

2022

NONPROFIT ECONOMIC IMPACT REPORT

DECEMBER 2022

JOBS AND WAGES IN THE 501(c)(3) NONPROFIT SECTOR IN WASHINGTON STATE



**Nonprofit Association
of Washington**

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EXECUTIVE SUMMARY

The charitable nonprofit sector contributes to the overall health and vitality of every community in Washington State. The economic impact of the sector is often underestimated. The statistics available in this report show the scope and importance of nonprofits as major employers. It also outlines how nonprofit employment has still not fully recovered from the impact of the COVID-19 pandemic. The focus of this report is on charitable nonprofits, also known as 501(c)(3) tax-exempt organizations.

KEY FINDINGS

In 2021, 6,735 active 501(c)(3) nonprofits employed 235,118 people. This represents an increase in the number of nonprofit employers and a slight increase in the number of employees compared with the end of 2020.

Nonprofits make up 7.02% of the workforce of Washington, more than the construction industry and just slightly less than the hospitality industry. This is down from 7.16% in 2020 due to the number of jobs in other sectors increasing more than nonprofit jobs.

Nonprofits paid \$16.06 billion in wages in 2021 and leveraged volunteer labor valued at approximately \$4 billion.

Average wages in the nonprofit sector are significantly lower than for-profit and public sector wages. In 2021, the average annual salary for a nonprofit worker was \$68,318, while the average salary for other sectors was \$83,585.

Nonprofit wages have increased over the past four years, but not at the same rate as for-profit and government jobs. Nonprofit wages grew 17% while other sectors grew their wages by 25%. **Overall, the pay gap between the nonprofit sector and other sectors widened from under 13% in 2018 to over 18% in 2021.** In other words, nonprofit compensation became less competitive over the last four years.

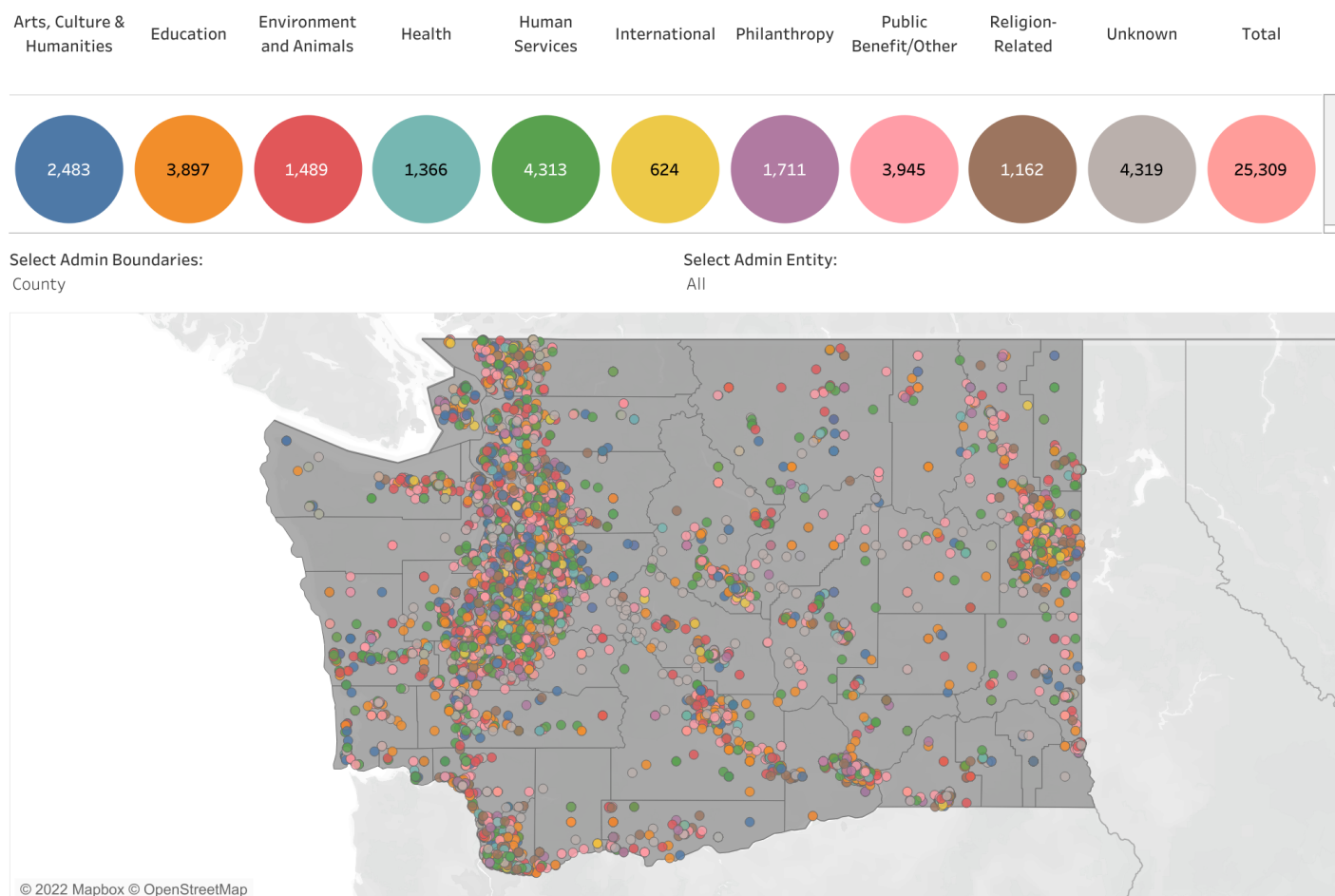
From 2020 to 2021, the annual average number of jobs in the nonprofit sector increased by less than 1%. This represents continued very slow recovery from pandemic job losses in 2020. **At this rate, it will take the nonprofit sector until the end of 2026 to recover to pre-pandemic employment rates.**

