



INDEPENDENT
SECTOR

Health of the U.S. Nonprofit Sector

A QUARTERLY REVIEW
2021, FIRST QUARTER



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Health of the U.S. Nonprofit Sector
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Independent Sector's first Health of the U.S. Nonprofit Sector: Quarterly Review conveys important information on the current health of the U.S. nonprofit sector regarding two key dimensions — the nonprofit portion of the economy and nonprofit jobs.

The nonprofit sector is a critical part of American society, with nonprofit organizations providing a significant portion of the nation's health care, higher education, human services, arts and culture, and other vital services. There has not previously been available a regular, timely assessment of the sector's health, with sector leaders and other stakeholders having to operate with very limited information regarding how the nonprofit sector is faring on a quarterly basis. The need to fill this gap became even more apparent in 2020 as the sector endured significant swings in employment, finances, and demands for service within a single year.

This edition of the Quarterly Review includes sector data that is regularly available. While important, the data is also limited in its ability to tell a complete picture of sector health. The sector lacks a robust measure of its impact on the wellbeing of people, communities, environments, and civil society. As the sector's ability to assess its health and impact improves over time, other dimensions of health will be incorporated into these reports.

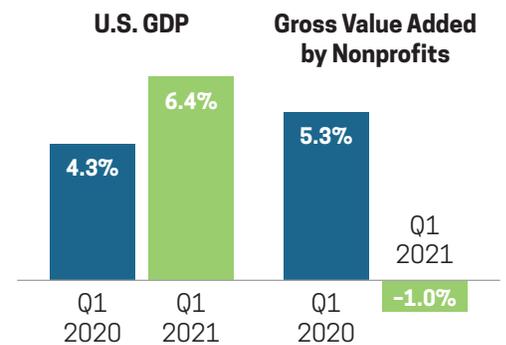
2021 First Quarter

Snapshot: Health of the U.S. Nonprofit Sector

A healthy nonprofit sector is financially stable, has a robust and diverse workforce, and maintains the public's trust. The data below provides a snapshot of the nonprofit sector's economic contribution and workforce during the first quarter of 2021, which are covered in greater detail in the rest of this quarterly report and the more comprehensive *Health of the U.S. Nonprofit Sector: Annual Review* report.

Economic Contribution

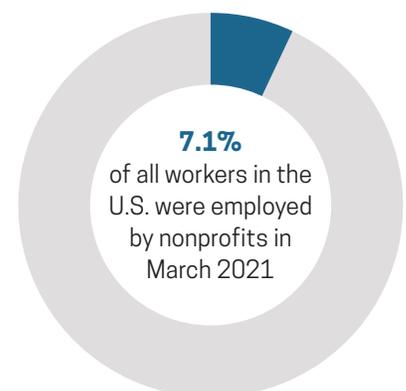
The nonprofit sector's economic recovery lagged slightly behind the growth in overall economy as measured by the gross domestic product (GDP) in the first quarter of 2021. Charitable giving typically correlates with economic activity. In the first quarter, giving increased overall, but most of that increase appears to be concentrated in just a few parts of the sector. Most subsectors show declines in the amount donated. A record increase in the number of donors is the bright spot in the data. Unfortunately, potential causes for the increase in donors may be temporary, without additional action by policymakers.



Inflation-adjusted change from previous quarter

Human Resources

Nonprofit organizations are important employers and maintain a robust workforce. In the first quarter of 2021, the nonprofit workforce remained less diverse than the overall population. It is unclear exactly how much the sector's significant job loss and initial recovery in 2020 impact quarterly shifts in workforce demographics. Job growth for the sector appears to slow in the first quarter. Data indicates it may take up to 1.5 years for the sector to operate at its 2019 capacity, despite continuing to meet more community needs and a demand to play a major role in helping communities recover and thrive after the COVID-19 pandemic.



