INDEPENDENT SECTOR

Health of the U.S. Nonprofit Sector

A QUARTERLY REVIEW

SEPTEMBER 30, 2022

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Contents

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, religious 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, economic impact, and 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 during the pandemic, 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, but limited information on the current health of the U.S. nonprofit sector, including the nonprofit economy, jobs, and other recently released data. Independent Sector's annual **Health of the U.S. Nonprofit Sector Report**, released in the fall of 2020 and 2021, also includes information on 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 ideas or actions that nonprofit leaders and policymakers can explore to strengthen individual organizations and overall health of the U.S. nonprofit 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 advocacy process to advance its many missions. In the end, a healthy nonprofit sector is fully equipped to serve communities and steward the natural world.

The data below provides a snapshot of the nonprofit sector's economic contribution and workforce during the first half of 2022. It also includes advocacy data from 2021.

Economic Contribution

In the second quarter of 2022, nonprofits contributed $1.4 trillion to the economy. For the second quarter in a row, growth in the gross value added by nonprofits exceeded the GDP, although it remains unclear exactly how higher-than-average inflation will impact overall nonprofit finances. In terms of charitable giving, the first quarter of 2022 showed charitable giving returning to pre-pandemic trends – for both good and bad. The amount of money donated to charity increased in the first quarter, but the number of donors declined, resuming a 10+ year downward trend observed before the pandemic. As of the first quarter, donors are diversifying the causes they support beyond emergency or crisis-related pandemic causes.

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. In the second quarter of 2022, the sector workforce continued a trend of losing racial and ethnic diversity. The proportion of white workers in the nonprofit workforce (77.8%) is higher than pre-pandemic levels (approximately 70%) and is slightly higher than the overall workforce. The proportion of Native American nonprofit workers increased 41.2% in the second quarter, after declining 32.3% in the first quarter. The proportion of workers earning over $75,000 outpaced the overall workforce and nonprofits saw an increase in workers earning over $150,000. After two consecutive quarters showing an increase, the proportion of women in the workforce declined in the second quarter. Volunteerism rates for nonprofits appear to remain below pre-pandemic levels.

Public Policy & Advocacy

Public policy defines what it means to operate as a nonprofit and is a key determinant of an organization's ability to deliver its mission. Data across multiple studies show individuals' advocacy activities reinforce other forms of civic engagement, like giving and volunteering. Over one-third (35%) of people report engaging in advocacy on behalf of causes about which they are passionate. Among those who advocate, only 39% do so through a nonprofit organization. More research is needed regarding nonprofit advocacy activity to fully understand the gap between the total number of people who advocate, those who choose to do so via nonprofits, and the impact of that relationship on successful systems change.

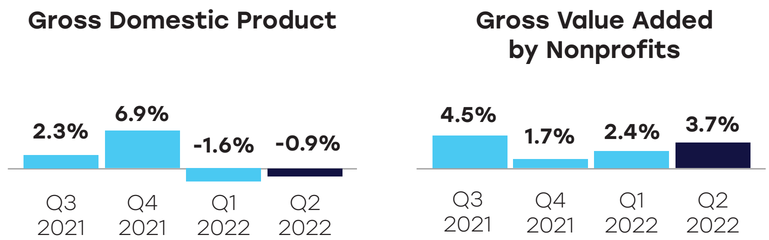
Nonprofit Economy

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 of the economy – to get a complete understanding of how nonprofits are faring and what steps need to be taken to strengthen this important sector.

U.S. nonprofit economic contribution in Q2 of 2022

$1.4 trillion

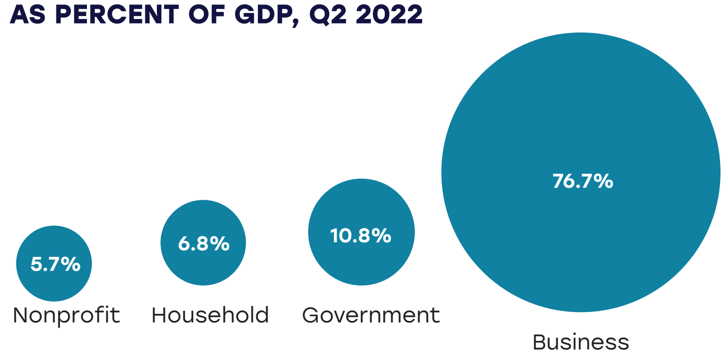
FIGURE 1



Inflation-adjusted change from previous quarter

In the second quarter of 2022, growth in gross value added by nonprofits (3.7%) exceeded growth of the Gross Domestic Product (-0.9%). While we would hope that strong gross value-added numbers by nonprofits in the first half of 2022 indicate an accelerating recovery that more closely resembles trends following past economic downturns, this is not yet certain. 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 that a few subsectors noted an increase in overall revenue, particularly if their missions were relevant during periods of economic downturn.[1,2] However, 2022 numbers may not necessarily capture the emerging impact of other economic trends, like inflation, on nonprofits.

