

Health of the U.S. Nonprofit Sector

A QUARTERLY REVIEW
DECEMBER 31, 2022



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Health of the U.S. Nonprofit Sector
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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 also are 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, regular assessments of the sector's health proved sporadic, at best, over the past two decades. This lack of timely data left 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 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 information on the current health of the U.S. nonprofit sector, including 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 the 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 effectively serve their communities and steward the natural world.

The data below provides a snapshot of the nonprofit sector's economic contribution and workforce during the second and third quarters of 2022, which are covered in greater detail in this report.

Economic Contribution

In the third quarter of 2022, nonprofits contributed \$1.5 trillion to the economy. For the third quarter in a row, growth in the gross value added by nonprofits exceeded the GDP, although it remains unclear how higher-than-average inflation will impact overall nonprofit finances. In terms of charitable giving, the second quarter of 2022 showed charitable giving continuing to return to pre-pandemic trends. The amount of money donated to charity increased in the second quarter, but the number of donors continued to decline significantly, resuming a 10+ year downward trend observed before the pandemic.

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 third quarter of 2022, the sector's workforce maintained the same level of racial and ethnic diversity. The proportion of white workers in the nonprofit workforce is higher than pre-pandemic levels, but slightly less than the overall workforce. The proportion of workers earning over \$75,000 outpaced the overall workforce, but nonprofits saw the greatest increase in workers earning less than \$40,000.

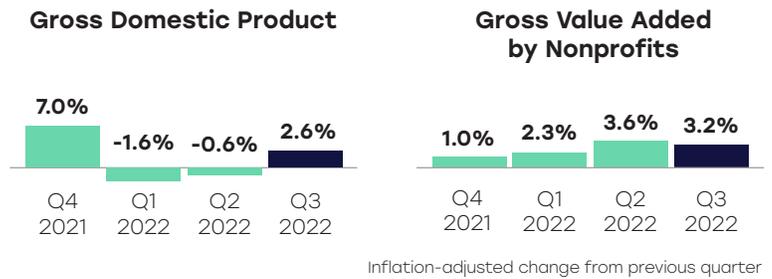


Nonprofit Economy

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

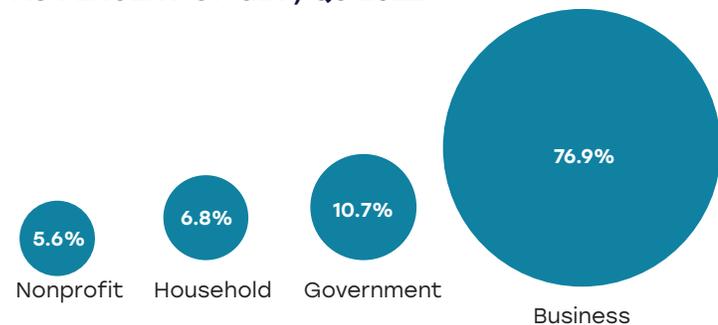
U.S. nonprofits contributed
\$1.5 trillion
 to the economy in Q3 of 2022, increasing approximately \$1 billion compared to prior quarters.

FIGURE 1



In the third quarter of 2022, growth in gross value added by nonprofits (3.2%) exceeded growth of the Gross Domestic Product (2.6%). The hope is that the strength of the gross value-added numbers by nonprofits in the first half of 2022 indicates an accelerating recovery that more closely resembles trends following past economic downturns. 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 were relevant during periods of economic downturn.^{1,2} However, 2022 gross value-added numbers may not necessarily capture the emerging impact of economic trends like inflation or a potential recession on nonprofits.

FIGURE 2: GROSS ADDED VALUE OF NONPROFITS AS PERCENT OF GDP, Q3 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 crisis. In the third quarter of 2022, the gross added value of nonprofits returned to the more typical level of 5.6% of GDP, but when adjusted for inflation it makes up 4.9%.

¹Pratt, Jon and Kari Anestad. "Deconstructing the (Not-So-Great) Nonprofit Recession." *Nonprofit Quarterly*. March 18, 2020.

