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Recent Trends in Nonprofit Employment and Earnings: 1990-2004

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By John S. Irons and Gary Bass

Summary

While employment in the nonprofit sector has fared reasonably well over the last several years, new data suggest that the labor market in this sector has weakened significantly.

This report examines the recent history of employment and compensation trends in the nonprofit sector, from 1990 to 2004. It finds that while the nonprofit sector held up well in the 2001 recession and its recent aftermath, the more recent experience has been troubling. Employment growth has come to a near standstill over the past year. In addition, and perhaps more troubling, there have been declines in average hours worked, weekly earnings, and hourly wages. Data on individual states also confirm the general nationwide pattern.

Introduction

The aftermath of the 2001 recession has been dubbed the “job-loss recovery.”¹ While the recession was relatively short and mild by historical standards, the labor market has remained poor over the last few years. Total employment has not returned to its peak level that was reached in early 2001.

The nonprofit sector has fared noticeably better during the most recent economic downturn. However, it appears as if employment in the nonprofit sector is starting to weaken significantly.

Employment in the nonprofit sector has grown by only about 0.5 percent in the year ending July 2004 – well below its average rate of 2.4 percent annual growth over the past 15 years.

In addition to employment trends, data on earnings also indicate a weak labor market. Over the past year, there have been significant drops in average weekly earnings. This is in part due to a decline in the average number of

weekly hours worked – which had been stable through early 2003 – as well as a decline in hourly compensation.

The nonprofit sector of the economy is traditionally asked to help support the nation in times of economic weakness, and is currently expected to make up for reductions in publicly provided government services. The current data indicate that the sector is being asked to do more with less labor input.

The next section looks at recent trends in employment and hours worked. The following section examines earnings and wages. State trends are then examined. The final section offers some possible explanations for the weak labor market in the nonprofit sector.