FIGURE 2: GROSS ADDED VALUE OF NONPROFITS AS PERCENT OF GDP, Q2 2022



The gross value added by nonprofits generally has varied between 5.5% and 5.7% of GDP in recent years. The nonprofit sector's contribution to the economy increased from 4.9% of GDP in 2000 to 5.5% of GDP in 2009 – a 12% rise – and has remained near 5.5% since that time. In 2020, nonprofits' percent of GDP hit a high in the second quarter (5.9%), just as the economy felt the full effects of the COVID-19 crisis. In the second quarter of 2022, the gross added value of nonprofits returned to the more typical range at 5.7% of GDP, but makes up 5.0% when adjusted for inflation.

[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.

FIGURE 3: GROSS OUTPUTS OF NONPROFITS

	All nonprofits	Health nonprofits	Education nonprofits	Social service nonprofits	Religious organizations	Foundations & grantmakers
2022 Q2	▲ 4.2%	▲ 3.2%	▲ 4.2%	▲ 3.1%	▲ 1.5%	▲ 1.6%
2022 Q1	▼ -0.8%	▼ -2.6%	▲ 2.7%	▼ -1.7%	▲ 0.1%	▲ 5.0%
2021 Q4	▲ 4.2%	▲ 4.5%	▲ 3.3%	▲ 6.3%	▼ -0.9%	▲ 23.2%
2021 Q3	▲ 0.3%	▲ 1.9%	▲ 4.1%	▼ –3.5%	▲ 3.2%	▼ -19.0%

Inflation-adjusted change from previous quarter

FIGURE 4: RECEIPTS FROM SALES OF GOODS AND SERVICES

	All nonprofits	Health nonprofits	Education nonprofits	Social service nonprofits	Religious organizations	Foundations & grantmakers
2022 Q2	▲ 3.9%	▲ 4.3%	▲ 4.5%	▲ 4.6%	▲ 1.5%	▲ 3.5%
2022 Q1	▼ –5.9%	▼ –8.3%	▲ 5.0%	▲ 6.7%	▲ 0.1%	▲ 18.6%
2021 Q4	▲ 4.3%	▲ 3.8%	▲ 2.8%	▲ 12.1%	▼ –0.8%	▲ 25.0%
2021 Q3	▲ 1.8%	▲ 2.9%	▲ 6.3%	▼ –12.5%	▲ 3.1%	▼ –42.9%

Inflation-adjusted change from previous quarter

Policymakers hold the strong assumption that charitable giving and the financial health of nonprofits are closely tied to the state of the economy. The second quarter of 2022 marked the first time in the past year that all subsectors reported positive receipts from sales for goods and services, but it may be too early to say what this means in terms of nonprofits' general finances. Overall, nonprofits' economic indicators appear to be stable in the second quarter of 2022, but it remains unclear whether that stability will be enough for individual organizations to weather higher-than-average inflation that the Congressional Budget Office projects will stretch into next year.[3] Some economists are revising projections to account for the potential of a mild recession at the end of 2022 and the beginning of 2023. While actions from policymakers may be slowing inflation, it remains unclear the extent to which the country will avoid a short-term recession. Given the conventional wisdom that nonprofits' financial well-being often correlates with the economy, there is a risk that nonprofits once again may face financial strain as community need rises in the coming months.

[3]Hussein, Fatima. "Treasury Secretary Yellen Expects Inflation to 'Remain High'." The Washington Post. June 7, 2022.

FINANCIAL RESOURCES

The amount of dollars given to nonprofits increased in the first quarter of 2022, but the number of donors and retention of donors declined. The largest decline in donors were among those who give less than $500, meaning charitable giving gains are due to donors contributing large gifts. Overall, charitable giving trends appear to be returning to pre-pandemic patterns in terms of who is giving and the causes receiving donations. While it is encouraging that giving is now flowing to a more diverse range of causes across the sector, it is disappointing the sector was not able to attract and retain new donors.

