonprofit employment separate from the for-profit employment. As a consequence, the nonprofit sector has essentially been buried in the data.

Thanks to the support of the Charles Stewart Mott Foundation and the cooperation of the U.S. Bureau of Labor Statistics, the Johns Hopkins Center for Civil Society Studies has found a way to identify nonprofit employers in the QCEW data files. The result is the most accurate and up-to-date picture of Michigan nonprofit employment yet available, and a pathway to generating such data on a regular basis into the future. This is so because the QCEW data have a number of critical advantages over

other data sources as a window into nonprofit employment trends. In particular, these data:

- Are collected every quarter;
- Are available within six to eight months of their collection, unlike Economic Census data, which typically require over a year to process;
- Are closely monitored and verified for accuracy by the Labor Market Information offices of state Employment Security agencies and the federal Bureau of Labor Statistics;
- Are collected at the establishment level rather than the organization level, which is important to avoid distortions otherwise caused by the existence of multi-purpose 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 98 percent of all nonprofit employment; and
- Cover for-profit and government places of employment in the same data system, which facilitates systematic comparisons among the sectors, a matter of increasing importance.⁶

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 organizations registered with the U.S. Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, which embraces private not-for-profit hospitals, clinics, colleges, universities, elementary schools, social service agencies, day care centers, orchestras, museums, theaters, environmental organizations, homeless shelters, soup kitchens and many more. The data reported here run through the second quarter of 2009 and thus include the most critical phase to date of the recession that began in late 2007.⁷

In the balance of this report, we document the overall scale of the nonprofit workforce in Michigan and its relation to the rest of the state’s economy; describe the distribution of this workforce across the state’s counties and regions; examine the fields in which nonprofit workers operate; track the recent trends in nonprofit employment with special emphasis on the recent recession period; and compare nonprofit wages to those in the for-profit sector

both overall and in the fields where both for-profits and nonprofits operate. What emerges from this analysis is a picture of a sector of enormous importance to the state’s economy and considerable resilience in the face of withering pressures.

Detailed Findings

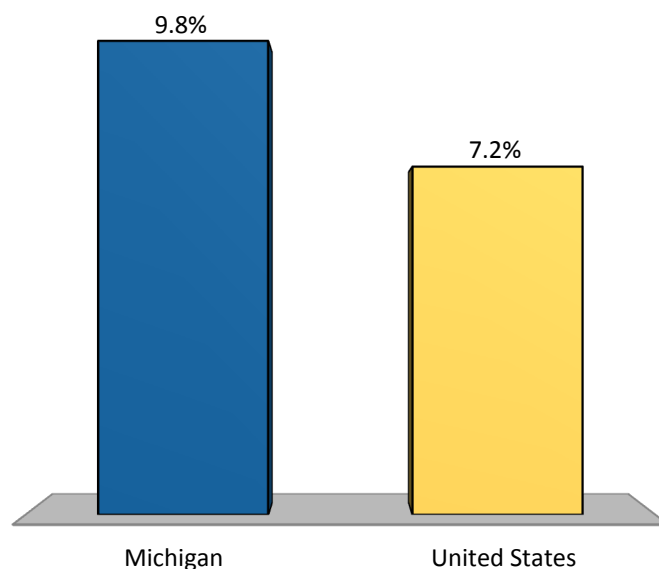
I. A Major Economic Force

The nonprofit sector in Michigan, including private hospitals, clinics, colleges, universities, schools, day care centers, social service providers, museums, theaters, soup kitchens, and many more, is a major economic force in the state.

Employment. Michigan’s nonprofit organizations employed 374,537 paid workers as of the second quarter of 2009.⁸

- This represents 9.8 percent of the total Michigan workforce (or 1 out of every 10 workers) and 11.7 percent of the state’s private workforce (or 1 out of every 9 private workers). This puts Michigan well above the U.S. average in terms of the nonprofit share of total employment (9.8 percent vs. 7.2 percent) (see **Figure 1**).

Figure 1: Nonprofit share of total employment, Michigan vs. the nation, Quarter 2-2009



Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

- Moreover, this workforce makes Michigan's nonprofit sector the *fourth* largest industry in the state in terms of employment, behind only manufacturing, retail trade, and local government. In fact, Michigan's nonprofit sector employs:

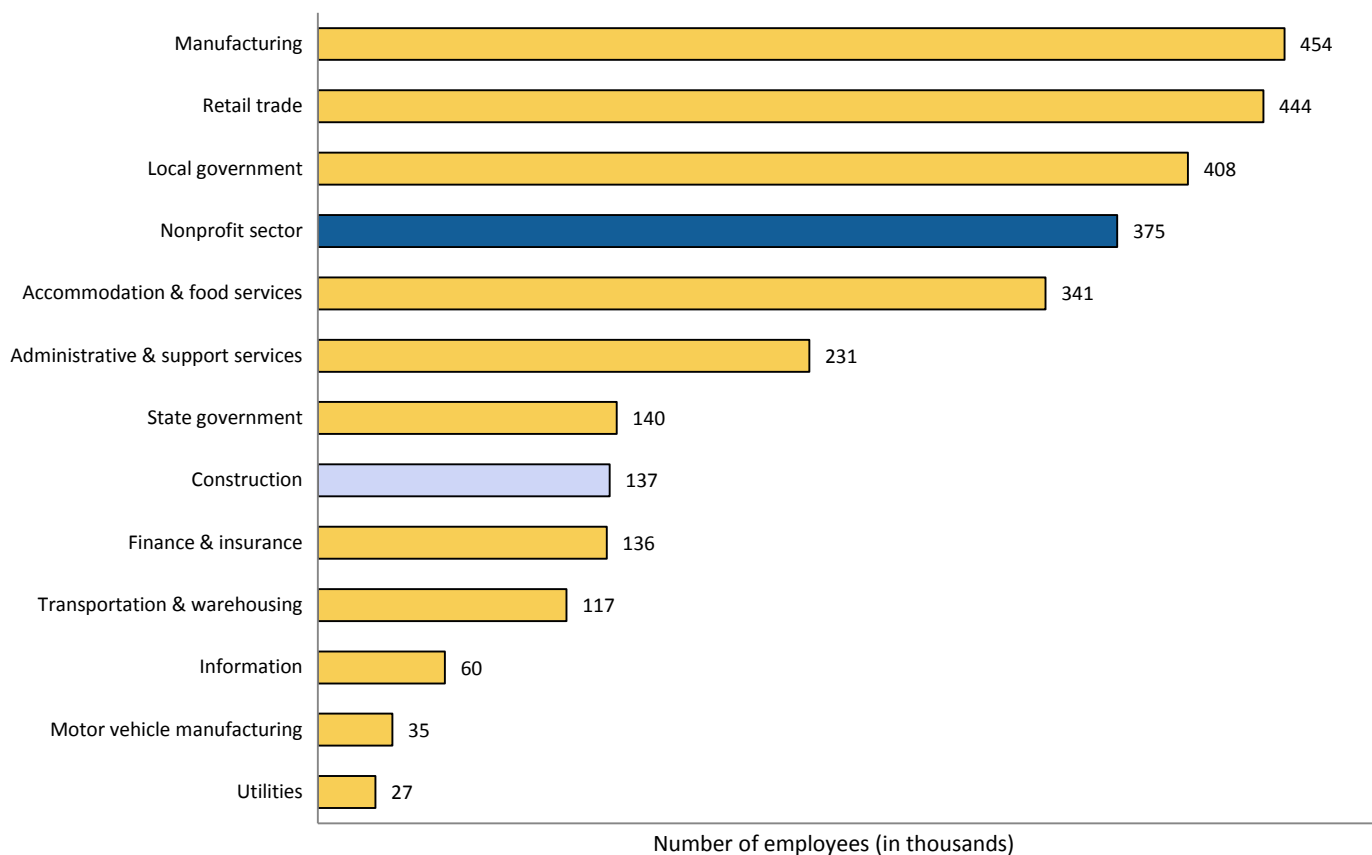
- Nearly 14 times as many workers as the state's utilities industry;⁹
- About 11 times as many workers as the state's motor vehicle manufacturing industry;
- More than six times as many workers as the state's information industry,¹⁰
- About three times as many workers as the state's transportation and warehousing industry, the finance and insurance industry, the construction industry, and the entire Michigan state government;
- Ten percent more people than the state's accommodation and food services industry (see [Figure 2](#)).

Payroll. The 374,537 nonprofit employees in Michigan earned nearly \$14.5 billion in wages in 2009.¹¹

- Nonprofit organizations thus accounted for 9 percent of the state's total payroll.
- Nonprofit payrolls exceeded those for:
 - Retail trade (\$11 billion)
 - State government (\$8 billion)
 - Finance and insurance (\$7.8 billion)
 - Administrative and support services (\$6.8 billion)
 - Construction (\$6.1 billion)
 - Transportation and warehousing (\$5.3 billion)
 - Accommodation and food services (\$4.5 billion)
 - Information (\$3 billion)
 - Utilities (\$422 million)

Further demonstrating the nonprofit sector's importance to the state, these wages translated into an estimated \$90 million of personal income tax revenue for Michigan's state and local governments and nearly \$438 million in federal tax revenues.

