



INDEPENDENT
SECTOR

Health of the U.S. Nonprofit Sector

A QUARTERLY REVIEW



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Health of the U.S. Nonprofit Sector: A Quarterly Review

A healthy nonprofit sector is essential to an American society in which all people can thrive. Nonprofit organizations provide a significant portion of the nation's health care, higher education, environmental stewardship, human services, arts and culture, and other vital services essential to thriving communities. Nonprofits are also among the most trusted institutions in America, relied upon to shape better policies and deliver better results in local communities.

Despite its scale, its economic impact, and its power to drive systemic change, there has been no regular, timely assessment of the sector's health, leaving sector leaders, policymakers, and other stakeholders in the dark regarding how the nonprofit sector is faring. The need to fill this knowledge gap became even more apparent over the past two years as the sector endured significant swings in employment, finances, and demands for services.

Independent Sector's *Health of the U.S. Nonprofit Sector: Quarterly Review* aims to close a portion of this knowledge gap by conveying timely information on the current health of the U.S. nonprofit sector for two key dimensions: the nonprofit portion of the economy and nonprofit jobs.

The annual *Health of the U.S. Nonprofit Sector Report*, released in the fall of 2020 and 2021, also includes information on additional aspects of the sector's health, including governance, public trust, public policy, and advocacy.

Importantly, all quarterly and annual reports released by Independent Sector include not only data and analysis, but also recommendations about policy and practice that can be employed to strengthen the health of the sector.

Snapshot: Health of the U.S. Nonprofit Sector

A healthy nonprofit sector is financially stable, has a robust and diverse workforce, maintains the public's trust, and appropriately engages in the policy process to advance its many missions. In the end, a healthy nonprofit sector is fully equipped to effectively serve their communities.

The data below provides a snapshot of the nonprofit sector's economic contribution and workforce in the fall and winter of 2021, which are covered in greater detail in this report.

Economic Contribution

Policymakers often assert that nonprofit economic variables correlate with the U.S. gross domestic product. In the fourth quarter of 2021, nonprofits contributed \$1.4 trillion to the economy. Despite this significant contribution, the economic recovery of the nonprofit sector appears to be slower than the overall economy as measured by the gross domestic product (GDP). Typically, charitable giving also tracks GDP trends. As of the third quarter of 2021, giving appeared to be steady comparing year-over-year rates, but it may not be keeping pace with GDP growth rates of 10-14%. It remains unclear the role the temporary universal charitable deduction, which sunset at the end of 2021, is playing in these numbers or how the policy's expiration in 2022 will impact overall giving.

Human Resources

Historically, the nonprofit sector is the third-largest private employer in the U.S. economy and grows jobs four times faster than for-profit organizations. The sector's strong job growth held true following the 2008 recession, but it remains unclear whether the trend applies as the economy recovers from the pandemic. Since 2020, the sector demonstrated a slow, unsteady recovery that varied across subsectors. At the end of 2021, the pace of job recovery for nonprofits appears to be slowing. The sector may take up to 11 more months to operate at its 2019 employment levels, despite continuing to play a major role in helping communities recover and thrive after the pandemic. As jobs return to the sector, the racial and ethnic composition of the workforce largely tracks with the broader workforce, although it is whiter than in the third quarter of 2021. The proportion of women in the nonprofit workforce reached pre-pandemic levels in the fourth quarter, but it does not necessarily mean women do not continue to experience unique barriers as workers. In general, there still is not enough data to understand variations in nonprofit worker experience across subsectors and demographics.



