THE FUTURE OF NONPROFIT AMERICA

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NONPROFITS: A MAJOR ECONOMIC FORCE

Millions of workers, 2012

- NONPROFIT SECTOR: 11.4
- Retail trade: 14.9
- Manufacturing: 12.0
- Construction: 5.8
- Finance & insurance: 5.6
- Transportation & warehousing: 5.1
- Agriculture: 1.2
- Utilities: 0.8

Voluntarism

Professionalism

Civic activism

Commercialism

Federal retrenchment

GOVERNMENT SOCIAL WELFARE SPENDING

1950 - 1994
1980 = 100

AVERAGE ANNUAL CHANGE IN GOVERNMENT SOCIAL WELFARE SPENDING, 1990-2009, BY FIELD

<table>
<thead>
<tr>
<th>Field</th>
<th>Average Annual Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3.2%</td>
</tr>
<tr>
<td>Health</td>
<td>4.7%</td>
</tr>
<tr>
<td>Social insurance</td>
<td>3.2%</td>
</tr>
<tr>
<td>Education</td>
<td>2.3%</td>
</tr>
<tr>
<td>Welfare &amp; social services</td>
<td>2.2%</td>
</tr>
<tr>
<td>Housing</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

WHO WE ARE

LEVEL OF FISCAL STRESS REPORTED BY NONPROFIT ORGANIZATIONS, 2003

- Severe: 20%
- Very severe: 31%
- Moderate: 35%
- None: 14%

51% of organizations reported severe or very severe fiscal stress.

Federal retrenchment

Changing forms of government support

Tepid giving growth

<table>
<thead>
<tr>
<th>PERIOD</th>
<th>GIVING AS % OF PERSONAL INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-79</td>
<td>1.86%</td>
</tr>
<tr>
<td>1980-89</td>
<td>1.78%</td>
</tr>
<tr>
<td>1990-97</td>
<td>1.64%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TYPE OF RECIPIENT ORGANIZATION</th>
<th>GIVING AS PERCENT OF TOTAL REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1997</td>
</tr>
<tr>
<td>Service and expressive</td>
<td>9.5</td>
</tr>
</tbody>
</table>

WHO WE ARE

CHALLENGES

➢ THE FISCAL CHALLENGE

➢ THE COMPETITION CHALLENGE

# Nonprofit & For-Profit Roles

## in Selected Fields, 1982-1997

<table>
<thead>
<tr>
<th>EMPLOYMENT</th>
<th>% Nonprofit</th>
<th>% Change in relative nonprofit share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Child day care</td>
<td>52</td>
<td>38</td>
</tr>
<tr>
<td>Job training</td>
<td>93</td>
<td>89</td>
</tr>
<tr>
<td>Individual &amp; family services</td>
<td>94</td>
<td>91</td>
</tr>
<tr>
<td>Home health</td>
<td>60</td>
<td>28</td>
</tr>
<tr>
<td>Kidney dialysis centers</td>
<td>22</td>
<td>15</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FACILITIES/ENROLLMENT</th>
<th>% Nonprofit</th>
<th>% Change in relative nonprofit share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dialysis centers</td>
<td>58a</td>
<td>32</td>
</tr>
<tr>
<td>Rehabilitation hospitals</td>
<td>70a</td>
<td>36</td>
</tr>
<tr>
<td>Home health agencies</td>
<td>64a</td>
<td>33</td>
</tr>
<tr>
<td>Health maintenance organizations</td>
<td>65a</td>
<td>26</td>
</tr>
<tr>
<td>Psychiatric hospitals</td>
<td>19a</td>
<td>16</td>
</tr>
<tr>
<td>Hospices</td>
<td>89c</td>
<td>76</td>
</tr>
<tr>
<td>Mental health clinics</td>
<td>64b</td>
<td>57</td>
</tr>
<tr>
<td>Higher education enrollments</td>
<td>96d</td>
<td>89</td>
</tr>
</tbody>
</table>

### Change in Nonprofits’ Share of Employment, Selected Fields, 1997-2007

<table>
<thead>
<tr>
<th>Field</th>
<th>Change in Nonprofit Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual &amp; family services</td>
<td>-23</td>
</tr>
<tr>
<td>Community care facilities for the elderly</td>
<td>-20</td>
</tr>
<tr>
<td>Home health care facilities</td>
<td>-19</td>
</tr>
<tr>
<td>Specialty hospitals (other than psychiatric)</td>
<td>-13</td>
</tr>
<tr>
<td>Outpatient facilities</td>
<td>-8</td>
</tr>
<tr>
<td>Nursing care facilities</td>
<td>-3</td>
</tr>
<tr>
<td>Other residential care facilities</td>
<td>-3</td>
</tr>
<tr>
<td>Child day care</td>
<td>-2</td>
</tr>
</tbody>
</table>

NONPROFIT NEED FOR & SUCCESS IN RAISING INVESTMENT CAPITAL, BY PURPOSE

NONPROFIT PROBLEMS ACCESSING INVESTMENT CAPITAL, BY SOURCE

<table>
<thead>
<tr>
<th>Source</th>
<th>Fairly or extremely difficult</th>
<th>Don’t know about source</th>
</tr>
</thead>
<tbody>
<tr>
<td>PENSION FUNDS</td>
<td>46%</td>
<td>53%</td>
</tr>
<tr>
<td>INSURANCE COMPANIES</td>
<td>55%</td>
<td>39%</td>
</tr>
<tr>
<td>CREDIT UNIONS/SAVINGS BANKS</td>
<td>55%</td>
<td>36%</td>
</tr>
<tr>
<td>VENTURE PHILANTHROPISTS</td>
<td>55%</td>
<td>32%</td>
</tr>
<tr>
<td>GOVERNMENT</td>
<td>58%</td>
<td>5%</td>
</tr>
<tr>
<td>COMMERCIAL BANKS</td>
<td>53%</td>
<td>1%</td>
</tr>
<tr>
<td>FOUNDATIONS</td>
<td>41%</td>
<td>4%</td>
</tr>
<tr>
<td>INDIVIDUAL DONORS</td>
<td>36%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Percent of Organizations