Figure 2: Total employment in Michigan nonprofit sector in comparison to total employment in selected Michigan industries, Quarter 2-2009



Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

II. Regional Presence

Nonprofit employment is not restricted to any one region in Michigan. Rather, it is distributed broadly throughout the state.

Similar to Michigan's population, most of the state's nonprofit employment is located in the state's metropolitan areas.

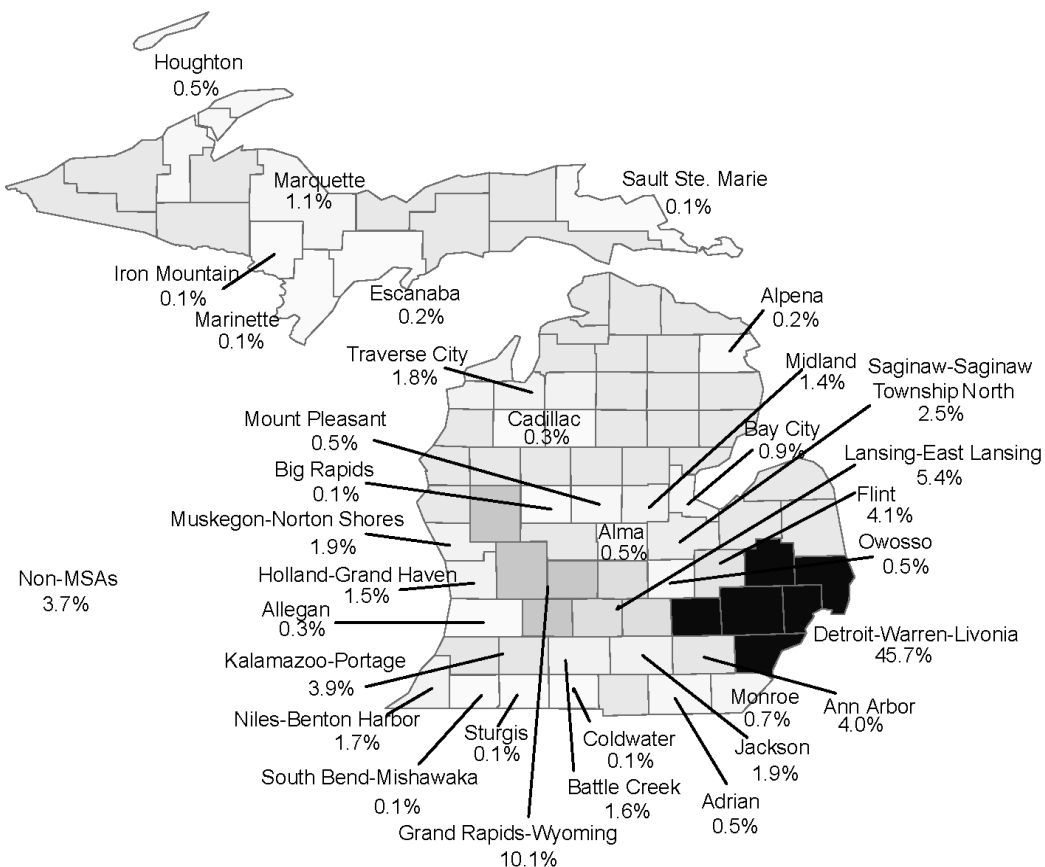
- Nearly 95 percent of Michigan's nonprofit employment is located in the state's urbanized Metropolitan Statistical Areas (MSAs).¹² This is roughly equivalent to the proportion of all private jobs in these areas (91 percent).¹³
- Not surprisingly, the urbanized area with the largest share of the state's nonprofit employment is the Detroit-Warren-Livonia MSA, which accounts for nearly half (46 percent) of the state's total nonprofit employment (see **Figure 3**).

However, nonprofit employment is hardly an exclusively urban and suburban phenomenon in Michigan. Rather, it

accounts for a significant share of private employment (i.e., employment at nonprofit and for-profit entities, but not at government establishments) in all regions of the state (see **Figure 4**). In particular:

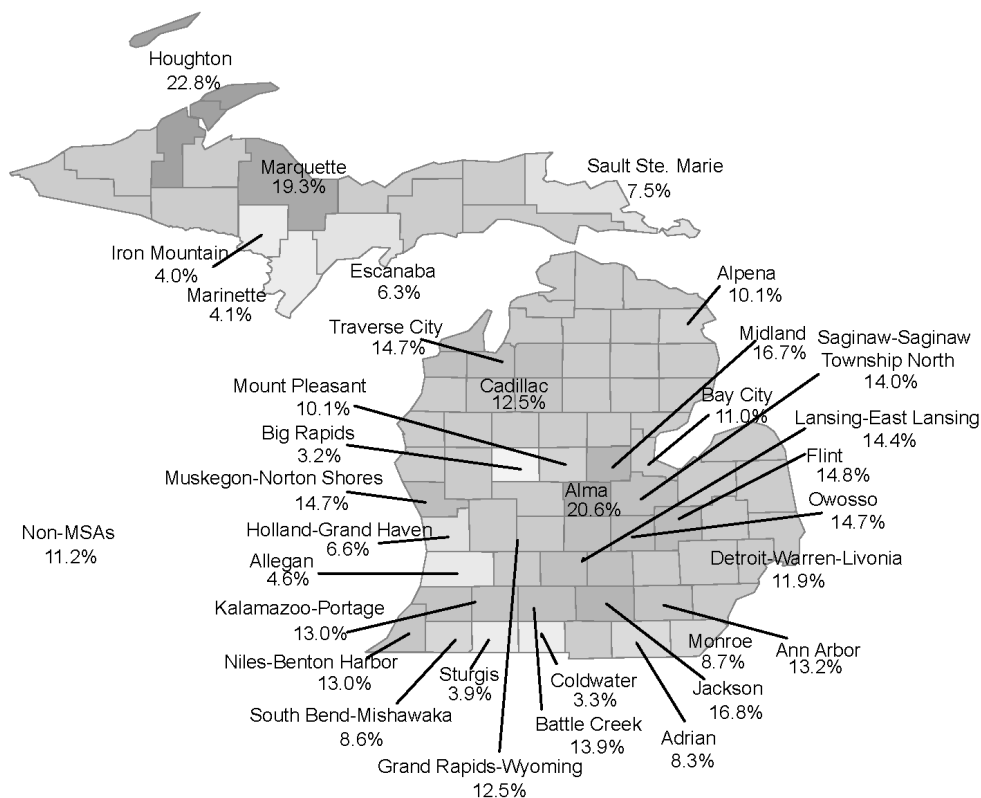
- Nonprofits account for 12.2 percent of all private jobs in Michigan's MSAs, which is slightly higher than the statewide average of 11.7 percent. MSAs in which nonprofit organizations account for an especially large share of private employment include Alma (20.6 percent), Marquette (19.3 percent), Jackson (16.8 percent), and Midland (16.7 percent).
- Nonprofits account for 11.2 percent of private jobs in Michigan's rural areas. Although this is slightly below the statewide average of 11.7 percent, it easily exceeds the national average of 8.6 percent of private jobs and the share of nonprofit jobs in several of Michigan's major metropolitan areas including Big Rapids (3.2 percent), Coldwater (3.3 percent), Sturgis (3.9 percent), Iron Mountain (4.0 percent), Marinette (4.1 percent), and Allegan (4.6 percent).

Figure 3: Distribution of Michigan nonprofit employment, by MSA, 2009



Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

Figure 4: Nonprofit employment as a percent of private employment, by MSA, 2009



Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

- Rural counties in which nonprofit organizations account for an especially large share of private employment include Montcalm (15.0 percent), Gogebic (15.4 percent), Emmet (15.5 percent), Osceola (15.6 percent), and Cheboygan (16.9 percent).

For a county-by-county breakdown of nonprofit employment, see [Appendix B](#).

III. Health Dominance

Health organizations account for the vast majority of Michigan's nonprofit jobs, but educational and social service organizations also account for significant shares (see [Figure 5](#) and [Appendix C](#)). In particular:

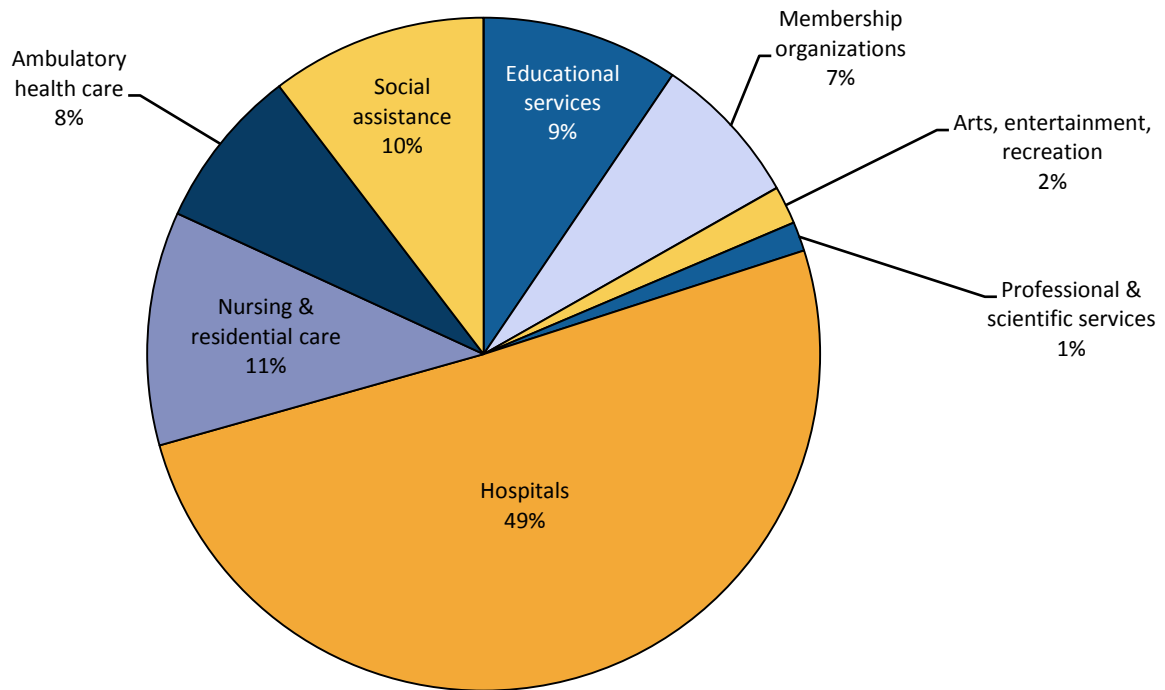
- Sixty-eight percent of all nonprofit jobs in Michigan (over 254,100 jobs) are in health services. Hospitals account for the bulk of these jobs, employing 49 percent of the state's nonprofit workforce, or roughly 1 out of every 2 nonprofit workers, and health clinics and nursing and residential care facilities account for 19 percent.
- Ten percent of all nonprofit jobs in Michigan (over 38,550 jobs) are in social assistance. This includes employment in individual and family services, community food ser-

vices, housing services, and vocational rehabilitation.

- Nearly 9 percent of all nonprofit jobs in Michigan (over 35,550 jobs) are in educational services, including elementary and secondary schools, colleges, universities, and other educational facilities.
- Seven percent of all nonprofit jobs are in various membership organizations (26,430 jobs). This includes jobs in religious organizations, grantmaking and giving services, advocacy organizations, civic and social organizations, and the charitable arms of various professional associations.

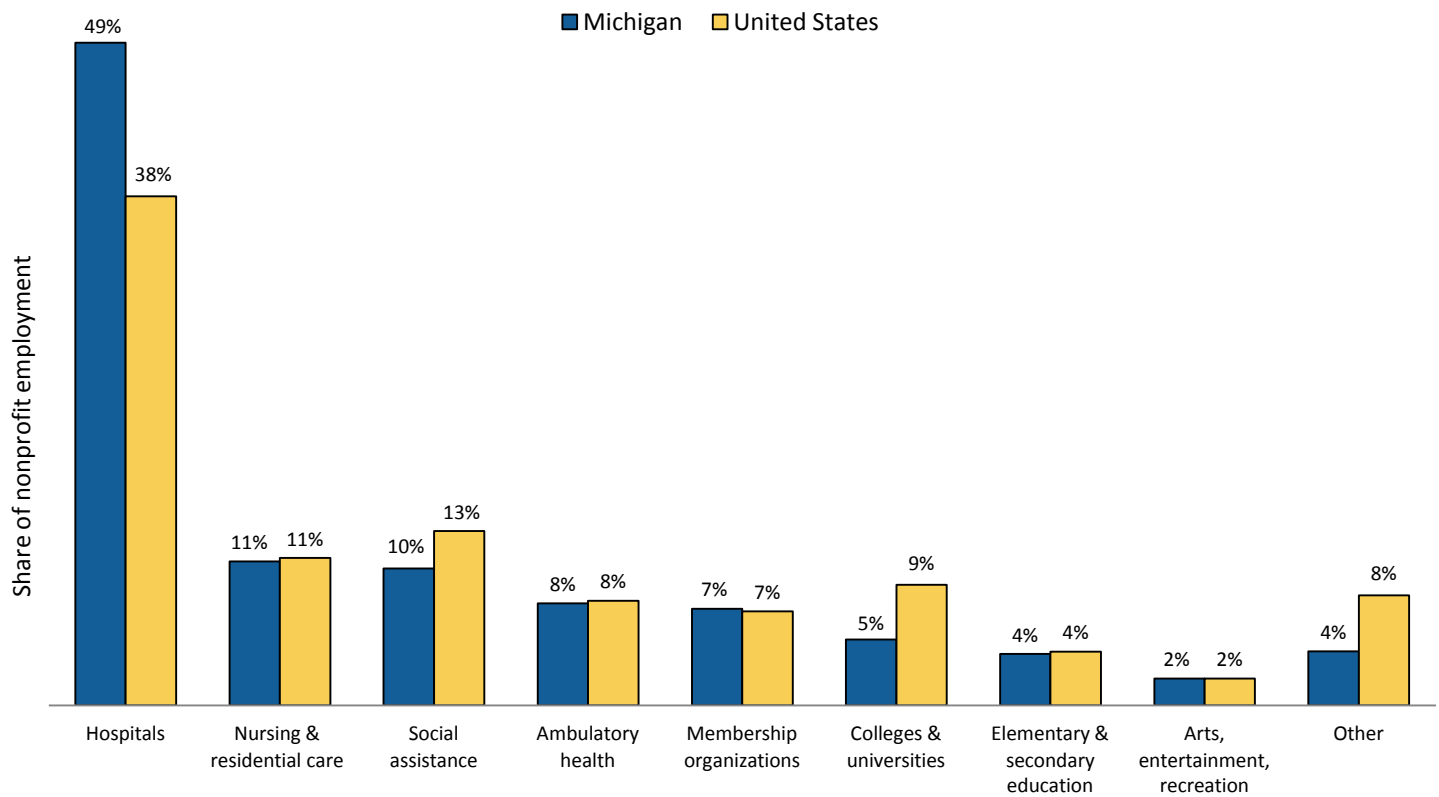
As shown in [Figure 6](#), the distribution of nonprofit employment in Michigan diverges somewhat from that of the nation. In particular, Michigan has a considerably larger share of nonprofit employment in the hospital field (49 percent vs. 38 percent) and a noticeably smaller share in colleges and universities (5 percent vs. 9 percent) and social assistance (10 percent vs. 13 percent) than the nation. This likely reflects the substantial presence of public higher education institutions such as the University of Michigan in this state and the heavy dominance of nonprofit institutions in the state's hospital field.

Figure 5: Distribution of Michigan nonprofits, by field, Quarter 2-2009



Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

Figure 6: Distribution of nonprofit employment, Michigan vs. the nation*



* Michigan figures from Q2 2009, national figures from 2005
 Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

IV. An Engine of Growth

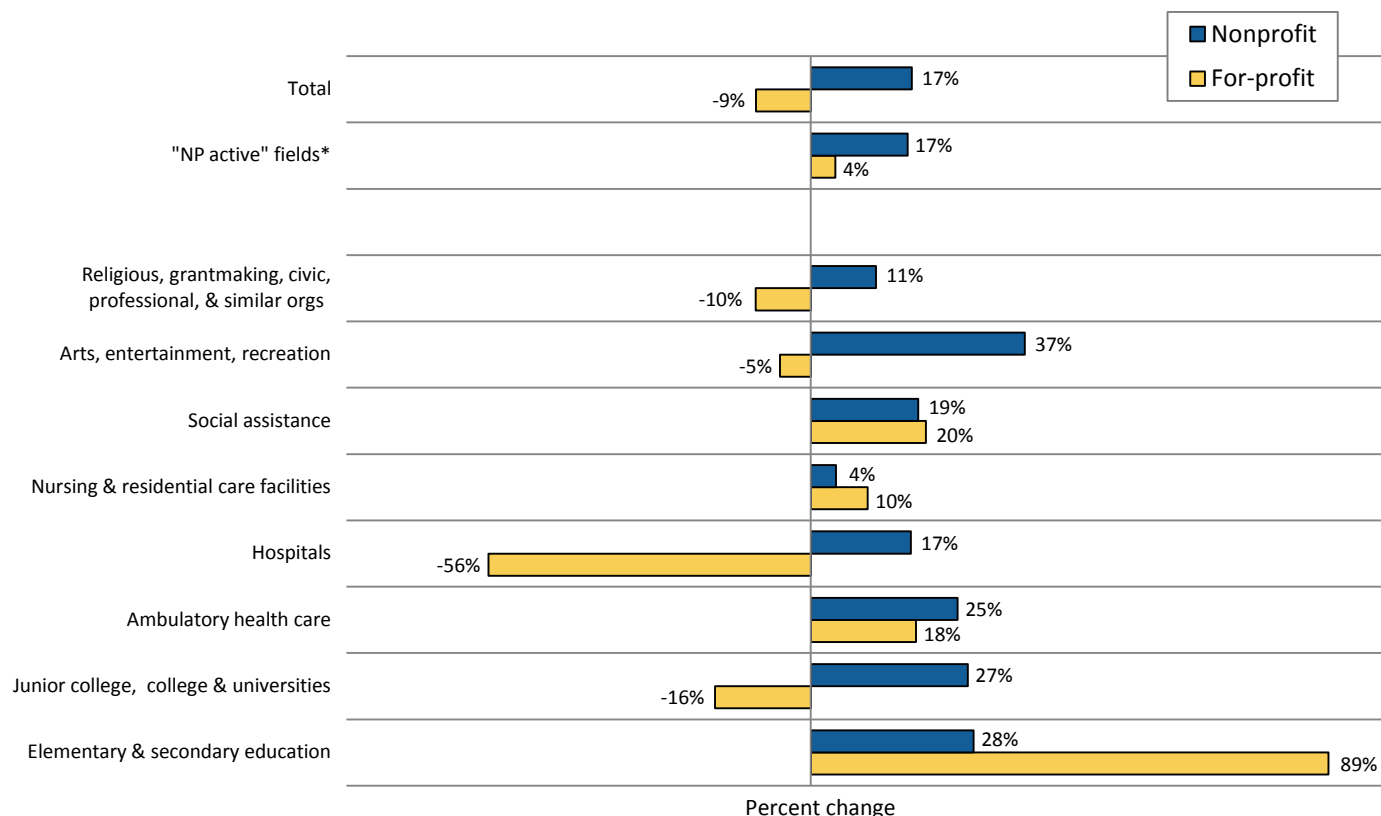
The nonprofit sector has also been one of the few engines of job growth in Michigan in recent years. In particular:

- Between the second quarter of 2001, which marked the end of the previous recession, and the second quarter of 2007, which marked the peak prior to the current recession, Michigan nonprofit organizations expanded their employment by 17.4 percent, or about 2.7 percent

per year, as shown in **Figure 7**. During this same period, however, jobs in the for-profit sector *declined* by 9.5 percent, or 1.6 percent per year.

- This growth in Michigan nonprofit employment was evident, moreover, in every field in which nonprofits are active—from nursing home care, where employment increased by 4 percent, to arts and recreation, where it increased by 37 percent.

Figure 7: Changes in Michigan nonprofit and for-profit employment, by field, Quarter 2-2001 to Quarter 2-2007



* "NP active" fields represent the four fields (i.e., education, health & social services, arts, and other services) in which the bulk of nonprofit employment is concentrated. Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

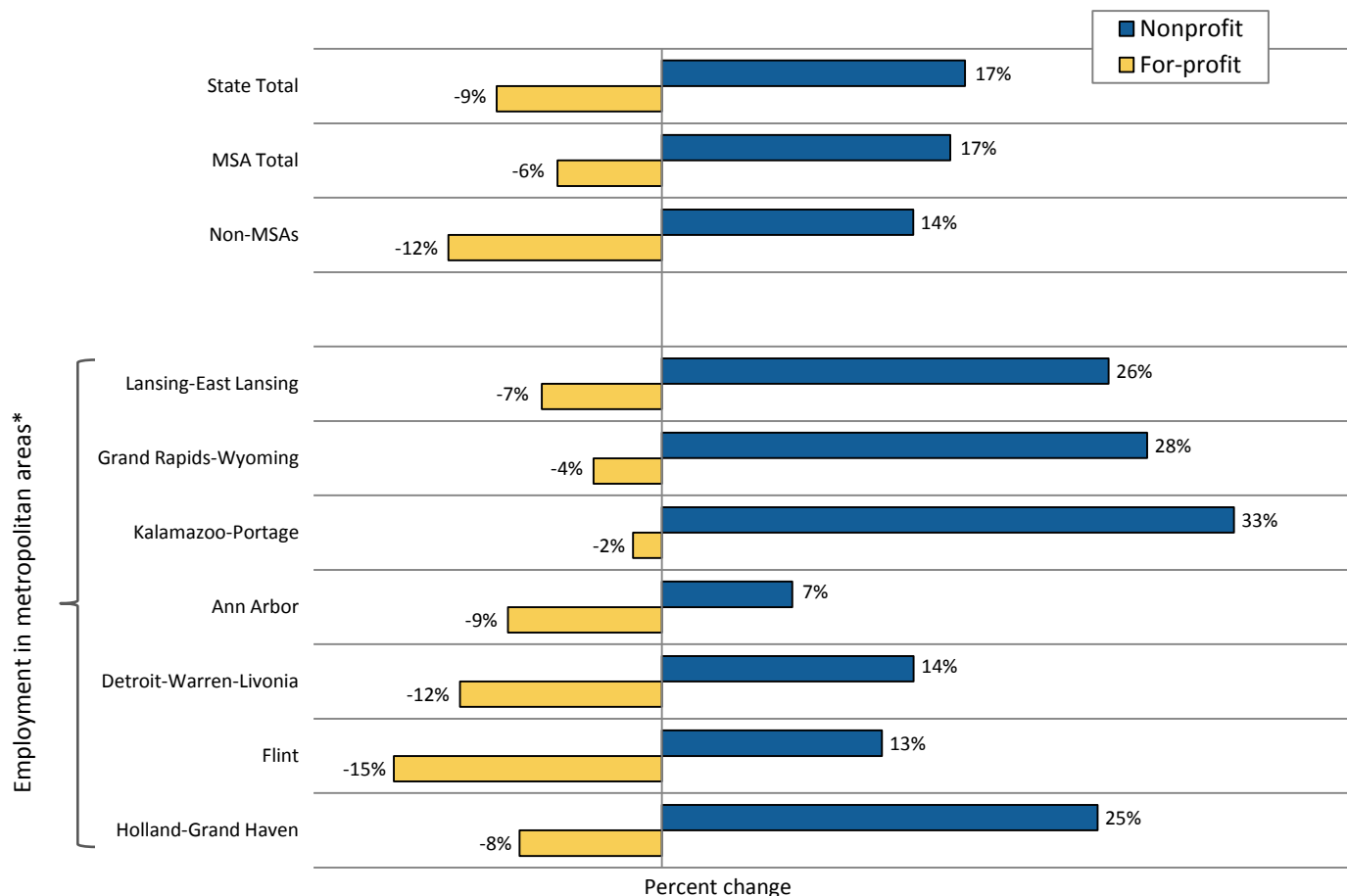
- Nonprofit employment growth was also evident in every region of the state, as was for-profit employment loss:

- As reflected in **Figure 8**, nonprofit employment grew 17 percent in the metropolitan areas of the state and 14 percent in the non-metropolitan regions. The comparable figures for for-profits were minus 6 percent and minus 12 percent, respectively.
- Nonprofit employment growth between Q2 2001 and Q2 2007 was especially robust in the Kalamazoo-

Portage, Grand Rapids-Wyoming, and Lansing-East Lansing MSAs, where it surged by 33 percent, 28 percent, and 26 percent, while for-profit employment declined by 2 percent, 4 percent, and 7 percent, respectively. Even economically hard-hit Detroit and Flint registered nonprofit growth during this period of 13-14 percent while for-profit employment dropped 12 and 15 percent, respectively.

What these data also make clear, however, is that this nonprofit job growth was not due primarily to some special economic advantage accorded to nonprofits.

Figure 8: Changes in Michigan nonprofit and for-profit employment, by region, Q2 2001 to Q2 2007



* The seven MSAs accounted for 72% of total MSA employment in Michigan in 2009
 Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

Rather, it is due to the fields in which nonprofits are heavily concentrated, i.e., service fields, which have been growth areas in the economy generally due to a variety of demographic factors. Evidence for this can be found in Figure 7, which shows that for-profits operating in these same fields also expanded their employment, often at rates that exceeded those of nonprofits. Thus:

- While nonprofit employment in elementary and secondary education grew by 28 percent between Q2 2001 and Q2 2007, for-profit employment in this field spiked by 89 percent.
- Similarly, the rate of for-profit employment growth edged out the rate of nonprofit employment growth in social assistance (20 percent vs. 19 percent) and nursing home care (10 percent vs. 4 percent);
- In several fields, however, for-profit employment declined between 2001 and 2007 while nonprofit employment

grew. This was especially true in the hospital, higher education, and the civic and professional fields, where for-profit involvement has been limited.

