

The Nonprofit Workforce

Nonprofit organizations play an important role in Minnesota's communities—providing essential services, employing local residents and improving the quality of life. During the Great Recession and the prolonged recovery that followed, nonprofit employers were an important source of stable employment.

Nonprofit Employment in Minnesota Shows Slow, Steady Growth Over the Past Decade, Including Through the Great Recession

From 2007 to 2016, the number of nonprofit employees grew in every single year and by 15 percent in total. Even during the Great Recession, in years 2008-2009, the nonprofit sector grew a full percent in market share and maintained it after the end of the recession. This growth trend was not shared by business employers, which had a significant decline in the number of workers in 2008 and 2009.

To better understand how the nonprofit sector has fared over the last decade, it can be helpful to separate hospitals, colleges and universities in the analysis. The large size of hospitals and higher education institutions relative to the rest of the nonprofit sector can overwhelm the overall picture and hide interesting trends in the rest of the nonprofit sector. For example, hospitals, colleges and universities are large institutions that account for a significant share of the nonprofit workforce in Minnesota. In 2016, hospitals accounted for one-third of all nonprofit employment and higher education accounted for another four percent. Overall, these institutions saw a two percent growth in the number of employees from 2015 to 2016.

Once hospitals, colleges and universities are separated in the analysis (as in the chart on the right), nonprofit employment in Minnesota shows even stronger growth during the Great Recession and the prolonged recession that has followed. Between 2007 and 2016, nonprofit employment outside of hospitals and higher education grew an average of two percent per year. Overall, there has been a 20 percent growth from 2007 to 2016 when comparing the number of nonprofit employees outside of hospitals and higher education for those two years.

Number of Nonprofit Employers Reduced in Minnesota, but Steady Number of Nonprofit Employment Locations

The overall number of nonprofit employers in Minnesota has fallen by 17 percent over the last ten years, with a reduction in nine out of the ten years and with fewer than 3,300 employers in 2016. A single employer may operate more than one location in the state, and the number of nonprofit locations has also been falling, marked by a seven percent decline over the past five years. Churning is normal across the population of organizations. Each year, a number of nonprofits merge, some dissolve and new organizations start up. While substantial numbers of nonprofit organizations are incorporated each year (including 2,296 in 2016), most new organizations are small, all-volunteer initiatives that do not develop to the level where they hire employees or are required to file financial information with the State or the IRS.

Figure 1: Number of Nonprofit Employees in Minnesota and Percentage of the State's Total Workforce

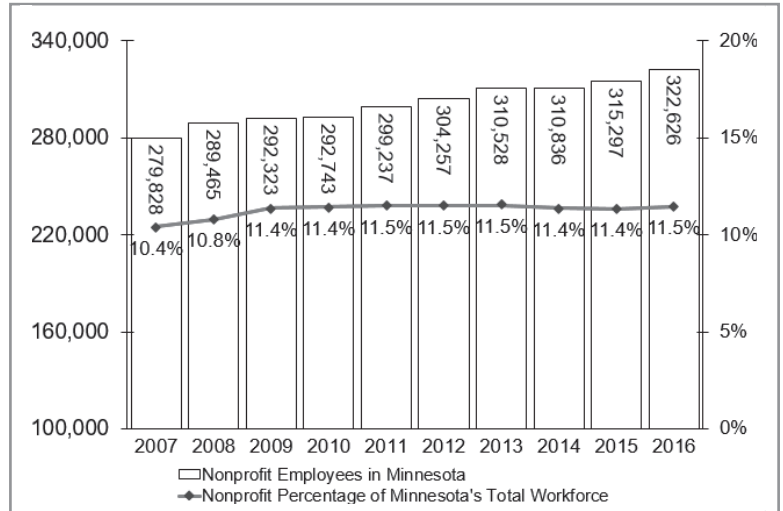


Figure 2: Number of Nonprofit Employees (All Industries vs. Hospitals and Colleges Only)

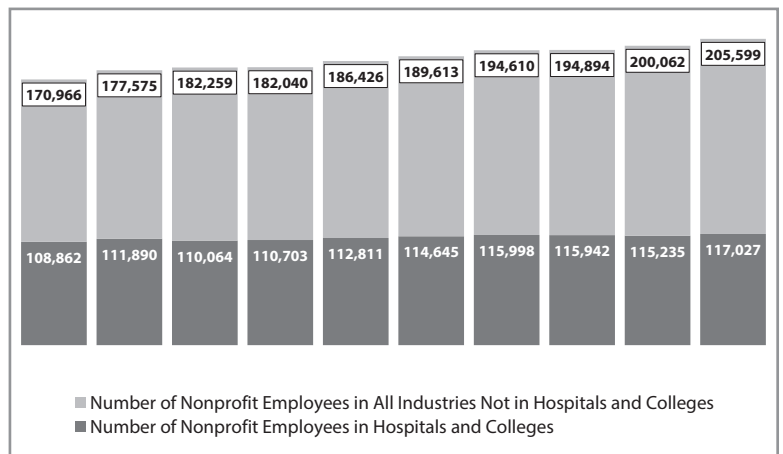
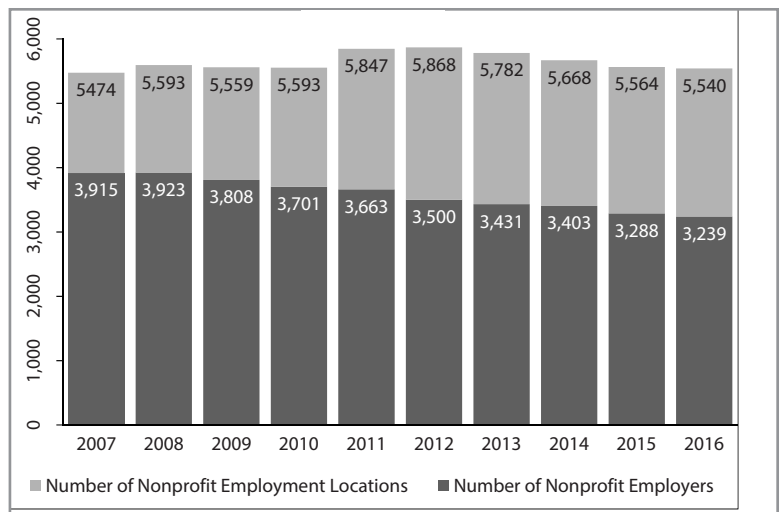