Nonprofits are facing workforce shortages that impair their ability to serve our communities and make cuts inevitable at a time when demand for human services, economic development, housing, and other nonprofit services is at a historic high. Without concerted action by government and philanthropic leaders working collaboratively with nonprofit leaders, the nonprofit workforce crisis will deepen.

Additional information and full interactive infographics are available at <https://public.tableau.com/app/profile/nonprofit.association.of.washington>, including breakdowns by county and legislative district.

MAPPING NONPROFITS IN WASHINGTON STATE

Nonprofits in Washington State (2022)



Nonprofits exist in all counties in Washington. Nonprofit organizations improve communities and enhance our quality of life in diverse ways, such as running after school programs for children, building housing for our neighbors, stewarding the environment, and supporting local artists. [The map above](#) shows the distribution of active charitable nonprofits, also known as 501(c)(3) organizations.

Overall, there were 25,309 charitable organizations active in Washington in 2021. 27% of these organizations employ paid staff. The work of these organizations has value and significant ripple effects throughout our state. 501(c)(3) tax-exempt organizations, or charitable nonprofits, are the focus of this report. This means that this report somewhat underestimates the total economic impact of our sector because it does not include other types of nonprofits such as chambers, service clubs, and advocacy groups.

JOB AND WAGE TRENDS IN THE NONPROFIT SECTOR IN WASHINGTON

Economic Outlook of Nonprofit Sector, 2021

Nonprofit **Wages** as % of total wages

2018

2019

2020

2021

Nonprofit **Employment** as % of total employment

2018

2019

2020

2021

6.20%

13.84B
Wages Paid

6.24%

14.93B
Wages Paid

6.08%

15.21B
Wages Paid

5.82%

16.06B
Wages Paid

7.05%

237,784
Employees
6,350
Employers

7.22%

248,143
Employees
6,499
Employers

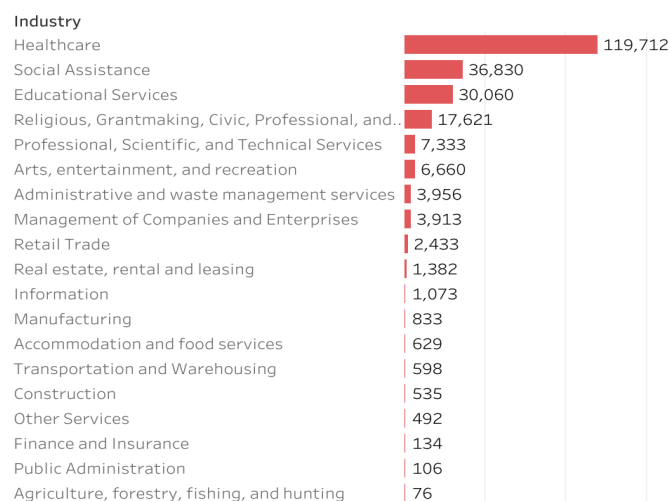
7.16%

233,071
Employees
6,638
Employers

7.02%

235,118
Employees
6,735
Employers

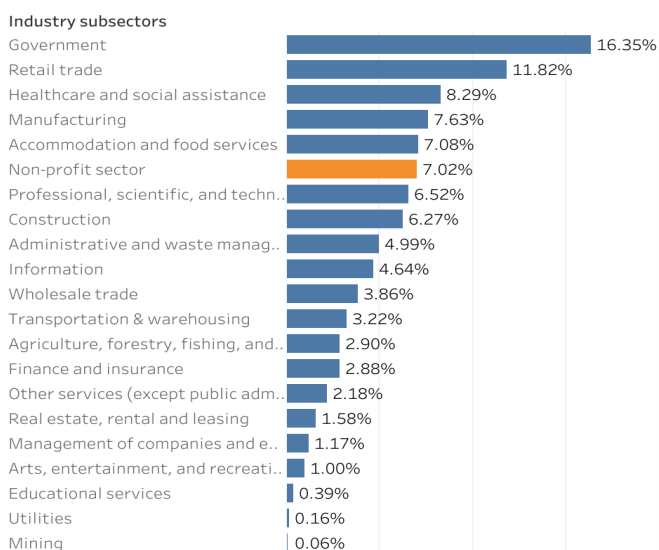
Nonprofit Employment in 2021



Employment

Select Measure

Nonprofit Employment Compared to Other Sectors



JOBS

6,735 of our state's charitable nonprofits employed staff in 2021. Together, these organizations employed 7.02% of the workforce in Washington. In comparison, the accommodations and food services industry employs 7.08%, and the construction industry employs 6.27% of Washington workers.

The percentage of the workforce employed by nonprofits declined in 2021. The number of jobs increased slightly, but nonprofit job recovery is not keeping pace with the recovery of the private and public sectors. The nonprofit sector is still short over 10,000 jobs from pre-pandemic levels. This is especially concerning since nonprofits are being called on to meet increased demand for social services and to partner in expanded ways with government to aid economic recovery, expand affordable housing, and implement other public priorities.