FIGURE 5: CHARITABLE GIVING TRENDS, Q1 2022

Donors
▼ -5.6% YOY Change

Dollars
▲ 2.3% YOY Change

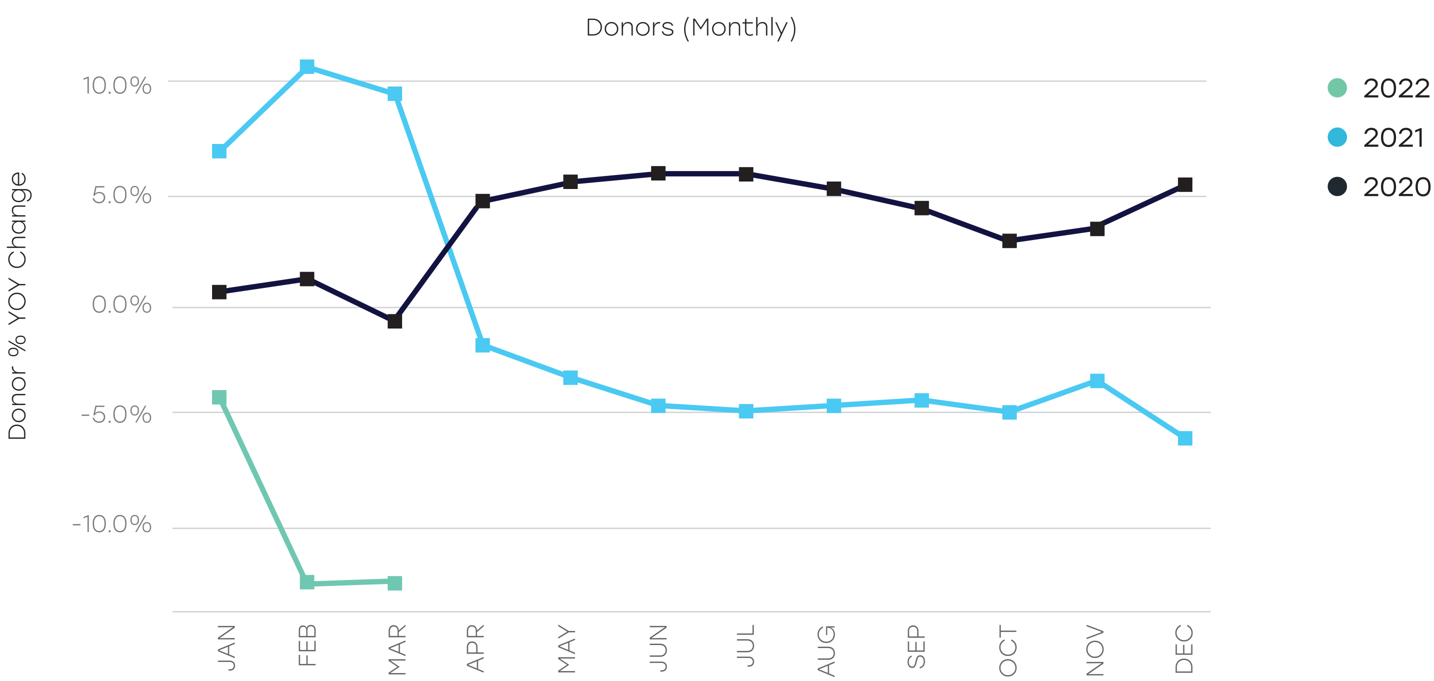
Retention
▼ -6.2% YOY Change

YOY = Year-Over-Year

FIGURE 6: DONORS BY GIFT SIZE, Q1 2022

Percent of Total Donors		Year-Over-Year Change
Under $100	62.8%	▼ -15.0%
$101 - $500	26.2%	▼ -9.9%
$501 - $5,000	9.3%	▼ -4.6%
$5,001 - $50,000	1.5%	▲ 0.2%
Over $50,000	0.2%	▼ -5.0%

FIGURE 7: YEAR-OVER-YEAR CHANGE IN PERCENT OF DONORS



The overall dollar amount donated to charity in the first quarter increased, while the number of donors declined, marking a return to trends predating the pandemic. According to the Fundraising Effectiveness Project, nonprofits struggled to acquire donors, particularly small donors, which contributed to the large decrease in donor numbers overall. It is noted that the first quarter of 2021 saw a surge in pandemic-motivated giving, which partially accounts for the large year-over-year declines for the first quarter of 2022. “Supersize donors” ($50,000+) contributed a smaller proportion of dollars donated in Q1 of 2022 compared to previous quarters. Large donors ($5,000-$49,999) are responsible for the amount of dollars donated in Q1 increasing 2% in the first quarter of 2022.

The largest relative drop in donors is among small donors. Longitudinal data pre-dating the pandemic indicated fewer people were donating to charity, particularly among donors contributing smaller gifts since the early 2000s. So, sadly, 2022 indicates a return to normal and a prompt for policymakers and sector leaders to determine how to reverse this continued downward trend. More research is needed to fully understand the extent to which different variables are driving small donors to disengage, such as perceived reduction in need as the country emerges from a global pandemic, expiration of charitable tax benefits, or rising inflation. During the pandemic, data clearly showed households’ perceived financial stability and expendable income made a significant difference in their giving behavior. More historical research and recommendations regarding the potential intersection of household finances and giving in 2022 can be found in Independent Sector’s **June 2022 Quarterly Sector Health Report**.

The Fundraising Effectiveness Project reports that despite an increase in the total amount of money donated to the sector, the typical amount fundraised by individual organizations (median) is down in the first quarter of 2022. This trend may be explained by how donations are distributed to causes and organizations across the sector. In Q1 of 2022, charities and causes that received donations tracked pre-pandemic patterns. Donors reverted to giving to familiar causes and issues, as opposed to focusing their giving exclusively on emergency or crisis-focused issues. Small organizations on average raised more money in the first quarter than last year, and large organizations saw a decrease in donations – continuing a reversal of pandemic giving trends around organization size. During the pandemic, donors may have chosen to give to emergency causes they did not typically support, prompting them to seek out organizations they could trust in these new areas. This dynamic typically favors larger nonprofits with name recognition. Now that donors are returning to support causes with whom they’re familiar, they appear free to resume supporting the small, local organizations they knew and loved prior to COVID-19.