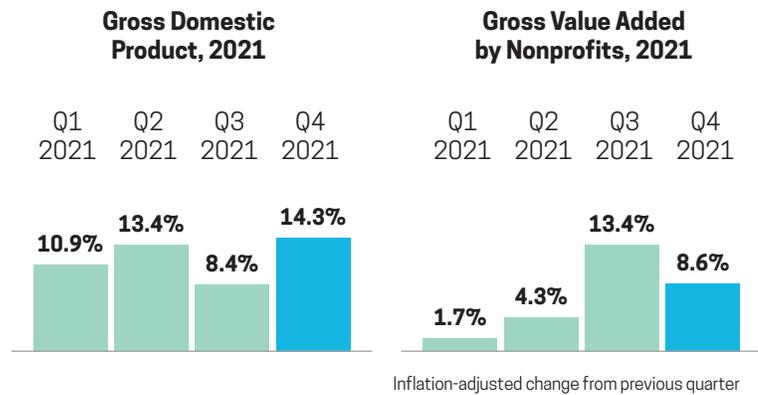
Nonprofit Economy

Nonprofits make up a vital part of our society and our economy – fueled largely by income from fees and service charges, government payments for services, and philanthropy. It is imperative that nonprofit leaders and policymakers track the economic condition of the nonprofit sector, on its own and in comparison to other sectors, to get a complete understanding of how nonprofits are faring and how to support them.

U.S. nonprofit
economic contribution
in Q4 of 2021

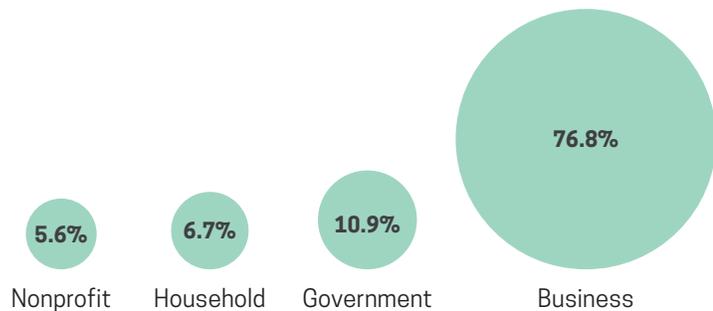
\$1.4 trillion

FIGURE 1



With the exception of Q3 of 2021, the economic recovery of the nonprofit sector appears to be growing more slowly post-pandemic than the overall economy as measured by the gross domestic product (GDP). The economic output of nonprofits in 2021 also appears to fluctuate more than the overall GDP. Analyses of the sector's recovery following the 2008 recession found most organizations saw a single-year reduction followed by a recovery year. The 2008 analyses showed a few subsectors noted an increase in overall revenue, particularly if their missions are relevant during periods of economic downturn.^{1,2} Data in the next quarterly report may provide more insight on whether the nonprofit sector is nearing the end of its "year of economic recovery" like previous recessions.

FIGURE 2: Percent of GDP, Q4 2021



The gross value added by nonprofits has varied between 5.5% and 5.7% of GDP over the past three years. Nonprofits' percent of GDP hit a high in the second quarter of 2020, just as the economy felt the full effects of the COVID crisis. In 2021, the gross added value of nonprofits returned to the more typical range at 5.6% of GDP.

FIGURE 3: Gross Outputs of Nonprofits, Q4 2021

	All nonprofits	Health nonprofits	Education nonprofits	Social service nonprofits	Religious organizations	Foundations & grantmakers
Q4	▲ 5.0%	▲ 9.0%	▲ 1.5%	▲ 4.8%	▼ -1.1%	▼ -10.5%
Q3	▲ 0.3%	▲ 1.9%	▲ 4.1%	▼ -3.5%	▲ 3.2%	▼ -19.0%
Q2	▲ 4.3%	▲ 4.5%	▲ 6.0%	▼ -2.0%	▼ -2.3%	▲ 8.8%
Q1	▼ -7.0%	▼ -1.0%	▲ 6.3%	▼ -16.3%	▼ -1.2%	▼ -3.1%