Share of all nonagricultural wage and salary workers



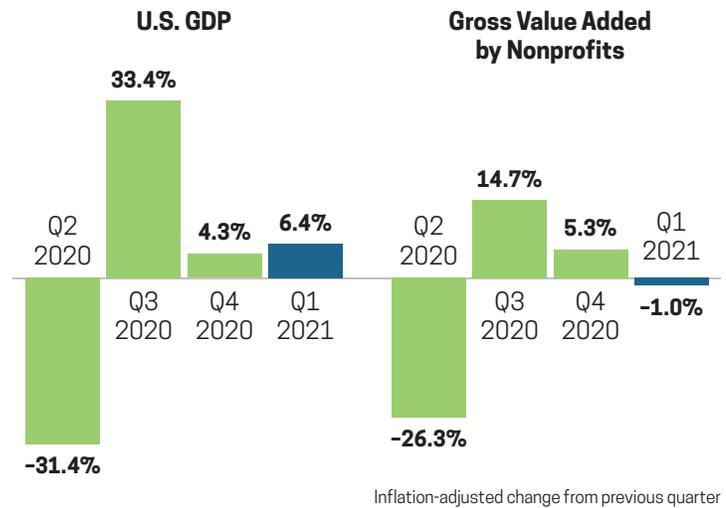
Nonprofit Economy

Nonprofits make up a vital part of our society — fueled largely by income from fees and service charges, government payments for services, and philanthropy. It is imperative that nonprofit leaders, particularly board members, and policymakers track the economic condition of the nonprofit sector — on its own and in comparison to other sectors of the economy — to get a complete understanding of how the nonprofit sector is faring and whether steps need to be taken to strengthen this critical sector.

U.S. nonprofit
economic contribution
in Q1 of 2021

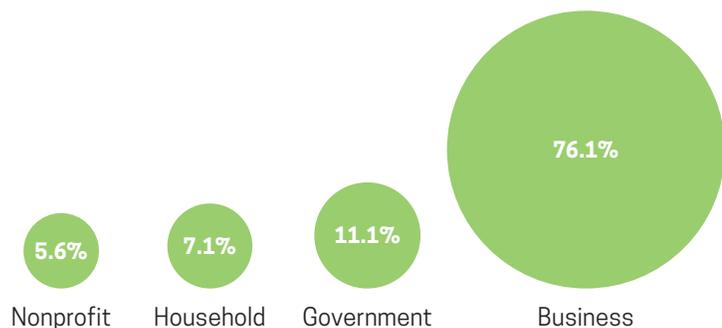
\$1.2 trillion

FIGURE 1: Inflation-adjusted change from previous quarter



The shock to the economic health of nonprofits in 2020 tracks with trends in the overall economy. Unfortunately, nonprofits' recovery in Q1 of 2021 appears to be much slower than the overall economy as measured by the gross domestic product (GDP).

FIGURE 2: Percentage of GDP in Q1, 2020



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

FIGURE 3: Gross Outputs of Nonprofits**Inflation-adjusted change from previous quarter**

| | All nonprofits | Health nonprofits | Education nonprofits | Social service nonprofits |
|---------|----------------|-------------------|----------------------|---------------------------|
| 2021 Q1 | ▲ 10.7% | ▲ 23.6% | ▼ -20.6% | ▲ 95.6% |
| 2020 Q4 | ▲ 2.3% | ▼ -1.4% | ▲ 2.3% | ▲ 25.6% |
| 2020 Q3 | ▲ 41.0% | ▲ 47.2% | ▲ 242.3% | ▲ 105.3% |
| 2020 Q2 | ▼ -33.2% | ▼ -10.8% | ▼ -61.2% | ▼ -60.2% |

FIGURE 4: Receipts from Sales of Goods and Services**Inflation-adjusted change from previous quarter**

| | All nonprofits | Health nonprofits | Education nonprofits | Social service nonprofits |
|---------|----------------|-------------------|----------------------|---------------------------|
| 2021 Q1 | ▼ -17.8% | ▲ 43.9% | ▲ 40.7% | ▲ 45.3% |
| 2020 Q4 | ▼ -34.5% | ▲ 32.9% | ▲ 2.2% | ▼ -5.4% |
| 2020 Q3 | ▼ -51.9% | ▲ 58.5% | ▲ 63.2% | ▲ 68.1% |
| 2020 Q2 | ▲ 129.5% | ▲ 32.4% | ▲ 9.4% | ▼ -7.9% |

Note the sector saw a decline in receipts from sales of goods and services, while subsectors show an increase. In fact, all issue-specific subcategories of nonprofits collected in this data set show an increase in the first quarter of 2021. Other categories include nonprofits providing recreation, religious, civic, social, and advocacy services to households. This disparity affirms that the pace of recovery is not equal across all nonprofits. Organizations not represented by the subcategories listed, like arts organizations, may be recovering at a much slower pace, particularly when it comes to earned income.

FINANCIAL RESOURCES

The financial health of nonprofits often is tied to the state of the economy. The Fundraising Effectiveness Project shows encouraging increases in individual giving in the first quarter of 2021. The number of donors increased 10%, the highest growth rate since the research began. Donations below \$500 grew, while mid-sized and larger gifts declined. This surge in small gifts raises the question of whether households continue to donate in response to ongoing emergency needs in their communities, or whether they are incentivized to give due to the \$600 universal charitable deduction. Unfortunately, not all corners of the sector benefitted equally from this surge in giving.