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 as policymakers and sector leaders seek to leverage the nonprofit sector, the third-largest private workforce, to respond to economic shifts and complement work by the government and for-profit sectors.

NONPROFIT EMPLOYMENT COMPARED TO OVERALL WORKFORCE

FIGURE 8: NONPROFIT EMPLOYMENT COMPARED TO OTHER SECTORS, Q2 2022

Percent of Overall Workforce	Percent change since Q1 2022
Nonprofits 6.4%	▲ 0.4%
Business 80.5%	▲ 2.0%
Local Government 6.3%	▼ -4.4%
State Government 4.5%	▼ -3.6%
Federal Government 2.4%	▼ -0.5%

Percentages may not add to exactly 100% due to rounding

A nonprofit employee worked an average of 38.9 hours per week in Q2 of 2022.

The average age of a nonprofit employee at the end of Q2, 2022 is 43.2 years.

The nonprofit sector workforce tends to be younger than the government workforce, but older than workers in the for-profit sector. Nonprofit employees worked the fewest average hours compared to other sectors, with government employees reporting working the largest number of hours. One possible explanation for nonprofit and for-profit workers reporting working fewer hours than their government counterparts is that they may employ more part-time workers than government. More research is needed to better understand what is causing these types of variations across sectors.

FIGURE 9: CHARACTERISTICS OF NONPROFIT EMPLOYMENT COMPARED TO OVERALL WORKFORCE, Q2 2022

Race/ethnicity* in the nonprofit workforce	Percent change since Q1 2022	Percent of overall workforce
White 77.8%	▲ 0.3%	76.8%
Black 12.2%	▼ -5.7%	12.8%
Hispanic 10.8%	▼ -2.7%	18.5%
Asian/Pacific Islander 7.0%	▲ 11.8%	7.1%
Native American 1.0%	▲ 41.2%	1.1%
Multiple Races 2.1%	▼ -5.9%	2.2%

Gender in the nonprofit workforce	Percent change since Q1 2022	Percent of overall workforce
Female 65.9%	▼ -2.5%	46.7%
Male 34.1%	▲ 6.6%	53.3%

Family income from nonprofit employment	Percent change since Q1 2022	Percent of overall workforce
Less than $40,000 12.6%	▼ -39.5%	17.4%
$40,000–$74,999 23.1%	▼ -7.3%	25.1%
$75,000–$149,000 33.7%	▼ -8.6%	30.6%
$150,000 and Over 30.5%	▲ 22.3%	27.0%
Total 100%	▲ 0.4%	100%

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

In the second quarter of 2022, the sector workforce continued a trend of losing racial and ethnic diversity. The proportion of white workers (77.8%) is higher than pre-pandemic levels in the nonprofit sector (approximately 70%) and is slightly higher than the overall workforce. In general, the racial and ethnic proportions of the nonprofit workforce generally track with demographics of the broader workforce, except for Hispanic workers. Most notably, the proportion of Native American nonprofit workers increased 41.2% after declining 32.3% in Q1 of 2022, indicating the Q1 decline was a one-time anomaly rather than a trend. Family income for nonprofit workers increased 0.4% and the proportion of workers earning over $75,000 outpaced the overall workforce. In the second quarter, nonprofits saw an increase in workers earning over $150,000. After two consecutive quarters showing an increase, the proportion of women in the workforce decreased, again, resuming a trend that persisted throughout the pandemic.

Currently, the nonprofit sector can access only one source of regular employment data through the U.S. government's Current Population Survey, which is included in this report. This data is incredibly valuable to understand demographic changes across the workforce. However, the data does not fully tell the story of how the broader nonprofit sector and its subsectors are recovering or losing jobs during a turbulent economic climate. The U.S. Bureau of Labor Statistics currently releases, on a quarterly basis, data about job growth or loss for industries much smaller than the nonprofit sector.