Figure 3: Number of Nonprofit Employers and Employment Locations in Minnesota



2016 Minnesota Nonprofit Economy Update

Nonprofit Compensation

Nonprofit Average Annual Wages Surpass For-Profit Wages

Over time, nonprofit average annual wages have been closing the gap with average annual wages for for-profit and government employees. In 2003, average annual wages in the nonprofit sector were 12 percent below for-profit wages. By 2016, with hospitals and higher education included, nonprofit wages for the first time passed for-profit wages. Average annual wages in the nonprofit sector are highest in the health care industry, and the lowest for vocational rehabilitation services, child care providers and civic organizations.

Nonprofit Average Annual Wages Remain Lower than For-Profit and Government Wages (Excludes Hospitals & Higher Education)

Employees of hospitals report higher average wages and stronger wage growth than is the case for much of the nonprofit sector. Removing them from the analysis has a dramatic impact on average annual wages in the nonprofit sector. Without hospitals and higher education institutions, the wage gap between the nonprofit sector and the for-profit sector remains significant, with nonprofit wages seven percent below for-profit average annual wages in 2016, and three percent below the government sector.

Figure 6 shows how wages have grown in four nonprofit activity areas, with the greatest increase in healthcare wages. Over the last ten years, average nonprofit wages have grown beyond inflation by 13 percent for healthcare, 8.5 percent for arts, entertainment and recreation, five percent for education and two percent for social assistance. This compares to an overall Minnesota wage growth across all industries of three percent from 2007-2016.

However, while the overall nonprofit average annual wage (without hospitals and colleges) is lower than employees of business and government, a different picture emerges when comparing median wages within the same activity area. Nonprofit median wages compare more favorably, and are often higher than for-profit wages, in areas such as arts and entertainment, health care, individual and family services, child care and community services.

Data in this report comes from the Minnesota Department of Employment and Economic Development, Quarterly Census of Employment and Wages. Additional information about the nonprofit sector is available on the Minnesota Council of Nonprofits (MCN)'s website at www.minnesotanonprofits.org.

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Figure 4: Average Weekly Wages in Minnesota by Sector (in constant 2016 dollars)

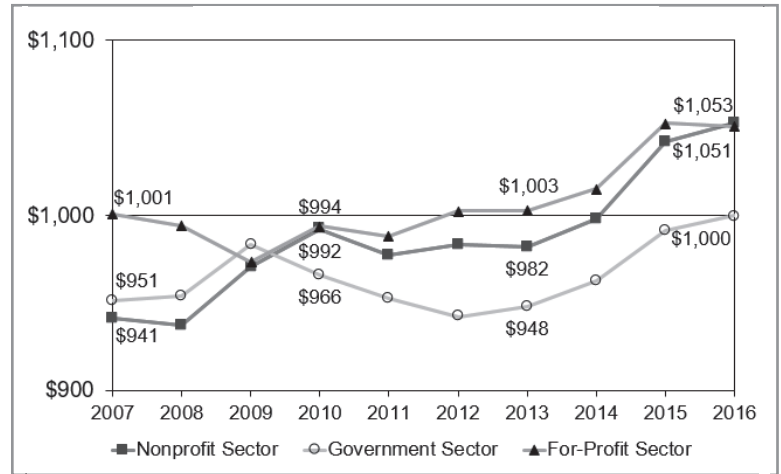


Figure 5: Average Weekly Wages in Minnesota by Sector (Excluding Hospitals & Higher Education) (in constant 2016 dollars)

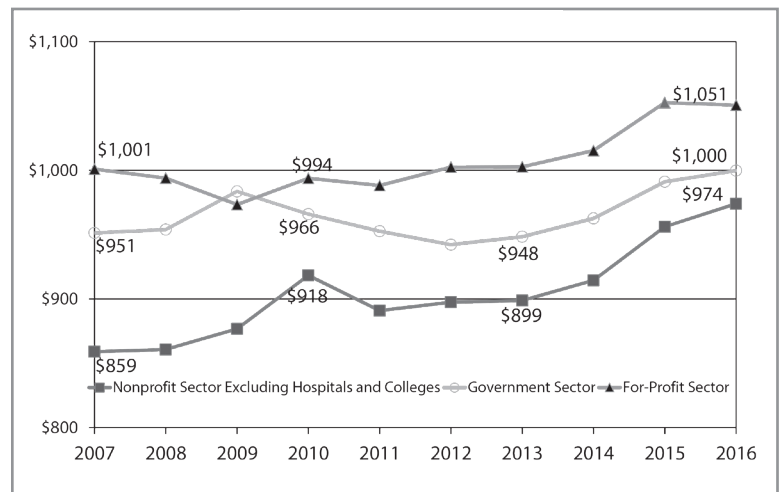


Figure 6: Nonprofit Weekly Wages by Activity Area (in constant 2016 dollars)

