

Michigan's Nonprofit Sector Through the Recession

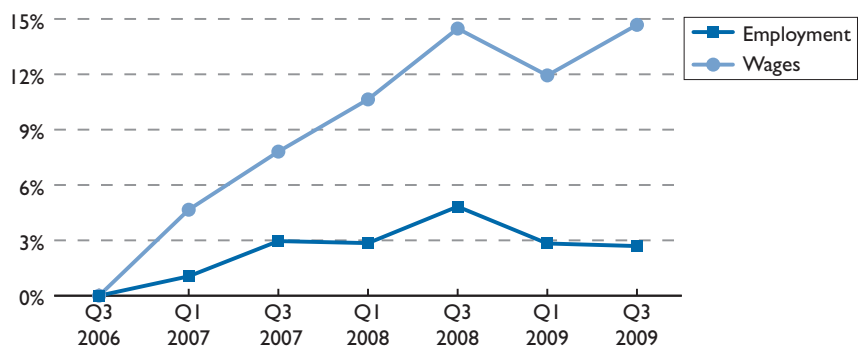
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Over the past three years, the “Great Recession” has severely affected nearly every one of Michigan’s major industries, driving the state’s unemployment up and overall wages down. As a result, nonprofits statewide have reported increased demand for their services while at the same time they have been forced to seek new and innovative financial lifeblood. Nonetheless, as a whole, the nonprofit sector provides an economic glimmer of hope for the state as this sector’s employment and wages, two key economic indicators, have remained resilient through the recession.¹

In 2008, the Michigan Nonprofit Association took an in-depth look at the nonprofit sector through the *Economic Benefits of Michigan’s Nonprofit Sector* report. This document is a follow-up to determine how the nonprofit organizations last studied in 2008 have fared from third quarter 2006 to third quarter 2009. In short, those nonprofit organizations (including the sub-sectors of public charities, private foundations, and noncharitable nonprofit organizations) added nearly 11,500 jobs, or 2.69 percent, between the third quarter of 2006 and the third quarter of 2009. Total employment in the sector stood at nearly 440,000 in September 2009.² Wages increased by 14.7 percent over the same three-year period (see Exhibit 1). Information on nonprofit assets, the third economic indicator studied in previous reports, is not available at this time, but we surmise that assets experienced the same market-driven dip as seen in other sectors.

EXHIBIT I

Change in Michigan Nonprofit Wages and Employment, Q3 2006–2009



SOURCE: Data prepared by Michigan Office of Labor Market Information and analyzed by Public Sector Consultants, 2010.

The relatively good performance of the nonprofit sector can likely be explained by the counter-cyclical nature of demand for social services during economic downturns. Further, the sector’s wage growth might

¹ Recessions are defined by the National Bureau of Economic Research. For the purpose of this publication, we have focused on the period beginning with the third quarter of 2006, one year before the official start of the current recession, through the third quarter of 2009, when many economic indicators had shown signs of recovery.

² First quarter 2010 data was not yet available before the publication of this report.

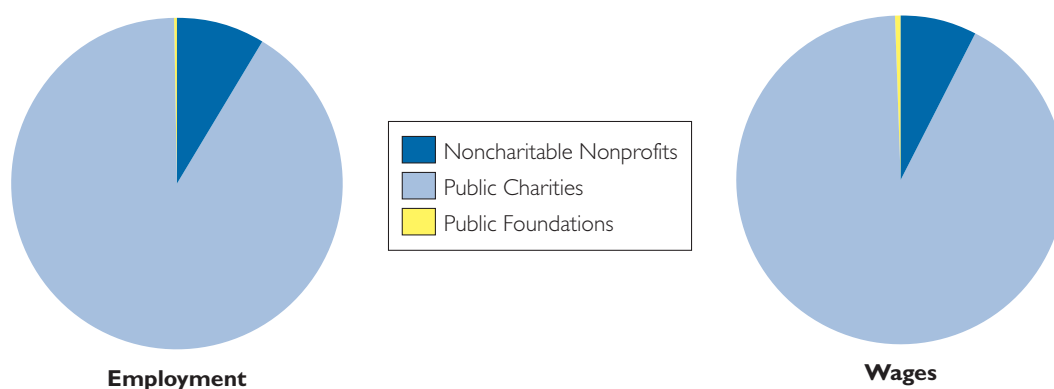


reflect the continued professionalization of nonprofit sector employees and increased productivity, in terms of served clients. Acknowledging that total employment grew only slightly, we hypothesize that employers expanded the role of current employees, asking them to do more without necessarily adding more staff. Nonprofits are likely putting forth extra efforts to retain good talent.

Through the recession, the distribution of employment across the nonprofit sub-sectors has not changed. Nonprofit charities account for the large majority of employees, while foundations continue to represent only a small slice of the pie. Wages are distributed in a similar manner across the sector (see Exhibit 2). Exhibit 3 further shows the breakdown of the entire sector according to service area.

EXHIBIT 2

Distribution of Employment and Wages Across the Nonprofit Sector



SOURCE: Data prepared by Michigan Office of Labor Market Information and analyzed by Public Sector Consultants, 2010.

EXHIBIT 3

Summary of Employment by Nonprofit Service Area, Q3 2006–2009

	2006 (3Q)	2009 (3Q)
Arts, Culture and Humanities	6,714	6,420
Education	58,413	58,613
Environment	2,849	3,020
Health	220,441	231,206
Human Services	92,327	93,598
International	637	673
Mutual Benefit	4,289	3,974
Public and Societal Benefit	18,609	19,873
Religion	17,478	17,419
Unknown	4,355	2,772
Total	426,112	437,568
State Non-farm Employment	4,709,049	4,181,236
Nonprofit Employment as a Percentage of State Employment	9.05%	10.47%

SOURCE: Data prepared by Michigan Office of Labor Market Information and analyzed by Public Sector Consultants, 2010.

Additional information is available
on the MNA website at
www.mnaonline.org.