²McCambridge, 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 Q3 | ▲ 4.7% | ▲ 2.8% | ▲ 6.4% | ▲ 6.0% | ▲ 5.2% | ▼ -5.5% |
| 2022 Q2 | ▼ -0.1% | ▼ -1.8% | ▲ 4.4% | ▲ 5.8% | ▲ 1.6% | ▼ -34.3% |
| 2022 Q1 | ▼ -1.8% | ▼ -3.2% | ▲ 2.7% | ▼ -1.4% | ▲ 0.1% | ▲ 4.7% |
| 2021 Q4 | ▲ 4.6% | ▲ 4.6% | ▲ 3.6% | ▲ 5.6% | ▼ -0.4% | ▲ 23.6% |

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 Q3 | ▲ 2.7% | ▲ 2.2% | ▲ 6.7% | ▲ 2.3% | ▲ 5.2% | ▲ 8.0% |
| 2022 Q2 | ▼ -3.5% | ▼ -5.0% | ▲ 4.6% | ▼ -0.5% | ▲ 1.7% | ▲ 3.6% |
| 2022 Q1 | ▼ -5.9% | ▼ -8.3% | ▲ 5.0% | ▲ 7.2% | ▲ 0.1% | ▲ 18.3% |
| 2021 Q4 | ▲ 4.6% | ▲ 4.2% | ▲ 2.4% | ▲ 11.0% | ▼ -0.5% | ▲ 28.4% |

Inflation-adjusted change from previous quarter

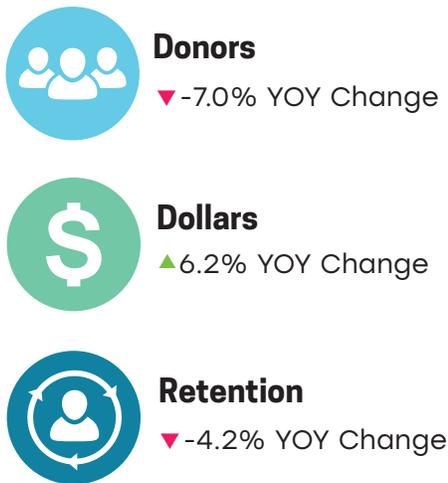
Policymakers hold the strong assumption that charitable giving and the financial health of nonprofits are closely tied to the state of the economy. Overall, nonprofits' economic indicators appear to be stable in the third quarter of 2022, but it remains unclear whether that stability will be enough for individual organizations to weather higher-than-average inflation that the Congressional Budget Office projects will stretch into next year.³

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

FINANCIAL RESOURCES

The amount of dollars given to nonprofits as of the second quarter of 2022 is higher than the same time in 2021. Unfortunately, the number of donors and retention of donors declined. The largest declines in donors were among those who gave less than \$100 (-17.4%) and \$101-\$500 (-8.0%). Therefore, gains in the amount donated to charity are due to donors contributing large gifts. The sub-\$500 segment of donors account for 86% of all donors and about 98% of the decline in donors. As a result, this category often drives the topline donor participation metrics. Researchers predict the number of donors giving above \$5,000 may increase by the end of 2022.

FIGURE 5: CHARITABLE GIVING TRENDS, Q2 2022



YOY = Year-Over-Year

| Donors by Gift Size | Year-Over-Year Change |
|---------------------|-----------------------|
| Under \$100 | ▼ -17.4% |
| \$101-\$500 | ▼ -8.0% |
| \$501-\$5,000 | ▼ -3.4% |
| \$5,001-\$50,000 | ▼ -0.4% |
| Over \$50,000 | 0.0% |

The phenomenon of overall charitable giving increasing, while the number of donors dropping, marks a return to trends predating the pandemic. According to the Fundraising Effectiveness Project (FEP), nonprofits struggled to acquire donors, particularly small donors, which contributed to the large decrease in donor numbers overall. For context, FEP noted the year-over-year drop partially can be attributed to an “extra-ordinarily strong” second quarter in 2021 when charities received significantly more small donations.

The Fundraising Effectiveness Project reports that organization size appears to play a much more significant role in fundraising outcomes than last year. Typical fundraising amounts for large organizations raising \$5 million to \$25 million decreased 9-10% as of the second quarter of 2022. Organization causes or missions influenced fundraising amounts less in 2022, compared to the previous year. However, it appears as though religious organizations fundraised more than last year, and international causes raised less. This trend could indicate donations are returning to pre-pandemic patterns. Donors may be returning to giving to familiar causes and issues as opposed to focusing their giving on crisis issues, as they did during the pandemic.



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 respond to economic shifts and complement work by the government and for-profit sectors.

NONPROFIT EMPLOYMENT COMPARED TO OVERALL WORKFORCE

A nonprofit employee worked an average of 38.2 hours per week at the end of Q3 of 2022.

The average age of a nonprofit employee at the end of Q3 of 2022 was 44 years.

The nonprofit sector workforce tends to be younger than the government workforce, but older than workers in the for-profit sector. Nonprofit employees continued to work the fewest average hours compared to other sectors, but they consistently remain close to the average hours worked in the business sector. Government employees report working the largest number of hours.