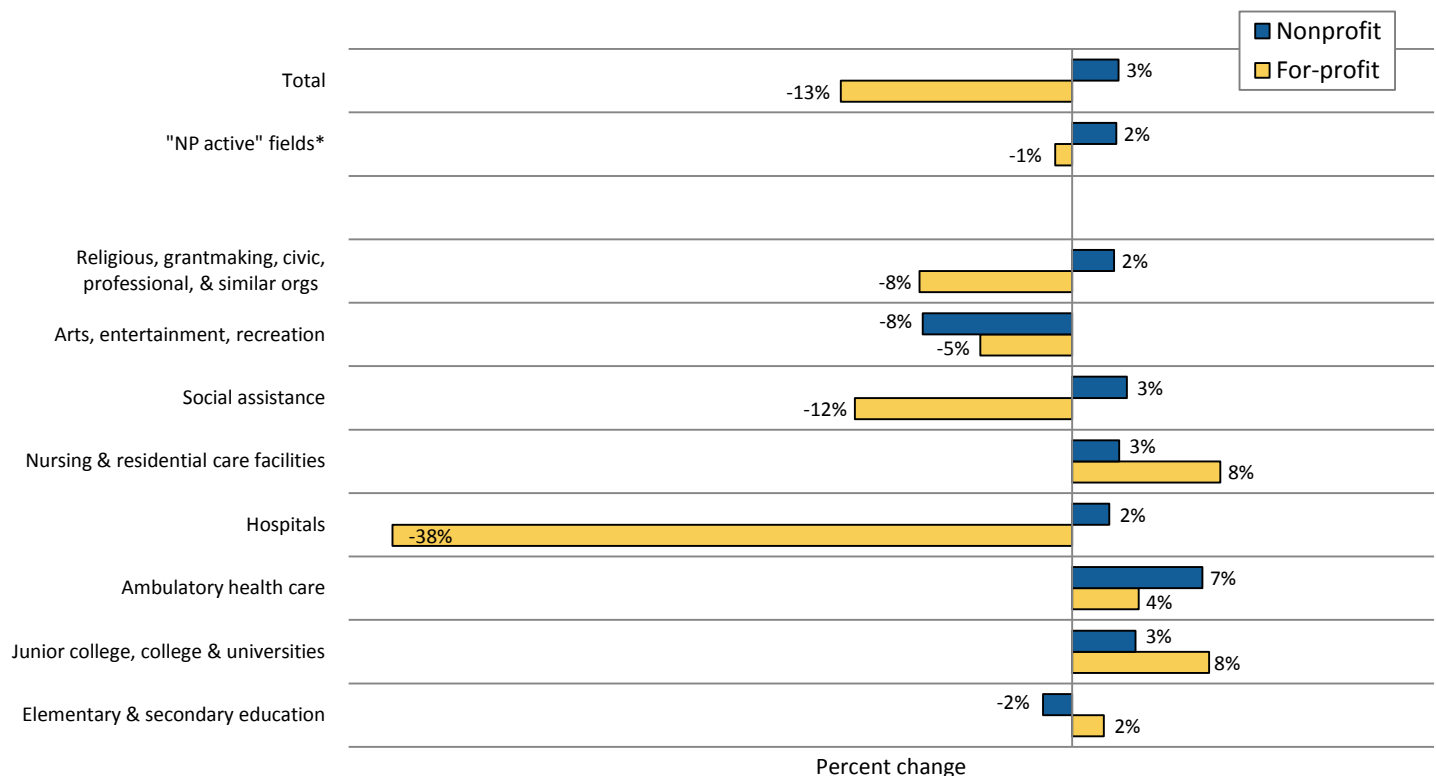
V. Impact of the Recession

*Significantly, and somewhat surprisingly to many, the nonprofit employment growth evident in the early part of the new century persisted into the recession period between Q2 2007 and Q2 2009, albeit at a slower pace. Meanwhile, for-profit employment in the state, already lagging, dropped significantly. More specifically, as **Figure 9** shows:*

- Despite the deep, national recession afflicting the state during this period, nonprofit employment in Michigan actually grew by 1.7 percent during the first year of the recession, Q2 2007 and Q2 2008, and then tacked on an additional 0.9 percent during the second year of the recession, i.e., between Q2 2008 and Q2 2009, for an average annual increase of 1.3 percent per year.

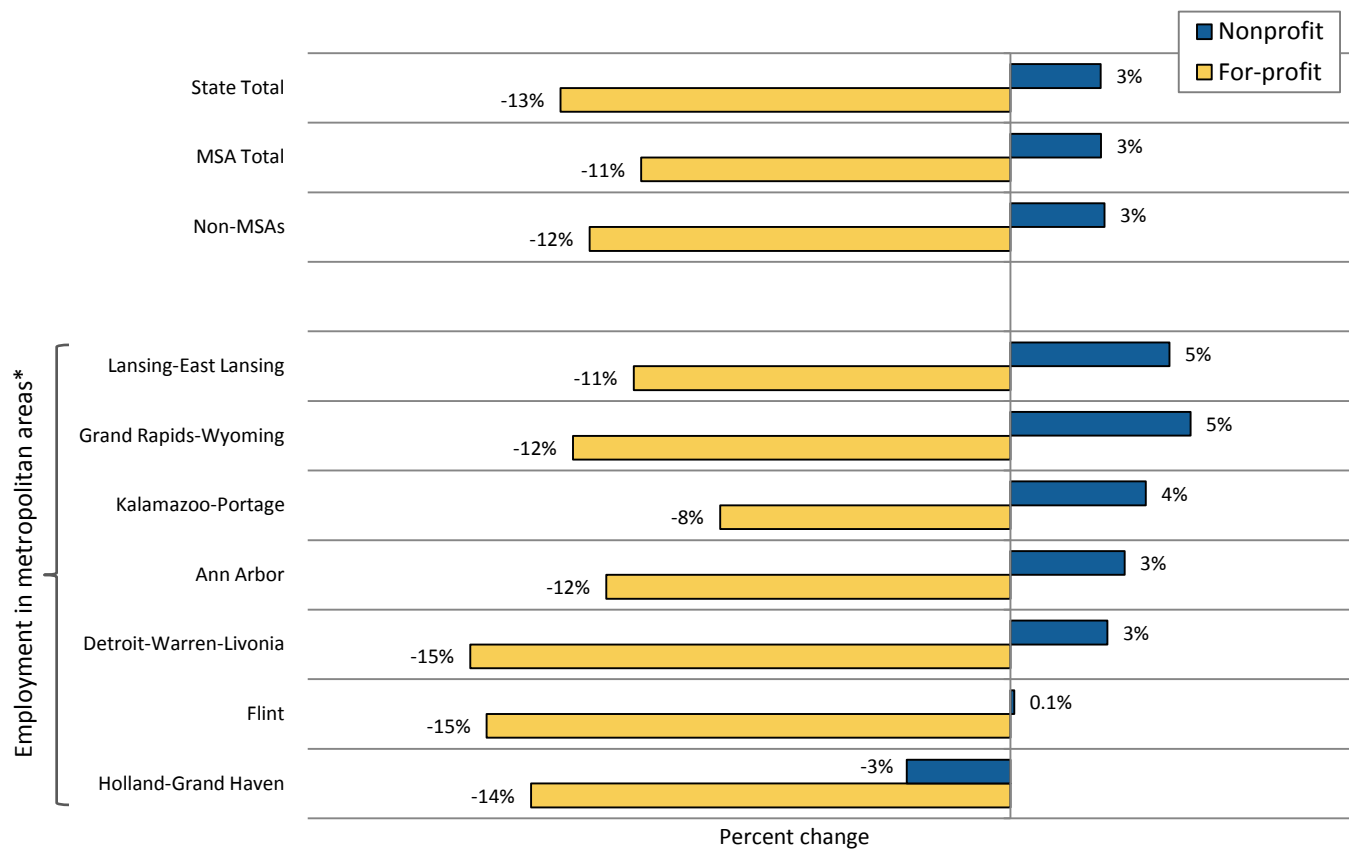
- While this growth rate was well below the 2.7 percent annual average increase the nonprofit sector achieved during the six years prior to the recession, it easily surpassed the record of the state's business sector, which suffered a 2.8 percent decline in jobs between Q2 2007 and Q2 2008, and another 10 percent decline between Q2 2008 and Q2 2009—a loss of 400,000 jobs in all.
- Nonprofit job growth during the recession was quite widespread, moreover. Of the eight subfields in which nonprofit organizations are active, six experienced employment gains during the 2007-09 recession period.
 - Increases of 3 percent or more were registered by nonprofit social assistance, higher education, and especially ambulatory care organizations. These increases likely reflect in part the impact of the national Economic Recovery and Reinvestment Act, which channeled important assistance to the Medicaid program, which has become an important source of nonprofit revenue. In the case of social assistance, by the second year of the recession, i.e., Q2 2008 to Q2 2009, employment gains gave way to employment losses as the Economic Recovery Program support was exhausted.
- By contrast, nonprofit arts and culture organizations suffered serious declines in employment throughout this recession. This may reflect the fact that organizations in this field are most dependent on private philanthropy, and private philanthropy was most seriously affected by the recession of all the sources of nonprofit revenue.
- While nonprofit employment in these fields of nonprofit activity continued to grow during the recession, albeit at a slower rate, for-profit employment turned slightly negative even in these fields, declining overall by 0.5 percent per year.
 - Especially marked was the 12 percent decline in for-profit employment in the social assistance area. Evidently, for-profit providers pulled back from this field as revenues declined.
 - On the other hand, for-profits in the nursing and residential care areas added substantially (8 percent) to their employment during the recession period. This may reflect their continued or expanded access to Medicaid reimbursement in the nursing home field.