FIGURE 5: Overall Charitable Giving, First Quarter 2021

Percent change in first quarter 2021 compared year over year



FIGURE 6: Changes in Donation Size, First Quarter 2021

Percent change in first quarter 2021 compared year over year

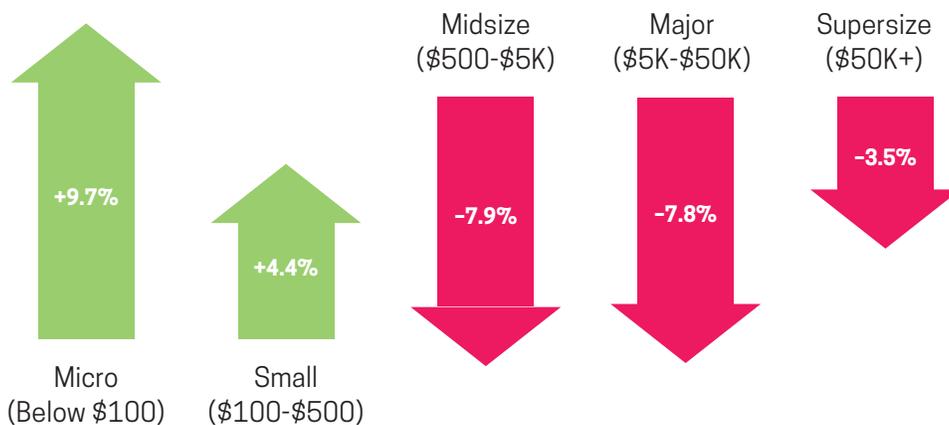
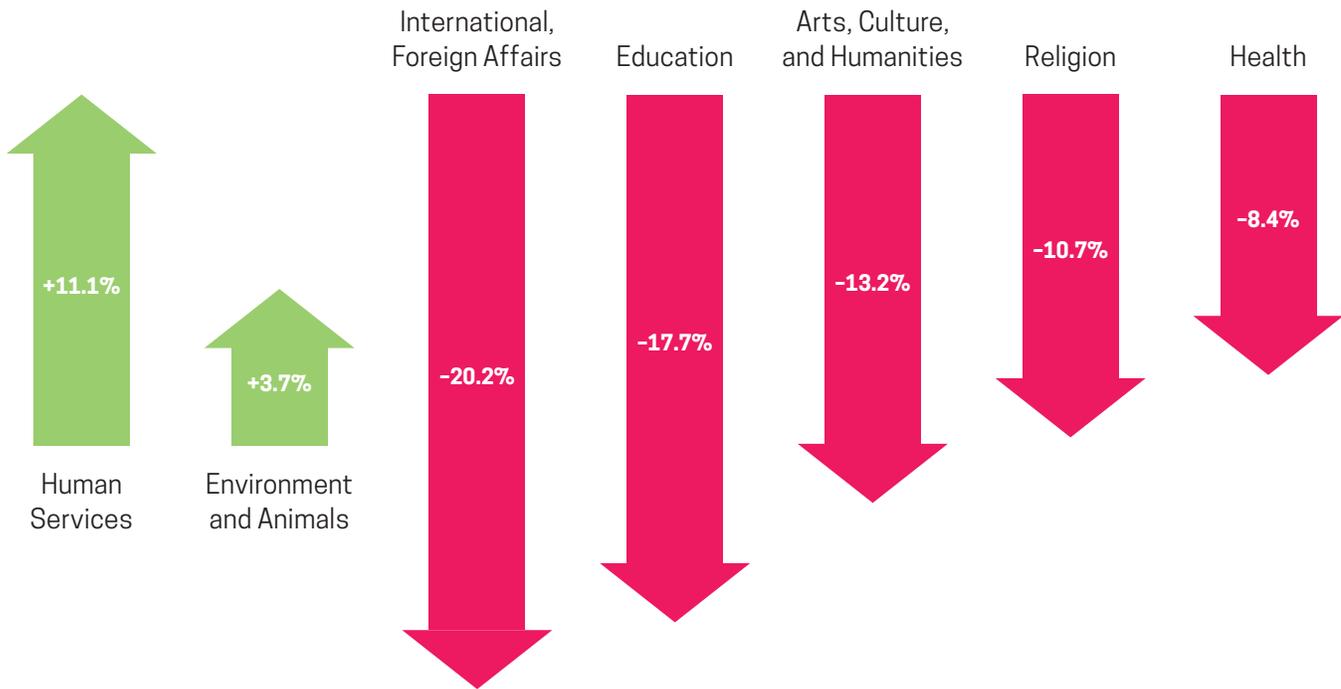