FIGURE 6: NONPROFIT EMPLOYMENT COMPARED TO OTHER SECTORS, Q3 2022

| Percent of Overall Workforce | Percent change since Q2 2022 |
|------------------------------|------------------------------|
| Nonprofits 6.6% | ▲ 4.2% |
| Business 80.3% | ▲ 0.7% |
| Local Government 6.3% | ▲ 1.8% |
| State Government 4.3% | ▼ -3.3% |
| Federal Government 2.5% | ▲ 4.2% |
| Total 100% | ▲ 0.1% |

Percentages may not add to exactly 100% due to rounding

FIGURE 7: CHARACTERISTICS OF NONPROFIT EMPLOYMENT COMPARED TO OVERALL WORKFORCE, Q3 2022

| Race/ethnicity* in the nonprofit workforce | Percent change since Q2 2022 | Percent of overall workforce |
|--|------------------------------|------------------------------|
| White 76.0% | ▲ 1.7% | 76.9% |
| Black 12.8% | ▲ 10.1% | 12.6% |
| Hispanic 10.1% | ▼ -2.8% | 18.6% |
| Asian/Pacific Islander 8.2% | ▲ 22.7% | 7.3% |
| Native American 1.3% | ▲ 29.6% | 1.1% |
| Multiple Races 1.7% | ▼ -12.3% | 2.1% |

| Gender in the nonprofit workforce | Percent change since Q2 2022 | Percent of overall workforce |
|-----------------------------------|------------------------------|------------------------------|
| Female 64.4% | ▲ 1.7% | 46.7% |
| Male 35.6% | ▲ 8.8% | 53.4% |

| Family income from nonprofit employment | Percent change since Q2 2022 | Percent of overall workforce |
|---|------------------------------|------------------------------|
| Less than \$40,000 12.5% | ▲ 52.8% | 17.2% |
| \$40,000–\$74,999 22.1% | ▼ -7.2% | 24.1% |
| \$75,000–\$149,999 36.4% | ▲ 12.5% | 34.3% |
| \$150,000 and Over 29.0% | ▼ -1.3% | 24.5% |
| Total 100% | ▲ 4.2% | 100% |

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

In the third quarter of 2022, the overall level of racial and ethnic diversity in the sector remained unchanged. The proportion of white workers (76.0%) is higher than pre-pandemic levels in the nonprofit sector (approximately 70%). Notably, the percentage of white workers in the nonprofit sector is lower than the overall workforce, a change from earlier in 2022. In general, the racial and ethnic proportions of the nonprofit workforce generally track with demographics of the broader workforce, except for Hispanic workers. The exact cause for the disparity for Hispanic workers is unclear and would benefit from further research.

Family income for nonprofit workers increased 4.2% in the third quarter of 2022 and the proportion of workers earning over \$75,000 outpaced the overall workforce. The highest third quarter increase in the nonprofit workforce is for employees earning \$40,000 or less.