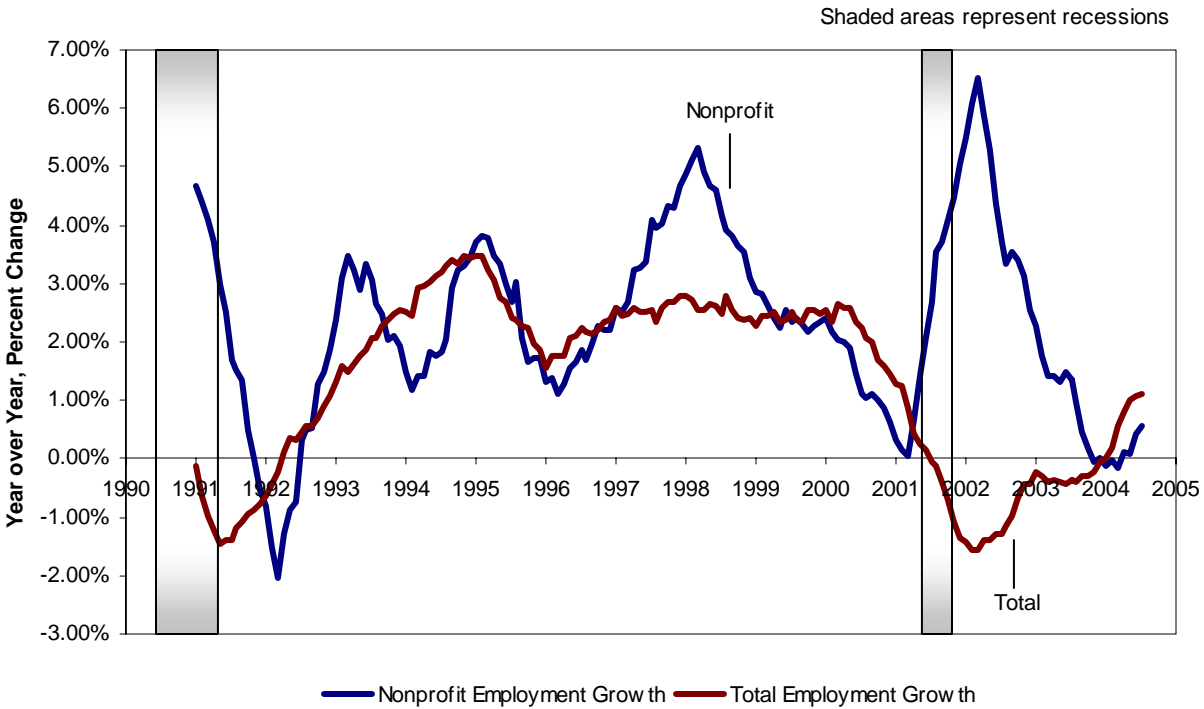
Employment Trends

The data for this report are from the Bureau of Labor Statistics (BLS) Current Employment Statistics payroll survey, and covers the years 1990 through July 2004.² The industry data used in this report is coded as “Membership associations and organizations,” see the data appendix below for more information.

¹ This is in contrast to the period after the 1990-91 recession, which was dubbed the “jobless” recovery. Total employment continued to decline for well over a year after the end of the 2001 recession, and still remains well below peak levels.

² As available on August 17, 2004. The Appendix contains more information on the data used in this report.

Figure 1. Growth in Employment



Employment

Employment in the nonprofit sector continues to increase on a year over year basis, albeit at a greatly reduced rate. Figure 1 shows the pattern of employment growth for the nonprofit sector as well as employment growth for total non-farm employment as measured by the monthly survey of establishments.

Since 1990, the first year the Bureau of Labor Statistics provides data for the nonprofit industry, employment in the sector has largely been increasing. Over the 1990-2004 period, employment has grown by an average rate of 2.4 percent per year, which is higher than the 1.3 percent growth rate for total employment.

Employment in the nonprofit sector has seen periods of declines, however. Most notably are the declines in late 1991 through the first half of 1992, which followed the recession that ended in early 1991.

More recently, nonprofit employment has seen an increase in employment in the period immediately after September 11. Since that time, the pace of employment expansion began to slow in early 2003, and the sector has seen virtually no growth in the past year: from July 2003 to July 2004, employment grew by just 0.5 percent.

