

# MARYLAND'S NONPROFIT SECTOR: A MAJOR ECONOMIC FORCE

*Prepared for*

The Maryland Association of  
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*By*

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## MARYLAND'S NONPROFIT SECTOR: A MAJOR ECONOMIC FORCE

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### INTRODUCTION AND EXECUTIVE SUMMARY

This report presents new information on the size, distribution, and growth of the private nonprofit sector in Maryland as of the end of 1998, the latest year for which data are available. The report draws on data generated by the Maryland Department of Labor, Licensing, and Regulation through the quarterly survey of Maryland workplaces it carries out under the national ES-202 labor market information program administered by the U.S. Bureau of Labor as part of the unemployment insurance program. The data are compiled from quarterly contribution reports submitted by employers subject to Maryland law. This data series covers 98 percent of all wage and salary civilian employment. The one major exclusion is religious organizations, although the significance of this exclusion

is unknown as some religious organizations elect to be covered by unemployment insurance as provided for in the law. (For a fuller description of the ES-202 data source, see Appendix A.)

For the purposes of this report, the nonprofit sector includes all so-called 501(c)(3) organizations registered with the State of Maryland. This embraces private, not-for-profit universities, schools, hospitals, clinics, social service agencies, day care centers, orchestras, symphonies, museums, art galleries, theaters, homeless shelters, soup kitchens, and many more.

### DETAILED FINDINGS

#### I. THE MARYLAND NONPROFIT SECTOR—A MAJOR ECONOMIC FORCE

*The private nonprofit sector, comprising private universities, schools, hospitals, clinics, day care centers, social service providers, symphonies, museums, art galleries, theaters, environmental organizations, and many more, is a major economic force in the State of Maryland.*

#### **Key Findings**

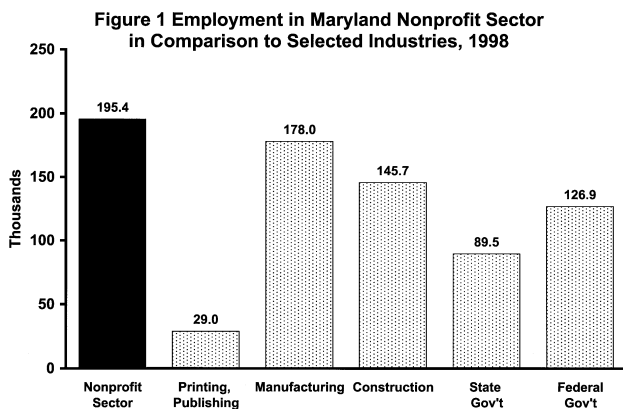
- 1) The nonprofit sector is a major economic force in Maryland, accounting for 1 out of every 12 paid workers—more than in all of manufacturing.
  - 2) Although a third of all nonprofit employment is located in Baltimore, two-thirds is dispersed widely throughout the balance of the state. Even in Western Maryland and the Eastern Shore, nonprofit organizations account for between 7 and 8 percent of total employment.
  - 3) Over half of all nonprofit employment in the state is in the health services field and another 20 percent in social services.
  - 4) Nonprofit wages are on a par with those of for-profits in the industries where both are active.
  - 5) Nonprofit employment in Maryland has grown by more than 30 percent over the past decade, accounting for a disproportionate 25 percent of all net new jobs created in the state. Most of this growth has been outside the City of Baltimore—in the Baltimore suburbs, the Washington suburbs, the Eastern Shore, and Western Maryland.
  - 6) Maryland nonprofits recently have begun to encounter increased competition from for-profit firms in their traditional areas of activity (social services, health, and education).
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**Employment:** Nonprofit organizations employed over 195,000 paid workers in Maryland as of the end of 1998.

- This represents over 8 percent of the Maryland workforce, or 1 out of every 12 state workers.
- As shown in Figure 1, more people thus worked for nonprofit organizations in Maryland in 1998 than in:
  - the state’s largest manufacturing industry, printing and publishing;
  - *all* of the state’s manufacturing businesses;
  - the state’s entire construction industry;
  - the State government;
  - the Federal government.

**Payroll:** The 195,400 nonprofit employees in Maryland earned \$6 billion in wages in 1998.

- Nonprofit organizations thus accounted for more than 7 percent of the state’s total payroll.
- Nonprofit payrolls equaled or exceeded those for:
  - Warehousing (\$5.4 billion)
  - Construction (\$5.7 billion)
  - Finance, insurance, real estate (\$6.7 billion).