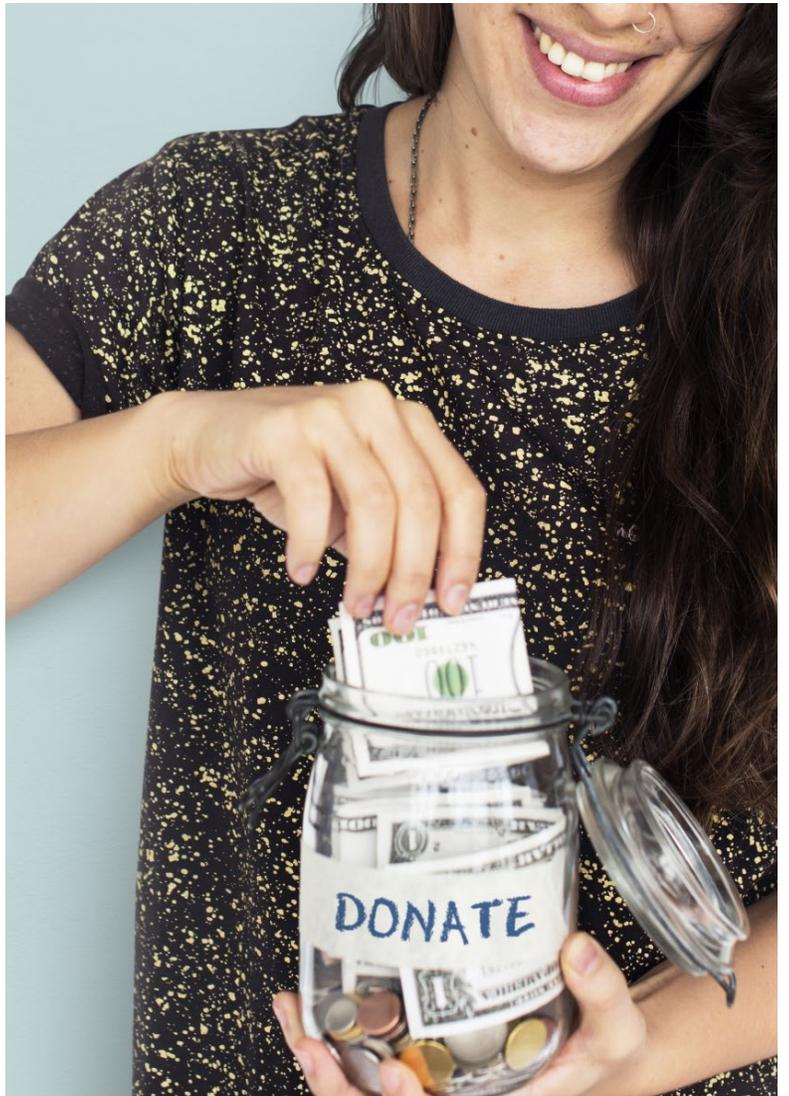
Data to Action

A core aim of these sector health reports from Independent Sector is to provide data and analysis that can be used to spark conversation and inform specific actions (research, practice, and policy) to improve the sector's overall health. Based on available data, Independent Sector believes there are two immediate opportunities to improve sector health:

ASK CONGRESS TO REINSTATE THE NONITEMIZER CHARITABLE DEDUCTION

The number of donors contributing to the sector continued to decline in the second quarter of 2022, with a whopping 17% drop in the smallest donations. This donor “pipeline” problem is one that has been confronting the sector for more than a decade. Research shows people often cut back their giving when they do not feel financially stable. As costs of living rise, the “cost of giving” must be reduced – especially for low- and middle-income households. Charitable tax incentives are one way to make it less expensive for small dollar donors to give.

Giving data during the pandemic shows when people feel financially secure, they are more willing to donate. The ability to deduct charitable donations makes it easier for households facing high inflation and a potential recession on the horizon. Specifically, Congress created a temporary charitable deduction available to taxpayers who do not itemize their return in 2020 to respond to declining nonprofit revenue and increasing community need. The impact of that deduction was limited by capping it at \$300 per person and the benefit expired at the end of 2021. Visit the Independent Sector [Action Center](#) and ask your legislators to give every American a robust tax incentive to give to charity during this time of continued need.



CALL FOR TIMELY GOVERNMENT DATA ON NONPROFIT WORKFORCE

The nonprofit sector's workforce does not look the same as it did prior to the pandemic. Currently, nonprofits report facing difficulties recruiting new employees, but they also are limited in their ability to compete for talent due to rising inflation costs and potentially reduced giving. As the country's third-largest private workforce, it is imperative that policymakers and nonprofit leaders have accurate employment data to inform decisions. Unfortunately, the Bureau of Labor Statistics (BLS) releases quarterly employment and wage data for a wide variety of industries, such as goat farming, but not for nonprofits.

The nonprofit sector is fortunate that the Center on Nonprofits, Philanthropy, and Social Enterprise at George Mason University recently announced it will continue work originated by Johns Hopkins Center for Civil Society Studies that estimates potential changes to nonprofit employment based on BLS data on nonprofits that pre-dates the pandemic. These estimates played a critical role in ensuring nonprofits were included in the Paycheck Protection Program during the pandemic. Unfortunately, because the estimates are based on older data, a potential margin of error persists for nonprofit employment data that does not exist in the for-profit sector. Government relies on nonprofits to help drive recovery in communities and lift local economies. They also serve as the essential and trusted delivery agents for government programs at all levels. Given the essential role filled by nonprofit workers, it is simply unacceptable that the Bureau of Labor Statistics does not release nonprofit data on a quarterly basis as it does for other industries.

The *Consolidated Appropriations Act, 2023* incorporated [prior language \(p.34\)](#) that represents major progress on this issue for nonprofit advocates. That language encourages the Bureau of Labor Statistics "to examine the value in including nonprofit organizations as a distinct category of employer in quarterly reports from its Quarterly Census of Employment and Wages." The outcome will ultimately be determined by the Biden Administration's FY 2024 budget request and priorities of the new 118th Congress. Please continue to share the [nonprofit sector's case for this data](#) with policymakers.

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 October 27, 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

Second quarter, 2022 charitable giving data is derived from the Fundraising Effectiveness Project, released July 12, 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).

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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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