Figure 9: Changes in Michigan nonprofit and for-profit employment, by field, Quarter 2-2007 to Quarter 2-2009



*"NP active" fields represent the four fields (i.e., education, health & social services, arts, and other services) in which the bulk of nonprofit employment is concentrated.
Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

Figure 10: Changes in Michigan nonprofit and for-profit employment, by region, Quarter 2-2007 to Quarter 2-2009



* The seven MSAs accounted for 72% of total MSA employment in Michigan in Q2-2009

Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

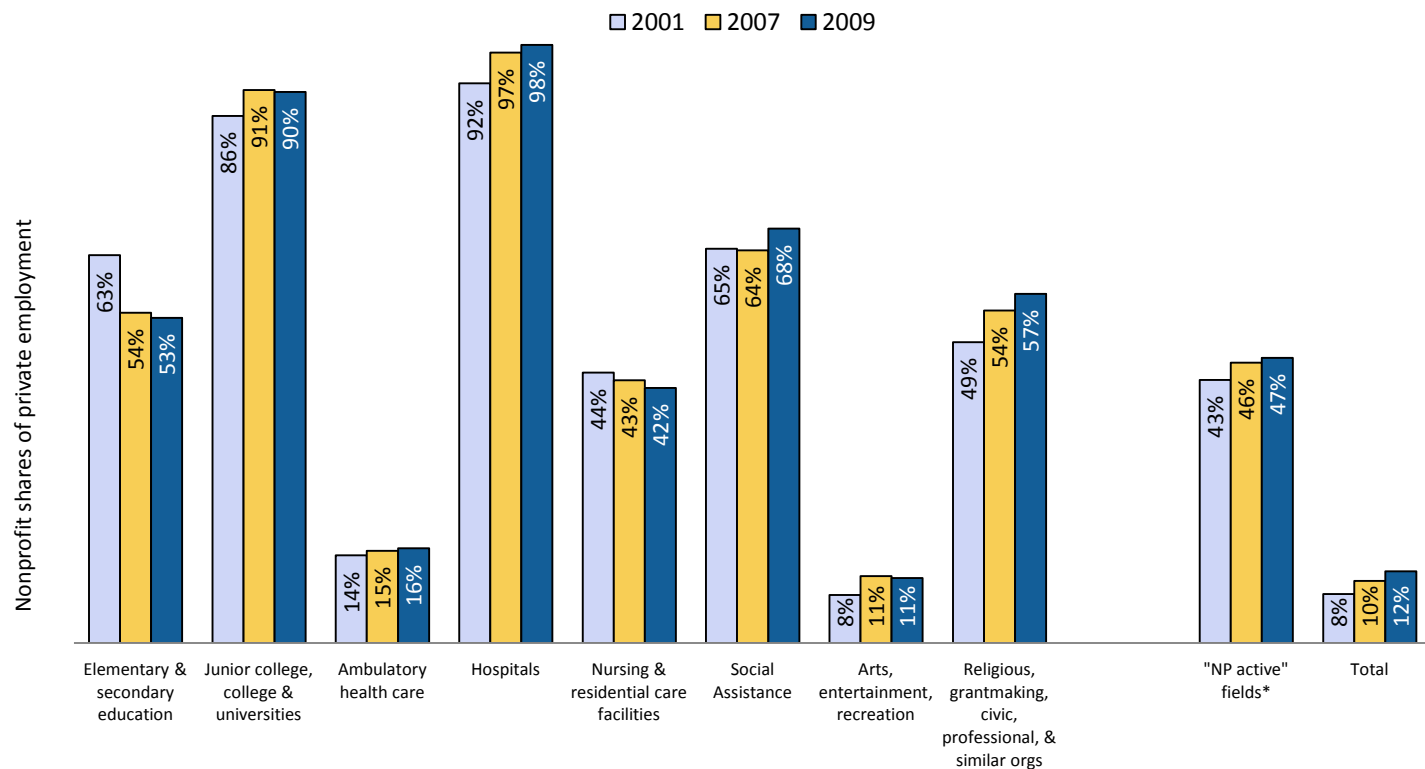
- Nonprofit job growth during the recent recession has also been widely spread across regions, as has for-profit job loss, as shown in **Figure 10**. In particular:
 - Nonprofit job growth was equally evident during the recession years in both the metropolitan and non-metropolitan regions of the state.
 - Five of the state's seven largest metropolitan areas experienced net nonprofit job growth ranging from 3 to 5 percent.
 - The only two metropolitan areas to experience no net nonprofit job gain or even a decline were the Flint and Holland-Grand Haven MSAs. But these were areas where the rates of for-profit job losses were particularly severe.
- While nonprofits continued to add jobs during the recession in most of Michigan, however, it is important to bear in mind that the need for their services was expanding even more rapidly. Nonprofits were therefore

in the position of trying to rush up a hill against a powerful wind pushing them back. Reflecting this, a recent Johns Hopkins Nonprofit Listening Post Project survey revealed that nearly half (48 percent) of all Michigan respondents indicated that they lack adequate staff to deliver their programs and services. Elsewhere in the nation, the average was just 37 percent.¹⁴

VI. Nonprofit/For-Profit Competition

As the previous discussion has suggested, recent trends in nonprofit employment in Michigan have had implications not only for the scope of nonprofit employment but also for the relative position of nonprofits and for-profits in fields in which both are active. While it is not widely recognized, competition between nonprofits and for-profits has grown substantially in a wide variety of fields across the country, and Michigan is no exception, though the extent of such competition seems somewhat more muted in this state than in some others.

Figure 11: Nonprofit shares of private employment, by field, 2001, 2007 and 2009



*"NP active" fields represent the four fields (i.e., education, health & social services, arts, and other services) in which the bulk of nonprofit employment is concentrated.

Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

Figure 11 summarizes the position of Michigan nonprofits in relation to private employment both overall and in the fields in which nonprofits are active at three points in time—2001, 2007, and 2009. Several conclusions flow from these data:

- First, it is clear that nonprofit employment has increased as a share of overall private employment in the state, rising from 8 percent in 2001 to 12 percent in 2009, a relative increase of 50 percent.

This reflects the striking decline in private employment generally in the state alongside the continued growth of nonprofit employment. Clearly, the nonprofit sector was one of the few growth engines for jobs in Michigan during this difficult period.

- Second, nonprofit employment also grew as a share of private employment in fields where nonprofits have traditionally been active, rising from 43 percent of private employment in these fields in 2001 to 47 percent in 2009.
- Especially striking was the consolidation of the dominant nonprofit position in the hospital and higher edu-

cation fields, though in the latter private involvement is relatively limited compared to other states. In addition, nonprofits managed to fend off growing for-profit competition in the social assistance field as for-profits cut back sharply on staffing in the midst of the recession.

- In a number of areas, however, for-profits had established substantial positions in prior periods and maintained or expanded them during this turbulent decade. This was especially evident in the fields of nursing and residential care, and elementary and secondary education, though in the latter the private role (both nonprofit and for-profit) is rather small. What is more, for-profits have established a sizable enough niche in the social assistance arena to make it likely that nonprofits will confront continued competition in this area once the effects of the current recession subside.

VII. Suburbanization of Nonprofit Employment

Another important trend evident in the Michigan data, as in the data of many other states, is the steady suburbanization of nonprofit employment. This reflects the growing dependence of nonprofit providers on fee income.

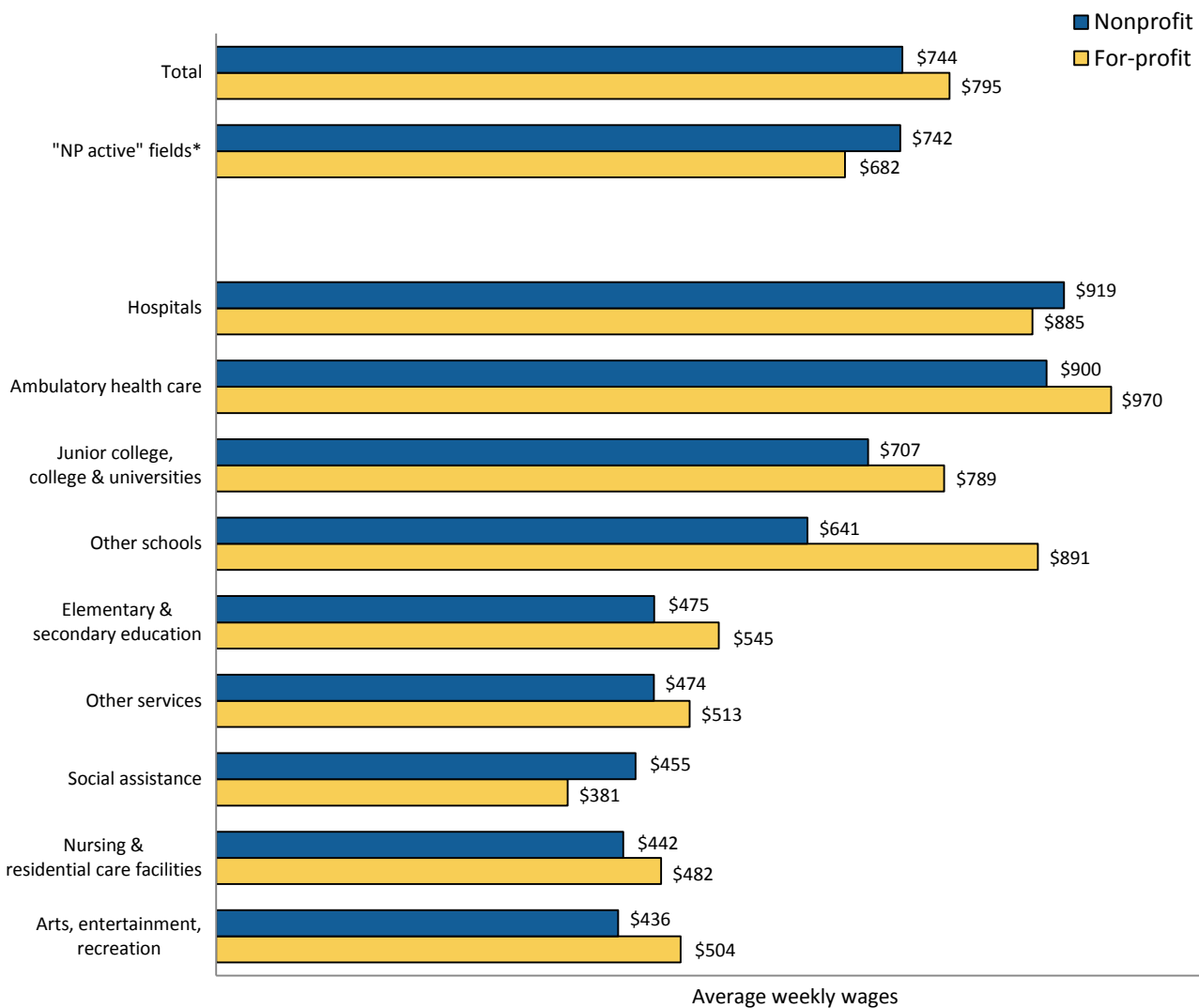
Data on the Detroit-Warren-Livonia MSA, which accounts for nearly half of all the state's nonprofit jobs, reveals this trend quite powerfully. In particular:

- While overall nonprofit employment in Michigan grew at a rate of 2.7 percent per year between 2001 and 2007, nonprofit employment in Wayne County, where Detroit is located, grew at a considerably slower rate of 1.5 percent per year.
- Nonprofit job growth in the rest of the metropolitan area, however, grew at a rate of 3.2 percent during this period, well above the state average.
- This disparity continued into at least the first year of the recession, moreover, when nonprofit job growth in the

Detroit metropolitan area, but outside of Wayne County, continued at only a slightly lower 2.0 percent rate while nonprofit job growth inside Wayne County dropped to 0.9 percent. By the second year of the recession, however, nonprofit job growth in both parts of the metropolitan region, while still positive, had dropped under 1 percent.

- Reflecting these developments, metro Detroit outside of Wayne County accounted for nearly half (49 percent) of the metro area's nonprofit jobs as of 2009, up from 46 percent in 2001. Clearly, nonprofits are serving a much broader swath of the Michigan population than the central city poor, and are actively following Michigan residents into the suburbs in order to do so.

Figure 12: Average weekly wages in selected industries, Quarter 2-2009, nonprofit vs. for-profit sector



* "NP active" fields represent the four fields (i.e., education, health & social services, arts, and other services) in which the bulk of nonprofit employment is concentrated.
Source: Johns Hopkins Nonprofit Economic Data Project based on Michigan QCEW data

VIII. Relatively Higher Wages

The nonprofit sector not only is a job creation engine, but also one that generates what many consider “good jobs,” especially in the health care industry.

- Average wages in the nonprofit sector are 6 percent lower than the economy-wide, for-profit average (\$744 vs. \$795). This difference is due to the fact that the economy-wide average is boosted by extremely high wages in industries with little nonprofit activity, such as financial services (\$1,104); professional, scientific, and technical services (\$1,307); and management of companies (\$1,827). Nonprofit sector wages are also lower than those in the federal (\$1,206), state (\$1,094) and local (\$849) governments.
- However, at \$742, nonprofit average weekly wages are 9 percent higher than those of for-profit workers in fields with significant nonprofit activity, as **Figure 12** shows.
- There is, however, significant variation in the average wages of nonprofit workers in different fields. Thus, as shown in Figure 12, average nonprofit weekly wages range from \$919 in hospitals to \$436 in arts and entertainment.
- In hospitals and social assistance, which account for more than half of nonprofit employment in Michigan, the average nonprofit weekly wages are significantly higher than those of for-profit workers (by 4 and 19 percent, respectively).
- In other fields with significant nonprofit activity, however, nonprofit weekly wages are lower than those in the for-profit sector. This is particularly surprising in the case of higher education because in other states nonprofit wages are typically higher than for-profit wages in this field. This may reflect the fact that Michigan’s large research universities are mostly public institutions whereas the private schools are smaller liberal arts institutions.

In sum, while there is considerable variation in nonprofit wage levels, nonprofit jobs pay, on average, better than for-profit jobs in the same industries.

Conclusion

As this report makes clear, Michigan’s nonprofit sector is a critical economic engine in the state—adding workers despite the economic downturn and accounting for much of the state’s net private employment growth between the second quarters of 2007 and 2009, a period when the country’s recent economic recession was in full swing. Michigan’s nonprofit sector thus serves as an essential counter-cyclical force, providing desperately needed job growth at especially vital times.

Moreover, the nonprofit sector’s growth over the past two years was not an anomaly. In fact, over the past decade, nonprofit employment in Michigan grew by an impressive 23 percent, while the state’s for-profit sector actually experienced a 21 percent decline in jobs.

However, the data reported here also call attention to a number of challenges facing Michigan nonprofits. One of these is the growing competition of for-profit firms in traditional nonprofit fields of activity. In a number of key fields, such as educational services and nursing and residential care, for-profit growth exceeded nonprofit growth, cutting into the nonprofit “market share.”

Similarly, this report highlights the relatively low wages available to the front-line workers in the human service industries. While nonprofit wages in these industries often exceed those available from for-profit providers, even the nonprofit wages are well below those common in the public sector and elsewhere in the private sector. This raises important questions about the ability of nonprofits to continue to attract and retain quality workers.

Finally, and perhaps most importantly, despite its growth, Michigan’s nonprofit sector still lacks adequate staff to meet the state’s growing need for critical human and community services. This should be especially troubling if state budget cuts and the exhaustion of federal recovery funds force nonprofits to cut additional programs and services.

All of this demonstrates the need for information of the sort reported here to put the state’s nonprofit sector on the radar screen of state policymakers and to alert leaders within the sector of the important challenges the sector is facing. Hopefully, this report has usefully served both of these needs.

¹ For more details, see Eric Scorsone and David Zin's April 2010 report, *The Michigan Economy and State Revenue: A 10-Year History (1999-2009)*. Available at

<http://www.senate.michigan.gov/sfa/Publications/Issues/StateRevenueTenYears/StateRevenueTenYears.pdf>.

² Bureau of Labor Statistics, Unemployment Rates for States, June 2010. Available on-line at www.bls.gov/web/laus/laumstrk.htm.

³ Bureau of Labor Statistics, Unemployment Rates for the 50 Largest Cities, 2009. Available at www.bls.gov/lau/lacilg09.htm; and the *Flint Journal* (July 2009), "Flint's unemployment rate hits 27.3 percent in May."

⁴ CBS's (April 2009), "Kids' Health Initiative Starts in Detroit." Available at <http://www.cbsnews.com/stories/2009/04/24/business/childofrecession/main4966076.shtml>; and American Towns' *Flint, Michigan Census and Community Profile*. Available at

<http://www.americantowns.com/mi/flint-information>.

⁵ For more details on this survey, see Lester Salamon, Stephanie Geller, and Kasey Mengel's *Impact of the 2007-09 Economic Recession on Nonprofit Organizations*. Available at

http://www.ccss.jhu.edu/pdfs/LP_Communicues/LP_Communique_14.pdf.

⁶ For further information on the QCEW data source, the definition of the nonprofit sector, and the method used here to extract data on nonprofit organizations from the Michigan QCEW records, see Appendix A.

⁷ The focus here on 501(c)(3) nonprofit organizations differs from the focus of a recent Michigan Nonprofit Association 2009 report, *Economic Benefits of Michigan's Nonprofit Sector*, which covered the many other types of tax-exempt organizations, such as business and professional organizations, labor unions, state-chartered credit unions, employee funded pension trusts and others. To view the MNA report, visit:

http://nonprofit.pscinc.com/MNA_Economic_Impact_Report_2009.pdf.

⁸ This number is lower than the 440,439 workers highlighted in the Michigan Nonprofit Association's 2009 report, *Economic Benefits of Michigan's Nonprofit Sector*, because this report focuses solely on charitable nonprofits (i.e., 501 c3s), while the MNA report also includes noncharitable nonprofits (e.g., business leagues, state-chartered credit unions, employee funded pension trusts, etc.) and private foundations. To view the MNA report, visit:

http://nonprofit.pscinc.com/MNA_Economic_Impact_Report_2009.pdf.

⁹ The utilities industry includes establishments that provide electric power, natural gas, steam supply, water supply, or sewage removal.

¹⁰ The information industry includes publishing industries, broadcasting and telecommunications, information and data processing services, and the motion picture and sound recording industries.

¹¹ All payroll data are annual estimates computed by multiplying second quarter data by four. Actual annual payrolls may differ slightly due to seasonal variations.

¹² According to the U.S. Office of Management and Budget, an MSA is: 1) a county or group of contiguous counties that contains at least one city of 50,000 inhabitants or more, or 2) an urbanized area of at least

50,000 inhabitants and a total MSA population of at least 100,000 inhabitants. The contiguous counties are included in an MSA if, according to certain criteria, they are essentially metropolitan in character and are socially and economically integrated with the central city or cities.

¹³ Due to disclosure limitations, county-by-county data are only available for private employers. As such, sections of this report relating to the regional breakdown of employment compare nonprofit employment to private employment rather than to total employment.