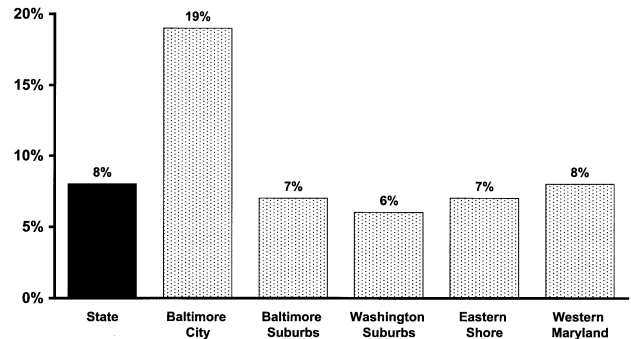
## II. STATEWIDE PRESENCE

*Although a third of the state’s nonprofit employment is located in Baltimore City, two-thirds is located elsewhere in the state. Indeed, the nonprofit sector is a significant presence in all regions of the state.*

In particular, as shown in Figure 2:

- Nonprofit organizations account for a striking one out of every five paid workers in the City of Baltimore, making this the city’s largest economic sector.
- Nonprofit organizations also account for 6 to 8 percent of total employment in the other regions of the state, including the Baltimore suburbs, Maryland’s Washington suburbs, the Eastern Shore, and Western Maryland.

**Figure 2 Nonprofit Share of Total Employment, by Region, 1998**



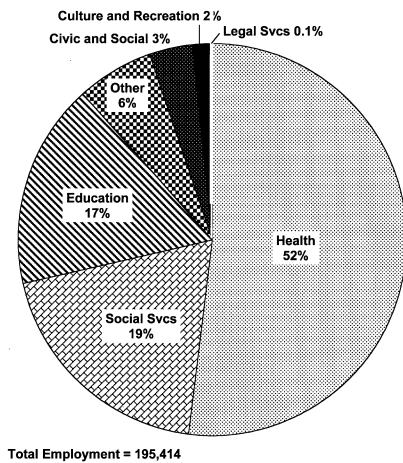
## III. HEALTH DOMINANCE

*Health accounts for over half of Maryland’s nonprofit employment, but social services and education are also quite prominent (see Figure 3).*

- Fifty-two percent of all nonprofit employment in Maryland is in the health field, just over 100,000 employees in all.
- Another 20 percent of nonprofit workers are employed in a variety of social service agencies, including day care centers, individual and family service agencies, employment and training organizations, and the like.

- Almost 17 percent of Maryland nonprofit employment is in the education field, including higher education and elementary and secondary education.
- The remaining fields of nonprofit activity absorb a much smaller 10 percent of all nonprofit employment.

**Figure 3 Distribution of Maryland Nonprofit Employment, by Field, 1998**



*This general pattern holds in all the regions of the state, except that the social service field absorbs a considerably smaller share of nonprofit employment in Baltimore City than it does elsewhere in the state, and health and education absorb a larger share. In particular:*

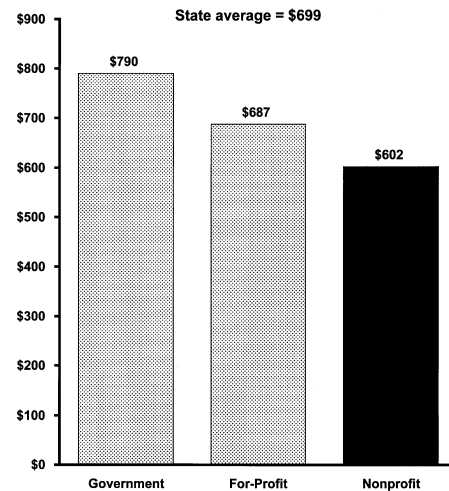
- Only 11 percent of all nonprofit employees work in social services in Baltimore City compared to an average of 24 percent in the four other regions.
- By contrast, 24 percent of Baltimore City’s nonprofit employees work in education vs. an average of 10 percent in the other areas. This likely reflects the presence in Baltimore of Johns Hopkins University as well as a number of private elementary and secondary schools.

#### IV. NONPROFIT WAGES ON A PAR WITH FOR-PROFIT

*Average earnings for nonprofit employees are on a par with, or slightly ahead of, earnings for for-profit employees for most industries in which both sectors are significantly involved.*

- The average weekly wage for nonprofit employees in Maryland is 24 percent lower than that for government workers in the state, and 12 percent lower than that for workers in for-profit businesses, as shown in Figure 4.