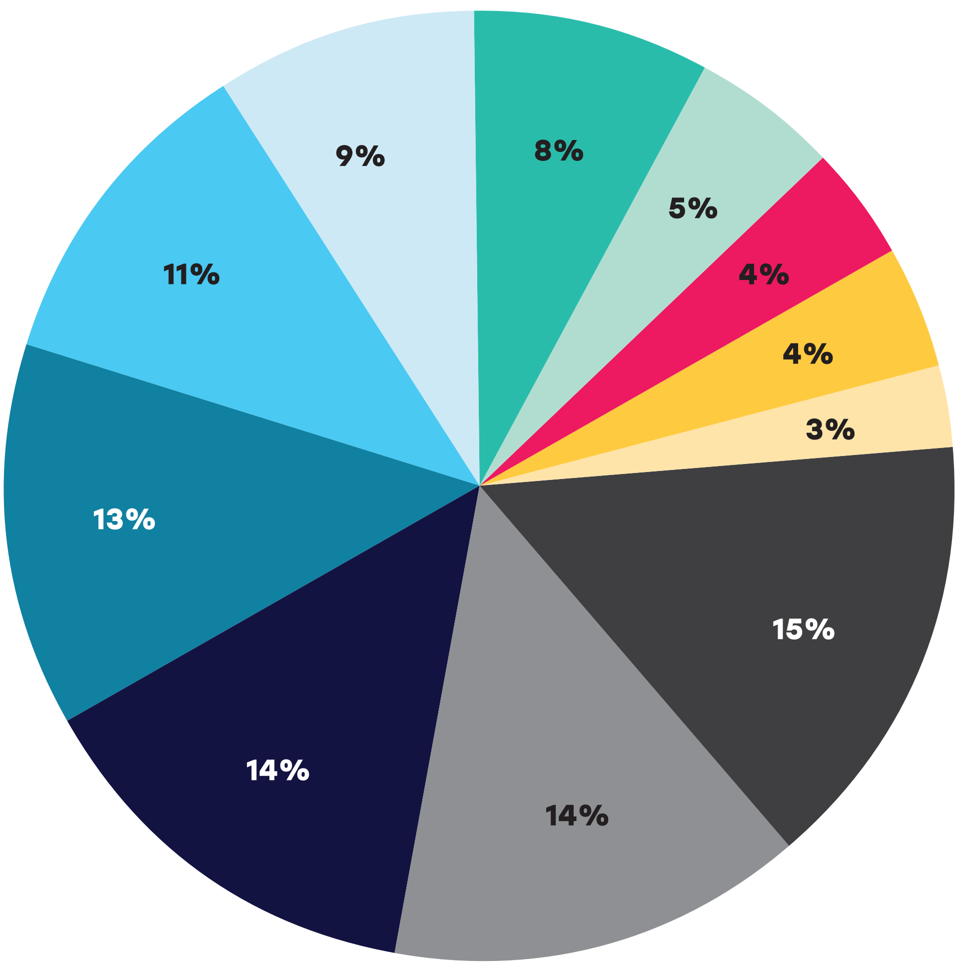
VOLUNTEERISM

Paid workers are not the only source of human capital for nonprofits. Volunteers provide a critical source of knowledge, skill, and hands-on experience that helps nonprofits advance their missions and helps communities thrive.

In 2021, people volunteered, on average

43 hours

FIGURE 10: VOLUNTEERING BY CAUSE, 2021



Individuals are signing up to volunteer less frequently than prior to the pandemic, despite a significant increase in 2021.

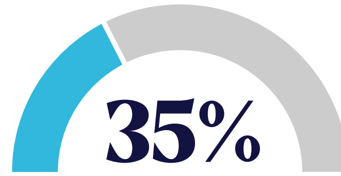
–23% drop in number of sign-ups in the U.S. from 2019-2021

–19% drop in the number of unique volunteers in the U.S. from 2019-2021

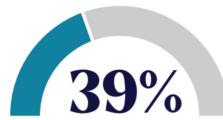
32% of volunteering in the U.S. went through registered charities in 2021

Public Policy & Advocacy

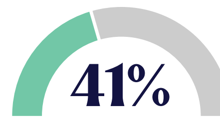
Public policy defines what it means to be and operate as a nonprofit and is a key determinant of an organization's ability to deliver its mission. Multiple studies show people's choice to advocate reinforces other forms of civic engagement, like giving and volunteering. Public policy and advocacy also are critical to addressing the systemic inequities and structural racism that impact the ecosystems in which all nonprofits operate. Therefore, the state of the public policy and advocacy "environment" in which nonprofits operate gives the sector critical insight into its overall health.