¹⁴ See Lester Salamon, Stephanie Geller, and Kasey Mengel's *Recession Pressures on Nonprofit Jobs*. Available on-line at http://www.ccss.jhu.edu/pdfs/LP_Communicues/LP_Communique19_jobs.pdf.

Appendix A: The QCEW Unemployment Insurance Labor Market Information Program

Source of data

The major source of employment and wage data for this report is the Covered Employment and Wages Program, commonly referred to as the QCEW program, a cooperative initiative involving State Employment Security Agencies and the Bureau of Labor Statistics. The QCEW program produces a comprehensive tabulation of employment and wage information for workers covered by state Unemployment Insurance (UI) laws and federal workers covered by the Unemployment Compensation for Federal Employees Program. Data contained in this report represent all employees covered by the Unemployment Insurance (UI) Law of Michigan as well as federal workers covered by the Unemployment Compensation of Federal Employees Program. The data on state-insured workers are compiled from quarterly contribution reports submitted by employers subject to Michigan law. Employment data pertaining to the federal government are obtained from similarly required reports submitted by the various government installations in Michigan.

Scope of coverage

The QCEW program accounts for approximately 98 percent of all wage and salary civilian employment nationally (the program does not cover self-employed and family workers). The principal exclusions from the QCEW data set are employees of religious organizations, railroad workers, small-scale agriculture, domestic service, crew members on small vessels, state and local government elected officials, and insurance and real estate agents who receive payment solely by commission. In terms of nonprofit employment, the exclusion of religious organizations is the most significant; however, religious organizations may elect to be covered by the UI program and those that do are covered in the data. At this time, the level of non-coverage is unknown.

The number of employees is measured by the number of filled jobs for the pay period that includes the 12th day of each month as reported by the employer. Both part-time and full-time employees are included in the data set. If a person holds two jobs, that person would be counted twice in the data set. Wages include bonuses, stock options, the cash value of meals and lodging, and tips and other gratuities.

The employment data for nonprofit organizations were identified by matching QCEW files for Michigan with registries of tax-exempt firms provided by the U.S. Internal Revenue Service.

For the purpose of this report, we have chosen to focus on the “charitable” portion of the nonprofit sector. This includes organizations registered with the U.S. Internal Revenue Service under Section 501(c)(3) of the Internal Revenue Code, which embraces private, not-for-profit hospitals, clinics, colleges, universities, elementary schools, social service agencies, day care centers, orchestras, museums, theaters, homeless shelters, soup kitchens, and many more. In addition to Section 501(c)(3), the Internal Revenue Code contains 25 other subsections under which organizations can claim exemption from federal income taxation as nonprofit organizations. Section 501(c)(3) is by far the most important of these, the one that covers the bulk of nonprofit organizations, and the one with the organizations most commonly associated with the nonprofit sector.

Appendix B: Nonprofit employment in Michigan, by region, in comparison to private employment, 2009

County	Nonprofit employment Quarter 2, 2009	Nonprofit share of private employment, Quarter 2, 2009	Employment in manufacturing	Employment in construction
Alcona	[D]	[D]	157	[D]
Alger	[D]	[D]	437	86
Allegan	1,278	4.6%	10,827	1,677
Alpena	818	10.1%	1,294	444
Antrim	131	3.1%	844	237
Arenac	456	11.1%	439	108
Baraga	[D]	[D]	391	69
Barry	[D]	[D]	2,381	395
Bay	3,235	11.0%	3,610	1,005
Benzie	246	7.9%	365	278
Berrien	6,391	13.0%	11,493	1,660
Branch	315	3.3%	2,005	318
Calhoun	6,074	13.9%	10,449	1,904
Cass	518	8.6%	1,748	300
Charlevoix	1,055	14.0%	1,899	523
Cheboygan	987	16.9%	295	501
Chippewa	469	7.5%	534	333
Clare	618	12.1%	788	228
Clinton	856	7.1%	1,964	939
Crawford	61	2.4%	399	93
Delta	721	6.3%	2,121	652
Dickinson	416	4.0%	2,007	1,161
Eaton	1,564	6.7%	2,728	1,502
Emmet	2,244	15.5%	915	943
Genesee	15,442	14.8%	8,969	3,756
Gladwin	350	11.3%	369	232
Gogebic	557	15.4%	525	146
Grand Traverse	6,038	16.1%	3,783	2,044
Gratiot	2,019	20.6%	1,555	180
Hillsdale	1,009	11.2%	2,418	224
Houghton	1,933	22.8%	505	716
Huron	884	9.8%	1,768	374
Ingham	17,961	16.9%	10,328	3,405
Ionia	397	2.7%	2,675	526
Iosco	[D]	[D]	575	246
Iron	[D]	[D]	345	140
Isabella	1,913	10.1%	1,934	1,278
Jackson	7,242	16.8%	7,773	1,622
Kalamazoo	14,203	14.8%	16,231	4,192
Kalkaska	[D]	[D]	276	214
Kent	36,362	13.0%	49,968	12,340
Keweenaw	[D]	[D]	[D]	[D]
Lake	[D]	[D]	[D]	60

County	Nonprofit employment Quarter 2, 2009	Nonprofit share of private employment, Quarter 2, 2009	Employment in manufacturing	Employment in construction
Lapeer	383	2.8%	3,640	641
Leelanau	273	7.0%	225	478
Lenawee	1,771	8.3%	4,655	620
Livingston	1,067	3.0%	5,422	2,290
Luce	[D]	[D]	44	57
Mackinac	[D]	[D]	130	229
Macomb	19,750	8.5%	48,366	11,213
Manistee	211	4.7%	783	275
Marquette	4,107	19.3%	773	1,116
Mason	[D]	[D]	1,653	371
Mecosta	237	3.2%	1,312	193
Menominee	190	4.1%	1,417	177
Midland	5,154	16.7%	6,083	2,413
Missaukee	[D]	[D]	351	119
Monroe	2,752	8.7%	4,407	2,189
Montcalm	1,683	15.0%	1,916	387
Montmorency	[D]	[D]	209	149
Muskegon	7,237	14.7%	9,946	1,572
Newaygo	885	10.9%	1,400	272
Oakland	56,974	10.1%	53,061	18,931
Oceana	185	3.3%	1,196	310
Ogemaw	170	3.4%	299	165
Ontonagon	[D]	[D]	[D]	104
Osceola	673	15.6%	1,243	697
Oscoda	[D]	[D]	72	69
Otsego	972	11.1%	553	415
Ottawa	5,632	6.6%	27,541	4,268
Presque Isle	[D]	[D]	217	95
Roscommon	[D]	[D]	[D]	217
Saginaw	9,362	14.0%	9,241	2,946
Sanilac	886	11.1%	1,637	346
Schoolcraft	[D]	[D]	213	103
Shiawassee	1,750	14.7%	1,587	411
St Clair	5,209	14.3%	4,560	1,210
St Joseph	559	3.9%	6,344	447
Tuscola	695	8.7%	1,346	373
Washtenaw	15,069	13.2%	12,624	3,577
Wayne	87,641	15.7%	62,741	16,468
Wexford	1,300	12.5%	2,622	270
Metro Totals	354,138	12.2%		
Non-Metro Totals	13,824	11.2%		
Michigan State Totals	374,537	11.7%	454,000	137,000

[D] Data unavailable because of federal restrictions on the disclosure of data that can identify individual employers. The total nonprofit employment in the counties with such disclosure restrictions is 6,575 or 3.9 percent of private employment in those areas.

Appendix C: Distribution of nonprofit employment in Michigan, by industry, 2009

NAICS Codes*	Industry	Type of organization	Number of nonprofit employees	Percent of nonprofit employees
541	Professional, scientific, and technical services	Legal services; accounting and tax services; architectural and engineering services; specialized design services; computer services; management, scientific, and technical consulting services; and research and development services	5,089	1.4%
611	Educational services	Elementary and secondary schools, junior colleges, colleges, universities, professional schools, and technical and trade schools	35,577	9.5%
621	Ambulatory health care	Outpatient care center, family planning centers, medical laboratories, and home health care services	28,336	7.6%
622	Hospitals	General medical and surgical hospitals, psychiatric and substance abuse hospitals, specialty hospitals	184,767	49.3%
623	Nursing and residential care facilities	Nursing care facilities; residential mental retardation, mental health, and substance abuse facilities; and elderly care community facilities	41,004	10.9%
624	Social assistance	Individual and family services, youth services, elderly and disabled services, community food services, community housing services, emergency relief services, vocational rehabilitation services, and child day care	38,556	10.3%
712	Museums, historical sites, and similar institutions	Museums, historical sites, and similar institutions	3,740	1.0%
813	Religious, grantmaking, civic, professional, membership and similar organizations	Religious organizations; grantmaking and giving services; social advocacy organizations; civil and social organizations; business, professional, labor, political organizations, and membership organizations	26,430	7.1%
All other	Other	Credit intermediation, visitors bureaus, waste management and remediation services, and others	11,038	2.9%
All	State total		374,537	100.00%

*NAICS codes are based on the North American Industry Classification System (U.S. Office of Management and Budget, 2002)

The Johns Hopkins Nonprofit Economic Data Project

State and Regional Nonprofit Economic Data Bulletins

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Connecticut Nonprofit Employment (Nonprofit Employment Bulletin No. 8, 2002)
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The Johns Hopkins Center for Civil Society Studies

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