**Figure 4 Nonprofit, For-Profit and Government Average Weekly Wages, 1998**

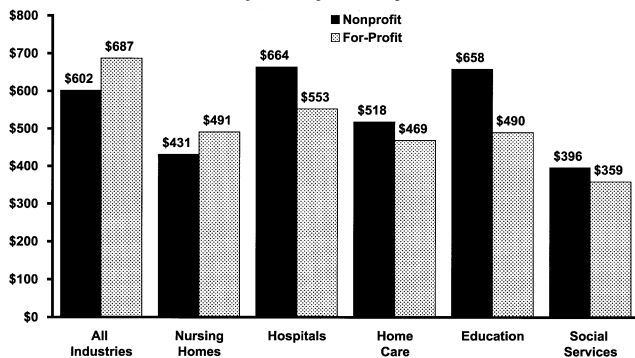


- However, this result is largely a product of the industry mix of nonprofit employment as well as the lower reliance on part-time workers in the government sector, which boosts average weekly wages there.<sup>1</sup> Once we focus on industries in which both nonprofits and for-profits are extensively involved, the nonprofit deficit largely disappears. Thus, as shown in Figure 5:
  - In the health field, while nonprofit nursing home employees earn less, on average, than their for-profit counterparts, the opposite is true for nonprofit hospital and home health workers. Weekly wages for the former average 20 percent higher than in the for-profit sector, and those for the latter 10 percent higher.

<sup>1</sup> The average weekly wage reported in the ES-202 survey data make no adjustment for full-time or part-time work. Industries with a greater number of part-time workers will thus show up as having lower weekly wages than those with fewer part-time workers even if the actual pay rates are higher.

- Similarly in the fields of education and social services, where both nonprofit and for-profit providers are actively engaged, nonprofit average weekly wages are 34 percent and 10 percent, respectively, higher than those among for-profit providers. Whether this is the result of lower wage rates or higher usage of part-time workers in the for-profit sector is impossible to tell. Also at work may be the tendency of for-profit education employment to be in the secondary education field and nonprofit to be in higher education. Nevertheless, this finding is still revealing.

**Figure 5 Nonprofit vs For-Profit Average Weekly Wage in Maryland, by Industry, 1998**

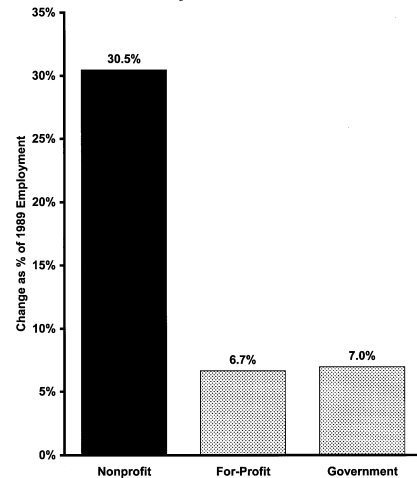


## V. A GROWING SECTOR, CONTRIBUTING IMPORTANTLY TO STATE EMPLOYMENT GROWTH

*Employment in the nonprofit sector has grown much more rapidly than in the for-profit sector over the past decade, especially outside of Baltimore City. As a consequence, the nonprofit sector has accounted for a quarter of the state's employment growth, far more than its 8 percent share of total employment would have suggested.*

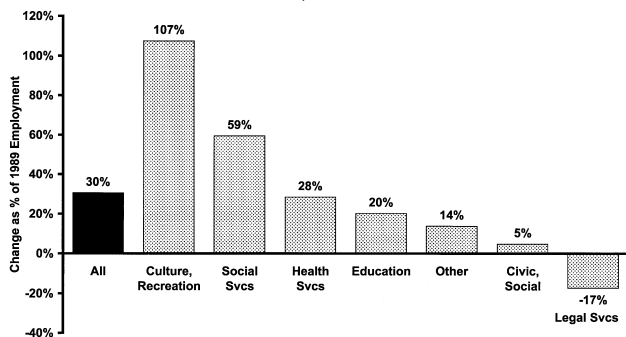
- Maryland nonprofit employment has grown four times faster than that of the for-profit and government sectors over the decade 1989–98. In particular, as shown in Figure 6:
  - Maryland nonprofit employment grew by more than 30 percent between 1989 and 1998.
  - By contrast, employment in the for-profit and government sectors grew by a much smaller 7 percent over this period.