of people reported engaging in some form of advocacy in 2021



of reported advocacy activity was done through a registered nonprofit



of people reported donating money to a nonprofit organization

FIGURE 11: NUMBER OF TIMES PEOPLE REPORT ENGAGING IN ADVOCACY, 2021

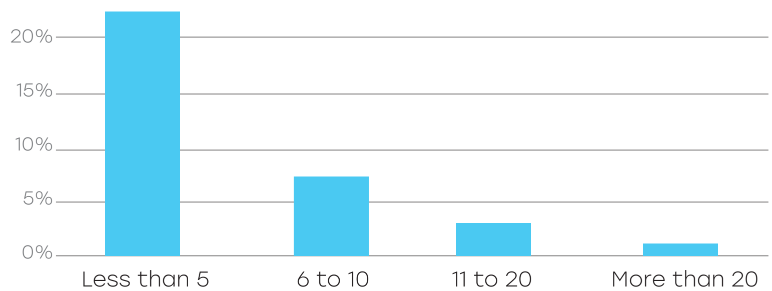
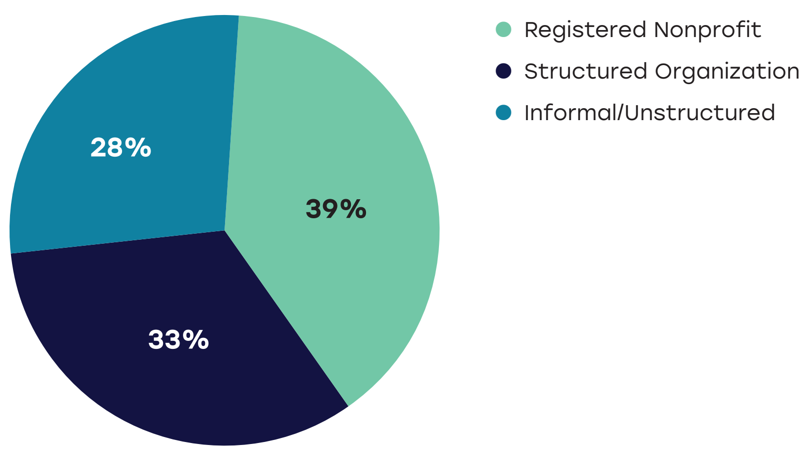


FIGURE 12: CHANNEL FOR ADVOCACY ACTIVITY, 2021



Over one-third (35%) of people report engaging in advocacy on behalf of causes about which they are passionate. For comparison, 41% of people reported giving to charity. Among those who advocate, only 39% do so through a nonprofit organization. More research is needed regarding nonprofit advocacy activity to fully understand the gap between the total number of people who advocate, those who choose to do so via nonprofits, and the impact of that relationship on successful systems change. When people advocate, they tend to do so only a few times each year, which may inform how nonprofits build their grassroots mobilization strategies throughout the year.

The data included in this report measures the extent to which people self-report advocacy activities. This data from Giving Tuesday coincides with data from Independent Sector's annual Trust Report, both of which note a gap between the level of advocacy reported and the extent to which the activity is done through a nonprofit. Like analyses of giving trends, the sector can gain significantly more insight by comparing this advocacy data about individuals to data about the extent nonprofits across the sector engage in advocacy. More research is needed on nonprofit organization advocacy, disaggregated by organization demographics, for the sector to devise an action plan to increase advocacy rates among individuals and organizations.

Data to Action

A core aim of these sector health reports from Independent Sector is to provide data that can be used to spark conversation and inform specific actions (research, practice, and policy) to improve the sector's overall health. What follows are Independent Sector's initial ideas for where the sector may want to direct its attention in the coming months.

REVERSE DECLINE IN DONOR PARTICIPATION

As charitable giving patterns begin to look more like pre-pandemic trends, nonprofit leaders and policymakers are called upon to determine how best to respond. High levels of giving amounts combined with low levels of donor participation indicate a growing amount of flexible revenue in the sector comes from fewer and fewer sources.[4,5] This disparity gives major donors outsized influence on the strategies and focus of nonprofits. More concerning is that lower giving rates potentially coincide with declining rates in volunteerism and other forms of civic engagement. Data from Independent Sector's **research on public trust** in the nonprofit sector shows a mutually reinforcing relationship between trust in nonprofits and civic actions, like giving and volunteering. This relationship is reinforced by data from a recent Giving Tuesday report **looking back** at generosity during the pandemic, which asserts that civic action begets civic action. People frequently do not just give, but they also volunteer and advocate when they choose to support their community. If the number of people donating to and volunteering with nonprofits is declining, that may signal the potential for broader public disengagement from nonprofits that could impact the well-being and cohesion of neighborhoods, local communities, and entire regions.

The pandemic forced a crisis in communities that allowed nonprofits to visibly demonstrate our importance. Donors were inspired to help, and the sector observed an overall increase in the number of donors. Unfortunately, 2022 data indicates that uptick is an outlier, rather than the reversal of a downward trend. At the same time people were inspired to give during the pandemic, they also were incentivized to do so through the tax code. In 2020 and 2021, all taxpayers could claim a charitable deduction for their gifts to charity up to a specified amount. It may not be a surprise that the number of people donating to charities declined shortly after Congress allowed the incentive to expire. The Fundraising Effectiveness Project also found that an infusion of income support through stimulus checks positively impacted giving rates. When people have more disposable income, they feel greater freedom to help others. This year is ushering in record high inflation, so it may be possible that households feeling financially strained, yet again, chose to stop giving. Forthcoming second quarter data from the Fundraising Effectiveness Project may provide a clearer picture of the potential impact inflation may have on giving, since that time period marks when households began adjusting to continued high levels of inflation.