FIGURE 7: Giving to Organizations by Cause, First Quarter 2021**Percent change in first quarter 2021 compared year over year**



Human Capital

Nonprofits employ a significant proportion of the U.S. private workforce. However, a wide range of variables, ranging from charitable giving trends to student debt, affect the sector's ability to recruit and retain talent that reflects the communities that it serves. Timely data on the composition of the nonprofit workforce will provide nonprofit leaders with early indicators of the potential impacts of macro trends and identify opportunities for action. The need for timely employment data is even more acute now, as policymakers and sector leaders seek to assess the extent nonprofit capacity and the third largest private workforce are recovering following huge losses in 2020.

After significant job losses across the sector in 2020, nonprofits are slowly beginning to recover jobs. Demographic data for the first quarter of 2021 paints a picture of who is being hired. Unfortunately, the sector's job recovery is beginning to slow in 2021 despite persistent demand for nonprofit services in local communities.

NONPROFIT EMPLOYMENT COMPARED TO OVERALL WORKFORCE

Nonprofit jobs as a percent of the overall workforce increased by 0.1% since fourth quarter 2020. Black and Hispanic workers increased as a percent of the nonprofit workforce since fourth quarter of 2020. This increase may be an indication that nonprofit job loss disproportionately impacted people of color last year and some, but not all, are beginning to return to the workforce. Comparison of data year over year in the forthcoming 2021 Annual Report of the Health of the U.S. Nonprofit Sector will yield more insights.

Data also shows a drop in the number of women in the workforce as compared to the end of 2020. It remains unclear whether more men are being hired as nonprofit jobs recover, or whether women continue to drop out of the workforce. One factor to explore may be whether burdens associated with childcare, virtual school, and remote work are impacting women's efforts to reenter the nonprofit job market.

FIGURE 8: Nonprofit Employment as Compared to Other Sectors, Q1 2021

| Overall | Percent change since Q4 2020 |
|-------------------------------------|------------------------------|
| Nonprofits ■ 6.8% | ▲ +0.1% |
| Businesses ■ 79.8% | ▼ -0.1% |
| Federal Government ■ 2.5% | ▼ -0.1% |
| State Government ■ 4.8% | ▲ +0.1% |
| Local Government ■ 6.8% | No change |

FIGURE 9: Characteristics of Nonprofit Employment as Compared to Overall Workforce, Q1 2021

| Race/ethnicity in the nonprofit workforce | Percent change since Q4 2020 | Percent of overall workforce |
|---|------------------------------|------------------------------|
| White 79.1% | ▼ -0.5% | 77.7% |
| Black 12.4% | ▲ +0.7% | 12.2% |
| Hispanic 10.5% | ▲ +0.9% | 17.7% |
| Asian/Pacific Islander 5.6% | ▼ -0.1% | 6.9% |
| American Indian 0.7% | ▼ -0.3% | 1.1% |
| Gender in the nonprofit workforce | Percent change since Q4 2020 | Percent of overall workforce |
| Female 67.8% | ▼ -1.0% | 47.5% |
| Male 32.2% | ▲ +1.0% | 52.5% |
| Family income from nonprofit employment | Percent change since Q4 2020 | Percent of overall workforce |
| Less than \$40,000 15.6% | ▼ -0.1% | 19.4% |
| \$40,000–\$74,999 25.1% | ▲ +2.5% | 25.8% |
| \$75,000–\$149,000 34.9% | ▲ +1.8% | 33.7% |
| \$150,000 and Over 24.5% | ▼ -0.6% | 21.0% |
| Level of education in the nonprofit workforce | Percent change since Q4 2020 | Percent of overall workforce |
| Less than high school diploma 2.3% | ▼ -0.04% | 7.5% |
| High school diploma or equivalent 12.3% | ▲ +0.7% | 24.9% |
| Some college but no degree 11.9% | ▲ +0.1% | 15.8% |
| Associate's degree 10.7% | ▲ +0.1% | 10.7% |
| Bachelor's degree 32.6% | ▼ -1.0% | 26.0% |
| Graduate diploma 30.1% | ▲ +0.2% | 15.2% |

RECOVERY OF LOST NONPROFIT JOBS

Estimates show the sector has lost 829,183 jobs as of March 2021, as compared to pre-COVID employment levels. On net, nonprofits slowly are recovering jobs, but the impact is not identical across all subsectors. It is estimated that the sector will take 1.5 years to return to its pre-COVID levels of employment.