Inflation-adjusted change from previous quarter

FIGURE 4: Receipts from Sales of Goods and Services, Q4 2021

	All nonprofits	Health nonprofits	Education nonprofits	Social service nonprofits	Religious organizations	Foundations & grantmakers
Q4	▲ 4.8%	▲ 6.2%	▲ 1.5%	▼ -1.1%	▼ -1.1%	▼ -24.3%
Q3	▲ 1.8%	▲ 2.9%	▲ 6.3%	▼ -12.5%	▲ 3.1%	▼ -42.9%
Q2	▲ 14.5%	▲ 12.5%	▲ 13.9%	▲ 22.2%	▼ -2.2%	▲ 78.9%
Q1	▼ -4.5%	▼ -3.5%	▲ 3.7%	▼ -23.6%	▼ -1.1%	▼ -20.2%

Inflation-adjusted change from previous quarter

FINANCIAL RESOURCES

Policymakers hold the strong assumption that charitable giving and the financial health of nonprofits are closely tied to the state of the economy. In the third quarter of 2021, the data shows dollars, donors, and retention rates remain stable comparing year-to-date performance against 2020. If giving performance continues to look like 2020, it may not keep pace with 10–14% GDP growth rates observed quarterly in 2021.

FIGURE 5: Charitable Giving Trends, Q3 2021

Year-over-year change



Human Capital

Nonprofits employ a significant proportion of the U.S. private workforce. However, many variables, including charitable giving trends, student debt, and childcare, affect the sector's ability to recruit and retain talent that reflects the demographics of the communities that it serves. Timely data on the composition of the nonprofit workforce provides nonprofit leaders with early indicators of the potential impacts of macro trends on the workforce and identifies the need and opportunities for action. The need for timely employment data is even more acute, now, as policymakers and sector leaders seek to leverage the nonprofit sector, the third-largest private workforce, to accelerate pandemic recovery and complement work by the government and for-profit sectors.

NONPROFIT EMPLOYMENT COMPARED TO OVERALL WORKFORCE

FIGURE 6: Nonprofit Employment Compared to Other Sectors, Q4 2021

Percent of overall workforce	Percent change since Q3 2021
Nonprofit ■ 6.3%	▲ 1.4
Business ■ 80.2%	▲ 0.6
Local government ■ 6.4%	▲ 4.3
State government ■ 4.6%	▲ 5.6
Federal government ■ 2.5%	▼ -1.8

FIGURE 7: Characteristics of Nonprofit Employment Compared to Overall Workforce, Q4 2021

Race/ethnicity*	Percent change since Q3 2021	Percent of overall workforce
White 77.5%	▲ 2.2%	77.4%
Black 12.6%	▼ -0.7%	12.2%
Hispanic 10.3%	▲ 11.3%	18.3%
Asian/Pacific Islander 6.5%	▼ -3.7%	7.1%
American Indian 1.1%	▲ 13.2%	1.1%
Multiple Races 2.2%	▼ -2.6%	2.1%
Gender	Percent change since Q3 2021	Percent of overall workforce
Female 67.6%	▲ 4.8%	47.1%
Male 32.4%	▼ -5.1%	52.9%
Family income from nonprofit employment	Percent change since Q3 2021	Percent of overall workforce
Less than \$40,000 13.7%	▼ -0.9%	19.8%
\$40,000-\$74,999 22.9%	▲ 8.2%	25.6%
\$75,000-\$149,000 38.7%	▲ 13.2%	33.2%
\$150,000 and Over 24.7%	▼ -12.3%	21.4%

*Hispanic ethnicity data collected in a question separate from race. As a result, categories may add up to over 100%

In the fourth quarter, the sector workforce became less racially and ethnically diverse and the proportion of white workers (78%) remains higher than prior to the pandemic (approximately 70%). However, the racial and ethnic proportions of the nonprofit workforce generally track with demographics of the broader workforce, except for Hispanic workers. The proportion of workers earning \$40,000–\$150,000 increased, while the proportion of low- and high-income nonprofit workers decreased. Income from nonprofit employment appears to remain ahead of overall workforce income. Women gained as a proportion of the nonprofit workforce in the fourth quarter, reversing a downward trend for women in the nonprofit workforce that persisted since the onset of the pandemic. The current proportion of female nonprofit workers is about the same as pre-pandemic levels.