A popular policy solution already is queued up to help. Recent Independent Sector polling shows over **85% of Americans** support making a charitable deduction available to all taxpayers. Charitable tax incentives make it less expensive for households to give, which is particularly important for low- and middle-income households that would like to give but feel financially strapped. Congress passed a

[4] Ashely, Shena. "Why the Decline in Individual Donors Should Matter to Institutional Philanthropy – and What to Do about It." Nonprofit Quarterly. December 3, 2019.
[5] Rooney, Patrick M. "Where Have All the Donors Gone? The Continued Decline of the Small Donor and the Growth of Megadonors." Nonprofit Quarterly. December 4, 2019.

temporary charitable deduction for all taxpayers during the pandemic, which expired at the end of 2021, just before donation rates began to fall. Policymakers can **pass the Universal Giving Pandemic Response and Recovery Act** to jumpstart giving again, and ensure U.S. philanthropy reflects all of our communities, not just the priorities of a few.

In addition to this immediate action, policymakers and the nonprofit sector need to work together to devise new policy solutions to increase the financial security of families. **Independent Sector's research shows** a positive relationship between people's trust in all institutions, including their giving and volunteering, and the extent they feel financially secure. Until such time as the policy climate allows for a more comprehensive approach to addressing the underlying feelings of financial insecurity experienced by large swaths of the U.S. population, we are likely to see continued, downward pressure on charitable giving. The nonprofit sector can continue to push for lawmakers to make a range of policies that help all Americans give a top priority on their policy agenda. The sector also would benefit from additional research further explaining the relationship between financial security and civic engagement, particularly regarding giving, so nonprofit leaders and policymakers can develop new strategies targeting underlying causes driving giving trends.

Finally, there is an opportunity to evaluate the nonprofit sector's own practices to avoid inadvertently perpetuating the decline of small- and mid-sized donors. Giving Tuesday posits a possible cause for the decline in donors may be because "fundraisers are asking less and engaging donors less on causes they care about." In other words, to what extent are nonprofit fundraising best practices targeting major donors at the expense of small donors? Nonprofits acknowledge the pressure they feel from the public, donors, and even their own peers, to make their fundraising practices as efficient as possible. The sector would benefit from more research to confirm Giving Tuesday's hypothesis based on initial data. A follow-up research question could examine whether a quest for efficient fundraising is driving nonprofits to focus on major donors, but creating long-term challenges (including, but not limited to inequities) by not engaging smaller donors from low- and middle-income households.

PRIORITIZE WELL-BEING OF NONPROFIT WORKFORCE

An archetype of the nonprofit sector is a passionate group of people changing lives on shoestring budgets. The sector has leveraged this reputation to earn public trust, solicit donations, and advance public policy. Unfortunately, the image of selfless, tireless nonprofit leaders also has been used to justify a chronic under-investment in our sector workforce. Mission and the communities nonprofits serve come first, sometimes at the expense of staff and their families' well-being.

For over a decade, the sector discussed how to better support nonprofit workers. However, just like our country's underinvestment in infrastructure and inattention to racial inequity, the past two years shined a bright spotlight on the long-time cracks in the foundation of the nonprofit workforce. Rusty Stahl, CEO of Fund the People, noted, "The chronic lack of investment in the workforce lies below a set of new stressors that have been layered on in the last five years, building to the point where we have not just one crisis, but a set of crises impacting nonprofits and their employees." **Multiple articles raise new, varying challenges** nonprofits face in terms of recruiting and managing workers and volunteers. While there may be **debate about** the extent to which some nonprofit leaders are facing workforce challenges (and what workforce challenges are most pressing), the reality is that growing numbers of organizations and movements have stalled due to shifting dynamics, demands, and realities in the sector workforce. Amidst this churn and uncertainty, the sector is likely missing critical opportunities to change systems for the better. Second quarter data shows nonprofit salaries increasing the most in the upper income categories, which may reflect **intense competition** among nonprofits to recruit leaders. In sum, Stahl says a lack of sector attention to the wide range of human capital challenges is not just risking burnout or large amounts of resignation, but losing entire organizations. "We're looking at an **existential situation**."

After two years of this report shining a light on sector demographics amid an intense emphasis on equity, the sector workforce remains less diverse than prior to the pandemic. Data shows boards are only slightly more diverse after almost two decades of discussing the importance of board diversity. Dissatisfaction among young nonprofit workers, unique pressures on women who make up over 65% of nonprofit workers, disparities faced by employees of color, hiring shortages, and mass resignations are among the litany of issues the entire sector and its partners must address to protect its collective capacity to advance missions. Specifically, four key actions are needed to identify and implement solutions:

1

Research:
As nonprofit leaders struggle to manage human capital issues as they emerge, it becomes difficult to see the bigger picture of how their individual challenges connect across nonprofits or even across sectors. Currently, there is not enough regular data on the nonprofit workforce available to help the sector understand the problems it faces, including underlying causes, to inform solutions. To jumpstart this work, the 2022 Nonprofit Public Policy Symposium hosted by Independent Sector, the Association of Research on Nonprofit Organizations and Voluntary Associations (ARNOVA), and the Nonprofit Policy Forum will focus on issues facing the nonprofit paid and voluntary workforce. Hear some of the latest research on this topic and **join in the discussion** about how the data may inform action by nonprofits and policymakers.