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FIGURE 10: Estimated Changes in Nonprofit Jobs, March 2021, by field

| Nonprofit field | Nonprofit jobs lost as of March 2021 vs. February 2020 |
|---|--|
| Arts, entertainment, and recreation | -112,607 |
| Religious, grantmaking, civic, professional and similar | -79,164 |
| Social assistance | -106,106 |
| Other fields* | -24,166 |
| Health care | -234,419 |
| Educational services | -244,671 |
| Total, all fields | -829,183 |

* Includes: Construction; Manufacturing; Wholesale trade; Retail trade; Professional and technical services; Transportation and warehousing; Information; Finance and insurance; and Accommodation and food services. Totals ~4.4% of total nonprofit employment.

Table reflects BLS adjustments totaling 78,000 jobs in February and March 2021. <http://ccss.jhu.edu/april-2021-jobs/>

Data to Action

Independent Sector believes that a core contribution of our sector health reporting goes beyond sharing data and offering analysis. Report users were clear during product testing: learnings from this analysis must drive action toward a healthier sector. To that end, data in this quarterly report should inform decisions made in the coming weeks and months. This section includes recommendations for the sector to begin translating findings into immediate action. The recommendations below are based on drawing connections between the data and opportunities for the sector to improve our health “trendlines” through research, practice, and policy.

CALL FOR TIMELY GOVERNMENT NONPROFIT DATA

Last year, nonprofit leaders observed their revenue and workforce plummet, while the need for services spiked. After significant advocacy, the sector accessed relief resources, like the Paycheck Protection Program and key tax credits, and some nonprofits began to recover by year’s end. During this time, nonprofits fielded scores of surveys trying to collect timely data on how COVID-19 impacted the sector. Meanwhile, the impact of COVID on for-profit industries was reported almost in real time, due to the availability of daily stock market trends and quarterly employment updates from the government.

The sector is extremely fortunate that researchers like the Johns Hopkins Center for Civil Society Studies create regular estimates to track COVID-related job loss and recovery. However, it would be even more helpful to have concrete numbers from the Bureau of Labor Statistics to benchmark nonprofit job loss and recovery against other industries and determine what additional resources organizations may need. In the first quarter of 2021, Independent Sector formally submitted to the Biden Administration a set of recommendations to ensure the sector can continue to play a vital role in promoting community recovery and resilience. Nonprofit academics and researchers, including a working group led by the Aspen Institute, helped develop a set of requests for the timely release of government data to significantly improve our ability to quickly understand and respond to the changing health of U.S. nonprofits.

STRENGTHEN CIVIC INFRASTRUCTURE

Recovery of sector jobs and contribution to the economy slowed in the first quarter of 2021. To fully address community needs and improve resilience, nonprofits need significantly more support from policymakers and funders. One opportunity to secure more support is leveraging policy conversations around pandemic relief and recovery, as well as building national, civic, and community infrastructure during the Summer of 2021. This includes addressing cross-cutting needs like childcare and training, which may help address underlying disparities in job loss and recovery across the sector.

Nonprofits are important voices in these policy conversations because they are on the frontlines and able to report ongoing needs of their stakeholders. An easy way to join the conversation is through coalitions, like the Nonprofit Infrastructure Investment Advocacy Group, that work to strengthen the physical, social, and cultural infrastructure upon which communities are built. Coalitions also actively work to extend policies that may be helping the sector's recovery, like tax credits for employee retention and the temporary universal charitable deduction. Now is the time for nonprofits to call on federal policymakers to do their part by passing policies needed to accelerate recovery and build stronger, thriving communities.

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 (BEA) on the state of the U.S. economy. BEA economic analyses were calculated from tables released on April 29, 2021.

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, grant-making, 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

First quarter charitable giving data is derived from the Fundraising Effectiveness Project, released June 18, 2021:

<https://data.givingtuesday.org/fep-report/>.

NONPROFIT WORKERS

Information in this section is from the monthly Current Population Survey and an April 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 their analysis of data from the Quarterly Census of Employment and Wages (QCEW). The most recent [annual report](#) from this collaboration indicates that in 2017 (the most recent year for which data is available) nonprofit establishments in the U.S. employed 12.5 million paid workers, which accounts for 10.2% of the total private workforce.

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 June of 2020 CPS had nonprofit employment as 7% of workers compared to BLS/QCEW data, which 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.

First quarter 2021 Johns Hopkins/BLS estimates included in this report were released April 2021: <http://ccss.jhu.edu/january-2021-jobs/>.

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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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