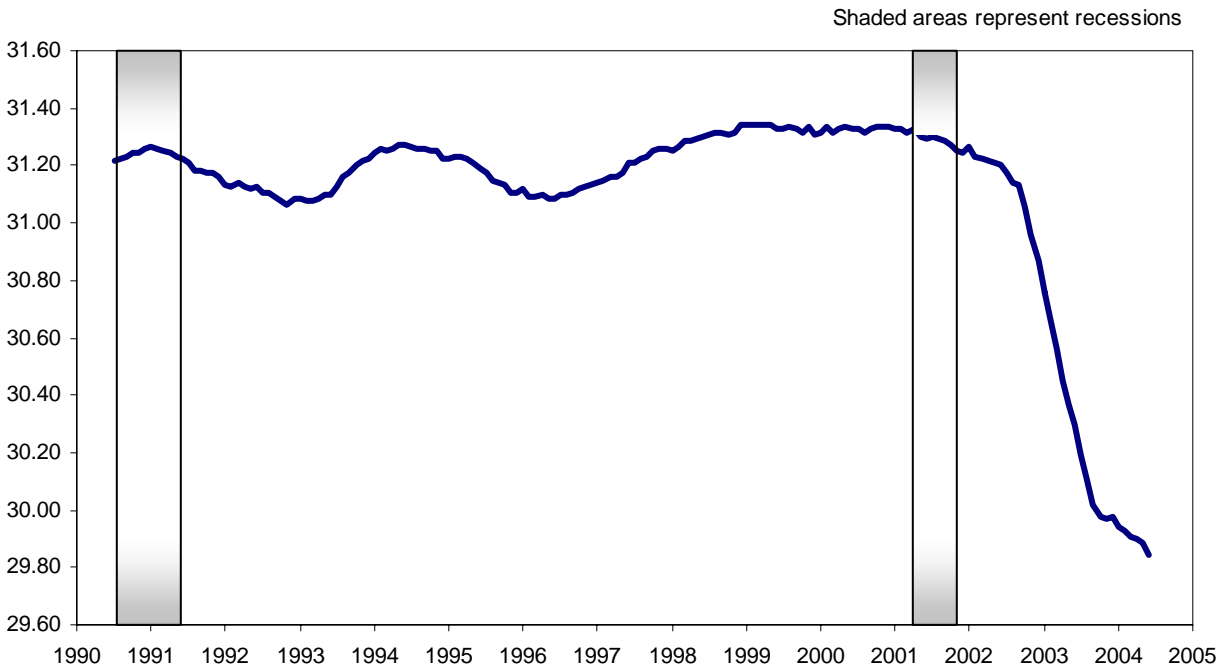
Weekly Hours Worked

While total employment continues to hold relatively steady, the average number of weekly hours worked has declined.

Between 1990 and the end of 2002, average weekly hours worked remained roughly constant, varying between 30.9 and 31.7, and averaging 31.2. However, since then, the average number of weekly hours has declined by 4 percent to drop below 30.

Figure 2 shows the average number of hours worked per week in the nonprofit industry. As the figure shows, the recent drop in hours worked is a break from the trend over the last

**Figure 2. Average Weekly Hours: Nonprofit Sector
(12-month moving average)**



15 years. The current average workweek, at just 29.8 hours, is the lowest since the BLS, beginning in 1990, collected this data.

Earnings

In addition to the decline in the average number of hours worked, the earnings of workers in the nonprofit industry has dropped in recent months as well.

Figure 3 shows the pattern of inflation adjusted weekly earnings in the nonprofit sector. While remaining static through much of the early 1990's, earnings grew substantially in the latter part of the decade. After the 2001 recession, growth slowed beginning in early 2002, and then began to fall steeply in early 2003 – at approximately the same time as employment declines cited in the previous section. The drop was most pronounced in 2003 – from December 2002 to December 2003, average weekly earnings fell by 6% in nominal terms. Once inflation is included, real earnings showed an even greater drop, as seen in the figure. In the year ending

June 2004, real weekly earnings fell by 5.2 percent.

Weekly earnings can fall either because of (a) declines in the numbers of hours worked, or (b) because of declining wages, (or both).

Figure 2 in the previous section showed a decline in the number of hours worked. This decline is, however, only part of the story: average wages have fallen as well. The growth rate of wages³ fell in early 2002, and then declined through much of 2003, see Figure 4.

The latest data show that wages are currently (as of June) at their lowest level since July 1998. In the year ending June 2004, real hourly earnings fell by 3.9 percent.