**Figure 6 Growth of Nonprofit, For-Profit, and Government Employment in Maryland, 1989-98**

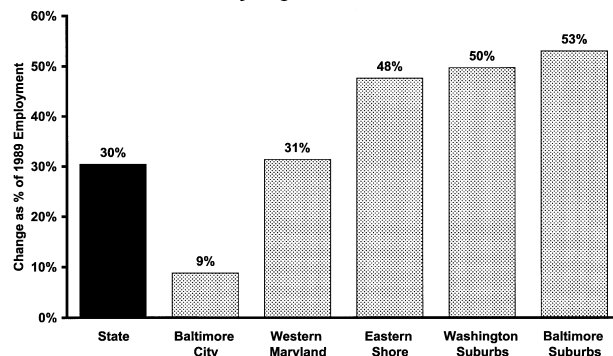


- Nonprofits thus accounted for more than 25 percent of all the employment growth that occurred in Maryland between 1989 and 1998, even though they represent only 8 percent of the employment that exists in the state.
- Growth was particularly robust among nonprofit culture and recreation, social service, and health organizations during this 10-year period. In particular, as shown in Figure 7:
  - Employment in nonprofit *culture and recreation organizations* grew by 107 percent between 1989 and 1998.
  - Nonprofit *social service agencies* in Maryland boosted their employment by a substantial 60 percent during this period, well above the sector average. Though representing only 16 percent of nonprofit employment when the period began, these organizations thus accounted for over 30 percent of the growth.
  - Nonprofit *health organizations* also experienced continued growth during this period, though given the huge base against which this growth was registered, it appeared smaller in relative terms. Despite this, nonprofit health organizations accounted for just under one-half of all the employment growth the nonprofit sector experienced.
  - Nonprofit *education organizations* also grew, adding 20 percent to their substantial employment base in the state.

**Figure 7 Growth of Nonprofit Employment in Maryland, by Field, 1989-98**



**Figure 8 Growth in Maryland Nonprofit Employment, by Region, 1989-98**

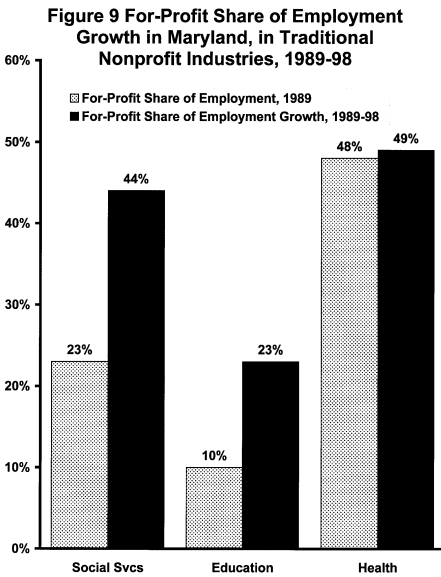


- Only one group of nonprofit agencies suffered reductions in their employment during this period: legal aid organizations.
- The growth of nonprofit employment was especially robust outside of Baltimore City—in the Baltimore and Washington suburbs, Western Maryland, and the Eastern Shore. In particular, as Figure 8 shows:
  - Nonprofit employment in Baltimore City grew by only 9 percent between 1989 and 1998.
  - By contrast, nonprofit employment grew by 50 or more percent in the Baltimore and Washington suburbs, by nearly 50 percent on the Eastern Shore, and by more than 30 percent in Western Maryland.
  - Behind these numbers lies an extensive decentralization of nonprofit activity in the state, as nonprofit institutions have followed the movement of population to the suburbs and outlying areas.
  - In the process, Baltimore City’s share of total nonprofit employment dropped from 44 percent in 1989 to 37 percent in 1998. During this same period, the Baltimore suburbs, the Washington suburbs, and the Eastern Shore counties all boosted their relative shares of the total.

## VI. INCREASED FOR-PROFIT COMPETITION

*Despite its recent growth, the nonprofit sector has encountered increased competition from for-profit firms in its traditional areas of activity in recent years.*

- Between 1989 and 1998, for-profit employment has grown more rapidly than nonprofit employment in a number of key fields, suggesting that for-profits are increasingly winning the competition with nonprofits for the available “business” in these fields. In particular, as Figure 9 shows:
  - For-profit firms captured 44 percent of the growth in *social service* employment in Maryland between 1989 and 1998 even though they claimed only 23 percent of the jobs when the period started.
  - For-profits similarly captured 23 percent of the growth of *private education* jobs in Maryland between 1989 and 1998 though accounting for only 10 percent when the period started.
  - For-profit growth was less disproportionate in the *health* field, though here as well they claimed a slightly larger share of the job growth than their position at the start of the period would have suggested.