IMPACT OF COVID-19 ON NONPROFIT JOBS

The U.S. nonprofit workforce is estimated to be down **495,000 jobs** (-3.7%) as of December 2021, compared to pre-COVID employment levels. On net, nonprofit jobs are recovering slowly, but the rate of recovery is uneven across subsectors.



It is estimated that the sector will take another

11 months

to return to its pre-COVID levels of employment.

FIGURE 8: Estimated changes in nonprofit jobs, December 2021, by field

Nonprofit field	Nonprofit jobs lost as of December 2021 vs. February 2020
Arts, entertainment, & recreation	▼ -12.5%
Religious, grantmaking, civic, professional & similar	▼ -4.0%
Social assistance	▼ -3.4%
Educational services	▼ -5.6%
Total, all nonprofit fields	▼ -3.7%

The Bureau of Labor Statistics (BLS), which provides the original data from which nonprofit job recovery estimates are made, conducted an analysis of overall workforce trends during the pandemic. A report released by Department of Labor in 2022, "Bearing the Cost," found the COVID pandemic more severely impacted working women, particularly women of color across all sectors.³ One of the causes cited for the disproportionately negative impact on women is "occupational and industry segregation." Industries hardest hit by pandemic job loss also tended to be those in which women were overrepresented and jobs were undervalued. The report notes women performing most of the caregiving as the second reason they are experiencing disparities during the pandemic. Because BLS does not produce regular data on nonprofit industry employment, the sector was not included in this report analysis. Therefore, it remains unclear the extent this broader workforce trend applies to the nonprofit sector, in which women also are overrepresented.

Data to Action

A core aim of these reports is to provide data that can be used to inform specific actions (research, practice, and policy) that can be taken to improve the sector's overall health.

Need Timely Nonprofit Jobs Data & Better Understanding of Workforce Disparities

The data indicates the pace of nonprofit job recovery is slowing. Estimates for when the sector may reach 2019 employment levels continues to shift further into the future, indicating nonprofits may need additional support from policymakers, donors, and volunteers in order to recover from pandemic losses and ensure all nonprofit workers can serve both their communities and their families.

1. NEED TIMELY BLS DATA

Most often, policies to support employers are not designed to meet the needs of nonprofit organizations. Nonprofits must constantly educate policymakers about their role and unique needs as employers due to a dearth of information about nonprofit employment, compared to other sectors.

Since 2020, the impact of COVID on for-profit industries was reported almost in real time, due to the availability of daily stock market trends and timely employment updates from the U.S. Department of Labor's Bureau of Labor Statistics (BLS). Unfortunately, the nonprofit sector, despite its status as the third-largest private workforce, is not included in timely reports from BLS. The nonprofit sector was incredibly fortunate to have the Johns Hopkins Center for Civil Society Studies create [regular estimates](#) to track COVID-related job loss and recovery, but those estimates are built upon 5-year-old government data and the center closed as of 2022.

It is imperative that BLS produces quarterly reports on the nonprofit workforce, just as it produces timely employment data on the for-profit sector – from limousine services to goat farming. Nonprofit leaders, who have engaged the Bureau of Labor Statistics on this matter, need to keep up their steady advocacy to the federal government to ensure timely and regular release of government data in the nonprofit workforce. This analysis not only would enable policymakers to better support nonprofit employers in real-time, but it also enables the government to include the nonprofit sector in analyses about broader trends and disparities, such as the recent ["Bearing the Cost"](#) report.

2. BETTER UNDERSTAND WORKFORCE DISPARITIES AND BARRIERS

Although the racial and ethnic composition of the sector largely tracks with the overall workforce in the fourth quarter of 2021, the sector is whiter than before the pandemic. The proportion of women in the nonprofit workforce increased, but it remains unclear the extent women working for nonprofits, particularly women of color, experience barriers consistent with women in the broader workforce and may need additional support from both policymakers and nonprofit employers.