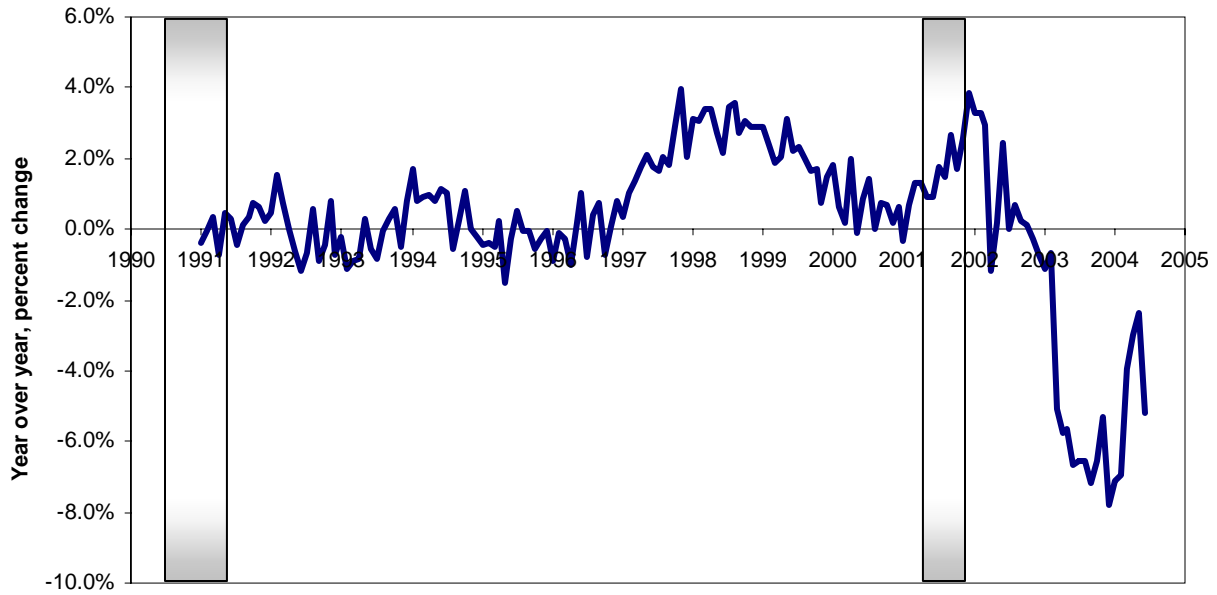
State Level Data

States have also seen a similar pattern in their nonprofit employment trends.

³ For this report, average wages are computed by dividing the earnings by the average number of hours worked.

**Figure 3. Growth of Average Weekly Earnings Of Production Workers:
Nonprofit Sector
(Adjusted for inflation, 2004 dollars)**