CAPITAL CONSTRAINED
WHO WE ARE

CHALLENGES

 THE FISCAL CHALLENGE

 THE COMPETITION CHALLENGE

 THE LEGITIMACY CHALLENGE

SHARE OF ORGANIZATIONS REPORTING VARIOUS TYPES OF FEES AND TAXES

- **Pilots**: 9%
- **Field-Specific Taxes**: 17%
- **Other Payments**: 36%
- **User Fees**: 42%
- **Any Type of Tax, Fee, or Pilot**: 63%

1. OVERALL GROWTH


CHANGES IN NONPROFIT REVENUES, BY FIELD, 1997-2007

U.S. GDP: 32.0%

TOTAL: 53.0%

ENVIRONMENT: 75.0%

OTHER: 111.0%

HEALTH: 53.0%

SOCIAL SERVICES: 51.0%

EDUCATION, RESEARCH: 50.0%

CULTURE, RECREATION: 41.0%

2. COMMERCIALIZATION

- Successful marketing to paying customers

WHO WE ARE

SOURCES OF NONPROFIT GROWTH, 1997-2007

FEES, 58%

GOVERNMENT, 30%

PHILANTHROPY, 12%

TOTAL GROWTH = 457 BILLION

SOURCES OF NONPROFIT REVENUE GROWTH, BY FIELD, 1997-2007

**FEES**
- TOTAL: 58%
- EDUCATION, RESEARCH: 67%
- HEALTH: 64%
- CULTURE, RECREATION: 45%
- SOCIAL SERVICES: 40%
- ENVIRONMENT: 18%

**GOVERNMENT**
- TOTAL: 30%
- EDUCATION, RESEARCH: 20%
- HEALTH: 34%
- CULTURE, RECREATION: 11%
- SOCIAL SERVICES: 41%
- ENVIRONMENT: 17%

**PHILANTHROPY**
- TOTAL: 12%
- EDUCATION, RESEARCH: 14%
- HEALTH: 2%
- CULTURE, RECREATION: 44%
- SOCIAL SERVICES: 20%
- ENVIRONMENT: 66%

2. COMMERCIALIZATION

- Successful marketing to paying customers
- Successful pursuit of public funds

NONPROFIT RESPONSE

1. OVERALL GROWTH
2. COMMERCIALIZATION
3. MANAGERIAL PROFESSIONALIZATION

THE RISKS

- Growing identity crisis
- Increased demands on nonprofit managers
- Threat of mission creep
- Disadvantaging small agencies
- Potential loss of public trust

WHO WE ARE

RESETTING THE BALANCE

• THE SURVIVAL IMPERATIVE

• THE DISTINCTIVENESS IMPERATIVE

THE ROAD AHEAD: 3 POSSIBLE SCENARIOS

- CELEBRATION AND DRIFT
- THE SOCIAL ENTERPRISE SCENARIO
- THE RENEWAL SCENARIO

• Renew the nonprofit value proposition

RENEW THE NONPROFIT VALUE PROPOSITION

THE PE³R²C STANDARD

✓ Productive
✓ Effective
✓ Empowering
✓ Enriching
✓ Responsive
✓ Reliable
✓ Caring

THE RENEWAL OPTION: AN ACTION AGENDA

• Renew the nonprofit value proposition
• Improve the government-nonprofit partnership
• Improve access to capital
  – Foundations as Philanthropic banks
  – Broadened tax credit
  – New Frontiers of Philanthropy

“...the definitive chronicle of the innovations that are infusing new life into the well-intentioned but often-staid world of philanthropy.”

~ Mario Marino, Venture Philanthropy Partners

“...a roadmap to the significant revolution underway...in the worlds of philanthropy and social investment.”

TO ORDER: bit.ly/NFPSalomon or bit.ly/OUP_NFP
An accessible overview of the new actors and tools reshaping philanthropy and social investment with recommendations for overcoming the challenges they still face.

~ Rip Rapson, Kresge Foundation

TO ORDER: bit.ly/LfGSalamon or bit.ly/OUP_LfG
• Renew the nonprofit value proposition
• Improve the government-nonprofit partnership
• Improve access to capital
  – Philanthropic banks
  – Broadened tax credit
• Replace tax deduction with tax credit
• Improve public understanding

“It has been said that the quality of a nation can be seen in the way it treats its least advantaged citizens. But it can also be seen in the way it treats its most valued institutions.”

The Resilient Sector Revisited is a must-read for every nonprofit governing body and senior team. It has important numbers about our sector and—even more importantly—offers wisdom and perspective on the ever-changing dynamics we must navigate. It is a reference guide that nonprofits will want to keep handy for the data and compass that it offers as we address our current problems and future strategies.

~ Larry Minnix, President and CEO of LeadingAge

TO ORDER:  
[bit.ly/Resilient2_Salamon](bit.ly/Resilient2_Salamon)
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