Nonprofit leaders would benefit from government and academic researchers examining broader workforce trends, with a particular focus on disparities, and the degree to which they apply to nonprofit employees. For example, the U.S. Department of Labor cites caregiving responsibilities during the pandemic as a primary factor contributing to challenges for women workers.⁴ Because women comprise such a large proportion of the nonprofit workforce, a [lack of childcare](#) is likely having a negative impact on [nonprofit workers](#), too. For this reason, coalitions like the [Nonprofit Infrastructure Investment Advocacy Group \(NIIAG\)](#) should continue to call for federal investment in policies supporting caregivers as one critical means of supporting the sector workforce. Gaining a better understanding of nonprofit workforce trends is the focus of the [2022 Nonprofit Public Policy Symposium](#) hosted by the Association for Research on Nonprofit Organizations and Voluntary Action (ARNOVA) and Independent Sector. Researchers and practitioners are encouraged to [submit proposed research and commentary for the event](#) and save the date to virtually attend in October.

Modify Measurement of the Economic Impact of the U.S. Nonprofit Sector

Data from the U.S. Bureau of Economic Analysis (BEA) indicates that the U.S. nonprofit sector – or “nonprofit institutions serving households” (NPISH), as BEA defines the nonprofit sector – contributed \$1.4 trillion to the economy in the fourth quarter of 2021 and comprised 5.5% of GDP. There is no denying nonprofits are a vital economic force, but do these numbers capture the full range of the sector’s contribution to the economy?

As a recent research paper points out, coverage of the nonprofit sector in the System of National Accounts in the U.S. and elsewhere has used “an economic-financial definition that classifie[s] organizations primarily by dominant revenue sources... As a result, official statistics only [show] the very small number of nonprofits which draw a majority of their funding from philanthropic gifts and grants as nonprofit institutions serving households (NPISH).”⁵ The authors go on to assert that these calculations underestimate the visibility, importance, and economic impact of U.S. nonprofits.

The remedy suggested by Lester Salamon, who unfortunately passed away in 2021, has been to encourage governments to publish a “satellite account” to the System of National Accounts that provides a more complete accounting of the nonprofit sector and volunteering. In fact, the United Nations Statistics Division authorized the production in 2003 of a *Handbook on Nonprofit Institutions in the System of National Accounts*. Approximately 30 countries now generate nonprofit satellite accounts in full or in part, although the U.S. is not among the adopters.⁶

In 2021, nonprofit advocates worked with Independent Sector to draft an Executive Order suggesting specific ways the Executive Branch can better support the nonprofit sector. That Executive Order, submitted to The White House in March of 2021, calls for the BEA to consider the creation of a yearly or biennial Satellite Account on Nonprofit and Related Institutions and Volunteer Work within its national accounts program that reflects the full breadth of the sector’s economic contributions. A similar provision is contained in bipartisan legislation expected to be introduced in the near future. This is a recommendation sector advocates should continue to watch and consider as we strive to improve the ways in which we portray the economic contribution of the nonprofit sector.

Sources and Notes

NONPROFIT ECONOMY

With the exception of charitable giving data, the information in the economy section is drawn from quarterly reports by the U.S. Bureau of Economic Analysis on the state of the U.S. economy. It was calculated from tables released on February 24, 2022.

Figure 1

Table 1.3.6, “Real Gross Value Added by Sector, Chained Dollars”

Figure 2

Table 1.3.5, “Gross Value Added by Sector”

Figures 3 and 4

Table 2.4.6, “Real Personal Consumption Expenditures by Type of Product, Chained Dollars”

For data on the nonprofit sector, BEA generally reports on “Nonprofit Institutions Serving Households” (NPISH), which it describes as including tax-exempt health, recreation, arts, education, social services, religious, grantmaking, social advocacy, civic and social, legal services, and professional labor and political and similar organizations.