2

Policy:
Policy change is needed to address some of the major issues facing nonprofit employers and staff. There are opportunities for policymakers to create and fully implement policies specifically designed to help nonprofit workers, such as increasing utilization of the **Public Service Loan Forgiveness** program and providing support needed for the U.S. Bureau of Labor Statistics to **release quarterly data** about nonprofit workers. Policy change also is needed to address cross-sector workforce needs, such as the **current workforce shortage** that impacts all employers, including nonprofits. Policy changes could help people fill essential jobs at nonprofits, such as more federal support for caregiving and **childcare**, which the U.S. Bureau of Labor Statistics confirms is a barrier preventing people's return to work, particularly women.

3

Funding:
Many of the staffing decisions made by nonprofit organizations stem from strategies and priorities developed in response to funders. Therefore, nonprofit organizations often are not able to reform workforce practices on their own. It needs to be done in partnership with donors, foundations, and government funders. Specifically, funders have the agency to create the resources, flexibility, and incentives nonprofit leaders need to prioritize improving the well-being of their workforce. Along with more research, deeper conversations between funders, their grantees, and the broader sector about a wide range of workforce challenges, and how they are impacting sector work, would be helpful to inform better philanthropic investments in nonprofit workers – paid and volunteer.

4

Organizations:
For policymakers, funders, and researchers to prioritize nonprofit employees' well-being as a part of their work, nonprofit leaders need to make the case for why it is a critical issue for the sector and individual organizations. Fund the People offers a **Talent Justice Toolkit** to help nonprofits start articulating the importance of investing in their workforce. In addition, the sector may want to work with researchers to better understand the opportunity costs of neglecting these issues, particularly in terms of how workforce issues impact mission and organizations' ability to serve their communities.

Data and anecdotes indicate that the nonprofit sector is facing a complex and growing set of systemic issues within its workforce that often may have been neglected. Given these potentially tectonic shifts in the nonprofit workforce, it is critical that the sector move with deliberate speed to better understand and address the underlying causes (not just symptoms) to its workforce challenges. Failure to do so in a thoughtful and timely way could put nonprofits at risk of losing more people, organizations, and crucial opportunities to deliver on their missions and to the communities they serve.

CONTINUE PLANS TO WEATHER A POSSIBLE "MILD RECESSION"

Independent Sector's June Quarterly report provided an analysis of inflation and how it may impact the sector. In June, the Consumer Price Index reached 9.1%, the highest rate since 1981. This data prompted some **economic forecasters** to change their economic estimates from terms like "soft landing" to a "mild recession" for the remainder of the year, and stretching into the first quarter of 2023. However, economic experts continue to disagree about exactly how bad the economy may get in the next few months.

The Washington Post **explains** this round of inflation is a bit different than what the country endured 40 years ago, because the variables contributing to it keep shifting. The ebb and flow of COVID-19 cases regionally and globally created supply chain issues that eventually spread to energy costs and other aspects of the economy. In August, Congress heard concerns from businesses, nonprofits, and households about feeling the economic pinch of rising inflation and passed the Inflation Reduction Act. The bill tackles many of the variables highlighted in The Washington Post article, which economists estimate likely will help inflation in the **long term**.

In the short term, the Federal Reserve is raising interest rates to slow inflation. Year-over-year comparisons **show annual inflation** may be slowing in July and August. Comparing month to month, August showed a slight 0.1% increase, higher than economists predicted. It's possible the overall economy may be headed in the right direction, but it may take many more months before it is at a level that feels financially manageable for individual nonprofits and households. In short, there may be a light at the end of the tunnel, but nonprofits need to work with policymakers, funders, and grantees to help the sector and the communities they serve weather this economic storm. Specifically, nonprofits may want to consider 1) asking Congress to reinstate the nonitemizer charitable deduction; 2) educating donors and funders about financial needs; and 3) ensuring funder or organization plans factor in the disproportionate financial strain inflation inflicts on individual households and nonprofit organizations with limited resources. More detailed information about the impact of inflation on nonprofits, donors, and the people we serve and our potential responses can be found in Independent Sector's 2022 **June Quarterly Sector Health Report**.

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. It was calculated from **tables** released on July 28, 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, which 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, 2022 charitable giving data is derived from the **Fundraising Effectiveness Project**, released May 10, 2022.

NONPROFIT WORKERS

Information in this section is from the monthly Current Population Survey.

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 the entire workforce (nonprofit, business, and government workers). Johns Hopkins estimates nonprofit employment as a percentage of the private workforce (limited to nonprofit and business sectors).

Volunteerism data for 2021 is derived from Giving Tuesday **From Scarcity to Abundance: Mapping the Giving Ecosystem** report, released June 11, 2022.

Public Policy & Advocacy

Advocacy data for 2021 is derived from Giving Tuesday **From Scarcity to Abundance: Mapping the Giving Ecosystem** report, released June 11, 2022.

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INDEPENDENT SECTOR

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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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