Shaded areas represent recessions



**Figure 4. Growth in Average Wages: Nonprofit Sector
(Adjusted for inflation, 2004 dollars)**

Shaded areas represent recessions

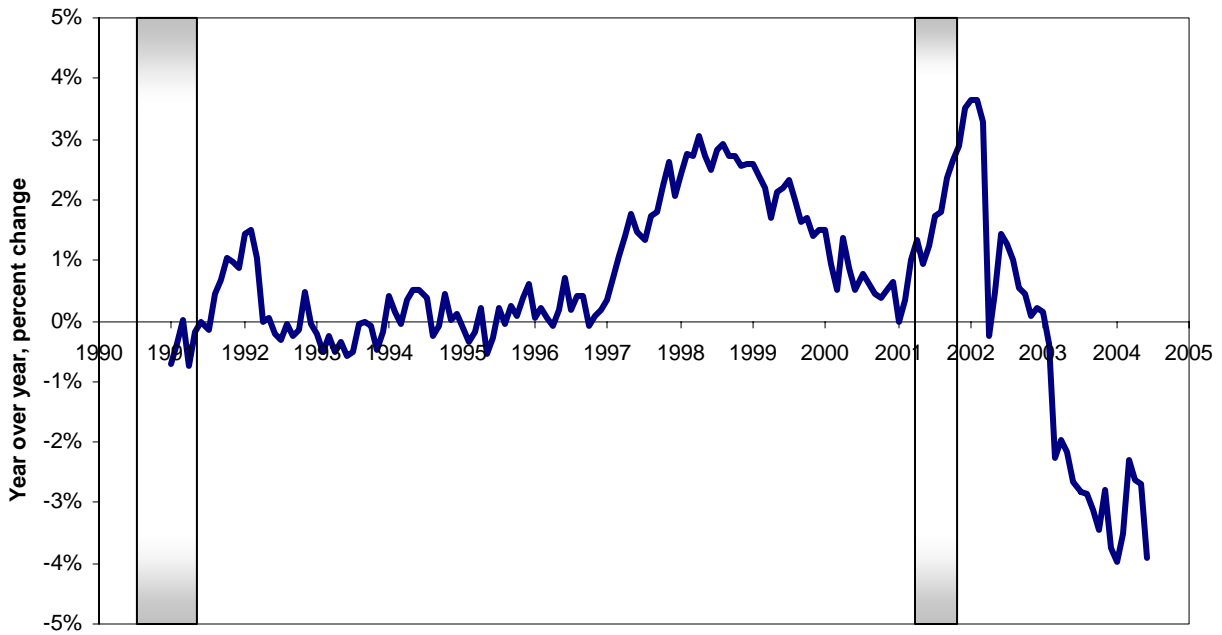


Table 1 shows the employment level for the nonprofit sector for 23 states (all that have detailed employment data available through the Current Employment Survey).

Five of these states showed declines in nonprofit employment over the past year (June 2003 to June 2004): Minnesota (-2.9%), Wisconsin (-2.3%), California (-1.2%), Ohio (-0.3%), and Illinois (-0.1%). An additional five states – Connecticut, West Virginia, New York, Colorado, and Maryland – had less than 1 percent growth. Overall, 17 of the 23 states had nonprofit employment growth below the 15-year nationwide average.

Explanations

The preceding sections have shown a consistent picture of weakness in the nonprofit labor market.

One possible explanation is that the post-9/11 atmosphere of goodwill spurred an immediate increase in nonprofit employment, perhaps as a result of increased need as well as a greater demand for employment in the nonprofit sector, which engages in public service. This increased demand for nonprofit jobs could have the effect of driving down wages. However the more recent weak employment number as well as the decline in hours worked appears to be inconsistent with this explanation.

A second explanation comes from the idea that employment is thought to be a “lagging indicator” – in other words, employment responds to the macroeconomic situation only after a period of time. It appears that nonprofit employment shows an even greater lag coming out of a recession. In the aftermath of the 1990-91 recession, nonprofit employment held up well until significantly after the end of the recession. This pattern again appears to be the case in the current economy.

This pattern makes sense since the demand for nonprofit services might necessitate an increase in nonprofit hiring during a recession and then might decline when recovery is

underway. However, the magnitude of the decline in hours worked and wages is such that the weakness in the nonprofit labor market appears to be more significant than in the recovery from the 1990-91 recession, and may not be explained as a purely cyclical phenomenon.

Another explanation for some of the patterns seen in the data is that the nonprofit sector, like the rest of the labor market, is seeing an increase in part-time work. In recent months, the increase in part-time work has exceeded the increase in full-time work. In 2003 for example, part-time work grew by 2.6 percent, while full-time work grew by only 0.6 percent.⁴

This trend towards part-time work might partially explain the drop in number of hours worked in the sector. However, it does not explain the drop in employment levels.

A fourth explanation lies in the increases in demand for nonprofit services that are a result of a weak economy and a reduction in government services. Recent studies and anecdotal evidence indicate that nonprofits are being forced to provide more and more services to more and more people.⁵ With increases in outlays for non-labor items (such as food, medical supplies, etc.), nonprofits might be forced to reduce funding allocated to staff. This would explain both the employment trends as well as the declines in hours and wages.

A final explanation for the patterns might lie in increased costs to nonprofit organizations of

⁴ Data is from the Current Population Survey.

⁵ For examples, see: “Holes in the Safety-net: Study of Funding Cutbacks and Safety-net Nonprofits in California,” (2004, California Association of Nonprofits); “Fiscal Crisis in the States: Its Impact on Nonprofit Organizations and the People They Serve,” by Woods Bowman (2003, Aspen Institute); “A Divided Community: The Effects of State Fiscal Crises on Nonprofits Providing Health and Social Assistance,” Thomas Gais, Courtney Burke and Rebecca Corso (2003, The Nelson A. Rockefeller Institute of Government, The State University of New York.)

providing non-wage benefits. In particular, increases in the cost of health insurance for employees make it more expensive to keep employees and to hire additional staff. The reduction in employment and earnings might be a result of these increased employment costs.