NPISH does not include organizations, like chambers of commerce and other business associations, that mainly serve businesses. NPISH also does not include tax-exempt entities, like cooperatives, credit unions, and mutual financial institutions, that sell goods and services in the same way as for-profit businesses. BEA includes these business-serving and business-like organizations in the business sector even if they are tax-exempt entities. According to BEA: “Because NPISHs produce services that are not generally sold at market prices, the value of these services is measured as the costs incurred in producing them.” See the following:

- U.S. Bureau of Economic Analysis, NIPA Handbook: Concepts and Methods of the National Income and Product Accounts
- Charles Ian Mead, Clinton P. McCully, and Marshall B. Reinsdorf, “Income and Outlays of Households and of Nonprofit Institutions Serving Households,” Survey of Current Business (April 2003), pp. 13-14

Third quarter charitable giving data is derived from the Fundraising Effectiveness Project, released December 29, 2021.

NONPROFIT WORKERS

Information in this section is from the monthly Current Population Survey and an December 2021 report of nonprofit job estimates from Johns Hopkins Center for Civil Society Studies.

Nonprofit Employment Compared to Overall Workforce (CPS Survey)

The Current Population Survey is hosted by the U.S. Census Bureau and the U.S. Bureau of Labor Statistics. Figures were calculated from publicly available IPUMS-CPS data.

The CPS collects information monthly from a probability selected sample of about 60,000 U.S. households. Households are in the survey for four consecutive months, out for eight months, and then return for another four months before leaving the sample permanently. One person generally responds for all eligible members of the household.

Nonprofit Employment Compared to Private Workforce (Johns Hopkins Estimates)

In recent years, an alternative source of information on nonprofit employment has been available through a collaboration of the U.S. Bureau of Labor Statistics and the Center for Civil Society Studies at Johns Hopkins University and its analysis of data from the Quarterly Census of Employment and Wages (QCEW). This collaboration estimated that, prior to COVID, the U.S. nonprofit sector employed 12.5 million paid workers, which accounted for 10.2% of the total private workforce. The global pandemic resulted in the estimated loss of 1.6 million nonprofit jobs.

In contrast to the CPS, which surveys a sample of 60,000 households, the QCEW draws on quarterly reports submitted by almost 10 million U.S. establishments. With the differences in the ways that the CPS and QCEW collect data, it is perhaps not surprising that they report somewhat different estimates of nonprofit employment. It appears that the CPS figures for nonprofit employment are lower, perhaps by a couple of percentage points, than the QCEW figures. For example, in 2020 CPS had nonprofit employment as 7% of workers compared to BLS/QCEW data that relatively consistently puts nonprofit employment at 10%. Note that the 7% figure shows nonprofit employment as a percentage of nonprofit, business, and government workers, and not just as a percentage of private – that is, nonprofit and business – workers.

The latest data cited in this report from Johns Hopkins and Bureau of Labor Statistics was released December 2021.

ENDNOTES

- 1 Pratt, Jon and Kari Anestad. "Deconstructing the (Not-So-Great) Nonprofit Recession." *Nonprofit Quarterly*. March 18, 2020.
- 2 McCambridge, Ruth and Nathan Dietz. "Nonprofits in Recession: Winners and Losers." *Nonprofit Quarterly*. March 19, 2020.
- 3 "Bearing the Cost: Overrepresentation in undervalued jobs disadvantaged women during the pandemic." U.S. Department of Labor. March 15, 2022. <https://www.dol.gov/agencies/wb/impact>.
- 4 Ibid.
- 5 Salamon, Lester M., Megan A. Haddock, Stefan Toepler. "Conceptualizing, Measuring, and Theorizing the Third Sector: Embedding statistical and methodological developments awaiting broader scholarly take-up." *VOLUNTAS: International Journal of Voluntary and Nonprofit Organizations*. February 22, 2022.
- 6 Ibid.

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About Independent Sector

Independent Sector is the only national membership organization that brings together a diverse community of changemakers at nonprofits, foundations, and corporate giving programs working to strengthen civil society and ensure all people in the United States thrive. As the vital meeting ground, we advance our mission by fostering a sense of belonging, catalyzing action, and providing policy leadership across the full breadth of the charitable sector.

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