## CONCLUSION

The nonprofit sector turns out not only to contribute to the quality of life of all Marylanders through the health care, education, counseling, job training, day care, nursing home care, access to arts and culture, and opportunities for democratic participation it offers, but also is a major force in the state's economy, and in the economies of all the state's regions. Indeed, this set of organizations accounted for one out of every four of the new jobs created in the state over the past decade.

Regrettably, however, this point is not well understood by policy makers, the press, or the public at large. As a result, this sector is often overlooked in economic development and education and training efforts that could prove extremely helpful to its long-term development. Hopefully, the data presented here will help overcome this problem and demonstrate the immense stake that the state has in this sector's continued health.

## APPENDIX A: THE ES-202 UNEMPLOYMENT INSURANCE LABOR MARKET INFORMATION PROGRAM

### SOURCE OF DATA

Data contained in this report represent all employers covered by the Unemployment Insurance (UI) Law of Maryland as well as federal workers covered by the Unemployment Compensation for Federal Employees program. The data on state-insured workers are compiled from quarterly contribution reports submitted by employers subject to Maryland law. Employment data pertaining to the federal government are obtained from similarly required reports submitted by the various government installations in Maryland.

### SCOPE OF COVERAGE

The ES-202 program accounts for approximately 98 percent of all wage and salary civilian employment (the program does not cover self-employed and family workers). The principal exclusions from ES-202 are: railroad workers, small-scale agriculture, domestic service, crew members on small vessels, state and local government elected officials, religious organization employees, and insurance and real estate agents who receive payment solely by commission. In terms of nonprofit employment, the exclusion of religious organizations is the most significant; however, religious organizations may elect to be covered by the UI program and those that do are covered in the data. At this time the level of "opting in" is unknown.

The employment data for nonprofit organizations are isolated within this data set by using state records on tax exempt organizations, specifically covering all so-called 501(c)(3) organizations registered with the State of Maryland for purposes of tracking exemption from Federal unemployment taxes. This embraces private, not-for-profit universities, schools, hospitals, clinics, social service agencies, day care centers, orchestras, symphonies, museums, art galleries, theaters, homeless shelters, soup kitchens, and many more.

The Johns Hopkins Center for Civil Society Studies' Nonprofit Employment Data Project is now working with state employment security offices throughout the country to generate similar data on nonprofit employment drawing on this ES-202 data source. For more information, see the CCSS web site ([www.jhu.edu/~ccss](http://www.jhu.edu/~ccss)).

**APPENDIX B: NONPROFIT EMPLOYMENT IN MARYLAND, BY COUNTY,  
AND COMPARISON TO EMPLOYMENT IN MANUFACTURING AND  
CONSTRUCTION, 1998**

County	Nonprofit		Manufacturing Number	Construction Number	Total Employment Number
	Number	% of Total Emp. in County			
Allegany	3,417	11.5%	4,534	1,182	29,820
Anne Arundel	9,955	5.5%	15,477	11,434	180,763
Baltimore City	71,267	18.7%	29,829	11,823	381,766
Baltimore County	28,535	8.1%	35,838	21,227	354,371
Calvert	1,331	8.4%	650	1,856	15,864
Caroline	850	9.6%	1,733	492	8,869
Carroll	3,546	8.1%	5,674	5,189	44,044
Cecil	1,170	5.3%	3,696	1,184	22,091
Charles	1,490	4.2%	1,200	3,538	35,324
Dorchester	653	5.8%	3,644	457	11,266
Frederick	4,622	6.4%	6,730	7,716	72,091
Garrett	854	8.7%	1,159	711	9,786
Harford	3,004	4.7%	4,686	4,665	63,985
Howard	6,712	5.7%	7,184	8,741	117,457
Kent	1,056	14.4%	927	425	7,312
Montgomery	31,653	7.5%	18,628	23,000	423,536
Prince George's	12,158	4.0%	12,298	25,946	301,765
Queen Anne's	231	2.3%	957	847	9,872
St. Mary's	1,264	4.0%	607	1,492	31,857
Somerset	439	6.8%	495	227	6,453
Talbot	1,786	10.2%	2,519	1,110	17,509
Washington	5,215	8.6%	9,686	3,438	60,643
Wicomico	3,492	8.5%	7,306	2,236	41,259
Worcester	714	3.7%	2,119	1,126	19,472
Nondistributable			305	5,426	63,180

*Maryland's Nonprofit Sector: A Major Economic Force*, by Lester M. Salamon and Leslie C. Hems (Baltimore: Johns Hopkins Center for Civil Society Studies and Maryland Association of Nonprofit Organizations, February 2000). Copies of this report are available on the MANO web site ([www.mdnonprofit.org](http://www.mdnonprofit.org)).

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