Most likely the ultimate cause is a combination of the above trends and factors. However, what is clear is that the labor market in the nonprofit sector has gotten significantly weaker over the past year and a half.

**Table 1. Employment and Growth in Employment
in Religious, Grantmaking, Civic, Professional & Similar Orgs
Comparison to End of June; In Thousands**

State	2000	2001	2002	2003	2004
CA	199.6	207.0 3.7%	213.1 2.9%	217.4 2.0%	214.7 -1.2%
CO	37.8	40.4 6.9%	42.0 4.0%	42.9 2.1%	43.2 0.7%
CT	27.7	28.7 3.6%	30.3 5.6%	30.0 -1.0%	30.0 0.0%
DC	45.1	49.1 8.9%	50.0 1.8%	49.7 -0.6%	50.3 1.2%
FL	146.2	151.2 3.4%	158.2 4.6%	170.1 7.5%	175.9 3.4%
IL	132.6	139.6 5.3%	142.0 1.7%	141.2 -0.6%	141.1 -0.1%
IN	53.5	54.5 1.9%	54.2 -0.6%	54.0 -0.4%	55.8 3.3%
MA	49.4	54.3 9.9%	56.1 3.3%	56.3 0.4%	57.3 1.8%
MD	62.5	60.3 -3.5%	62.3 3.3%	63.1 1.3%	63.6 0.8%
MI	82.2	91.1 10.8%	92.4 1.4%	90.2 -2.4%	93.0 3.1%
MN	65.1	67.3 3.4%	68.7 2.1%	68.7 0.0%	66.7 -2.9%
ND	9.1	9.1 0.0%	9.2 1.1%	8.9 -3.3%	9.1 2.2%
NE	13.5	16.9 25.2%	17.2 1.8%	17.1 -0.6%	18.3 7.0%
NJ	68.3	67.9 -0.6%	70.6 4.0%	72.9 3.3%	74.0 1.5%
NY	186.3	193.1 3.7%	197.1 2.1%	199.7 1.3%	200.5 0.4%
OH	113.5	118.9 4.8%	121.0 1.8%	119.2 -1.5%	118.9 -0.3%
OR	27.1	28.1 3.7%	28.4 1.1%	28.0 -1.4%	29.4 5.0%
PA	146.0	147.9 1.3%	151.6 2.5%	152.1 0.3%	153.8 1.1%
TX	157.0	160.3 2.1%	162.2 1.2%	165.2 1.8%	168.6 2.1%
VA	92.1	101.4 10.1%	110.7 9.2%	112.6 1.7%	116.4 3.4%
WA	53.4	44.1 -17.4%	45.3 2.7%	47.5 4.9%	48.6 2.3%
WI	78.8	83.2 5.6%	85.4 2.6%	86.8 1.6%	84.8 -2.3%
WV	40.5	42.4 4.7%	42.6 0.5%	42.4 -0.5%	42.5 0.2%
TOTAL	1,887.3	1,956.8 3.7%	2,010.6 2.7%	2,036.0 1.3%	2,056.5 1.0%

Appendix: Data

Employment, hours, and earnings data are from the Bureau of Labor Statistics, Current Employment Statistics, as available on August 17, 2004. The industry data used in this report is coded as “Membership associations and organizations,” and includes:

- Grantmaking and giving services
 - Grantmaking foundations
 - Voluntary health organizations
 - Other grantmaking and giving services
- Social advocacy organizations
 - Human rights organizations
 - Environment, conservation, and other social advocacy organizations
- Civic and social organizations

- Professional and similar organizations
 - Business associations
 - Professional organizations
 - Labor unions and similar labor organizations
 - Miscellaneous professional and similar organizations

When possible the data are seasonably adjusted. For data that is not seasonably adjusted, year-over-year percent changes are used.

The state level data are drawn from the Current Employment Statistics Survey (State and Metro Area) and uses the “Religious, Grantmaking, Civic, Professional, and Similar Organizations” industry classification.

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