WAGES

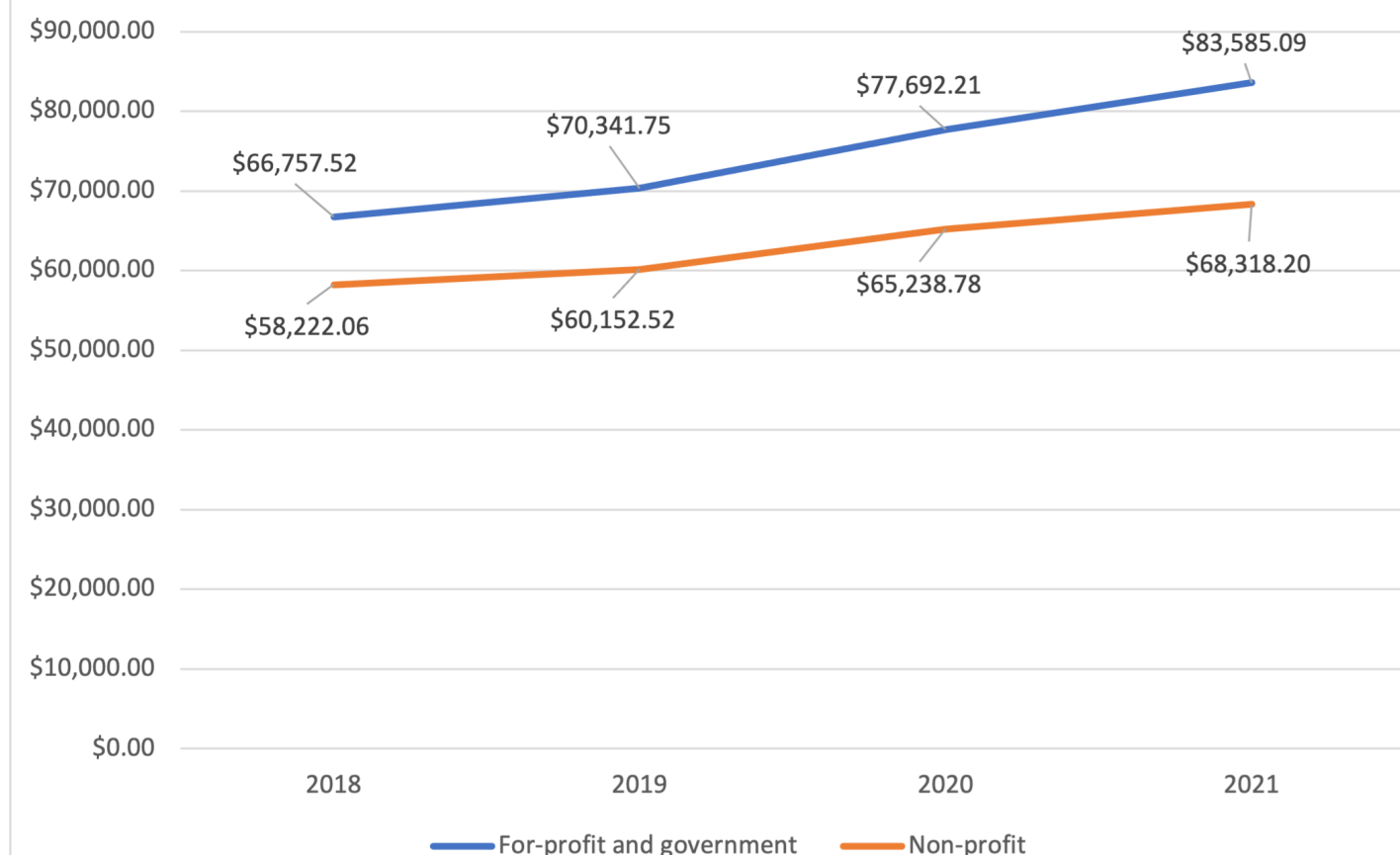
Nonprofits also paid 5.82% of all wages in the state. Overall wages paid grew from \$15.21 billion in 2020 to \$16.06 billion in 2021.

Average wages for Washington workers in all sectors have increased over the past four years. The average wage for nonprofit employees in Washington in 2021 was \$68,318, up 17% from \$58,222 in 2018. The average wage for for-profit and public sector employees in Washington was \$84,585, up 25% from 2018.

While all Washington wages are increasing in response to the rising cost of living, the labor shortage, and other economic factors, it is concerning that nonprofit wages are not increasing as fast as for-profit and government wages. In fact, the pay gap between nonprofit employees and employees in other sectors has widened considerably. In 2018, the wage gap was under 13%. In 2021, the gap has grown to over 18%.

This gap is likely the biggest cause of the ongoing labor shortage that is impacting nonprofits' ability to serve and especially our ability to partner with government to provide expanded services associated with COVID recovery and the housing crisis. In addition, nonprofits are disproportionately staffed by women (nationally, 66% of nonprofit staff are women, while women make up just 47% of the overall workforce). Raising nonprofit wages is therefore a good strategy to close the gender pay gap.

Average Salary Change, 2018-2021



VOLUNTEERS

This report would be incomplete without mention of volunteers, since most are organized and matched with opportunities to serve by charitable nonprofits. Unpaid work done by volunteers is an invisible but significant part of our state's economy. During 2019 in Washington, 2,086,604 volunteers contributed 202.2 million hours of service through nonprofits. This volunteer service was worth an estimated \$4.8 billion. While we do not have updated information specific to Washington for 2020 or 2021, we know that the COVID pandemic disrupted and decreased volunteering dramatically. Nationally, from 2019 to 2021, there was a net 19% drop in the number of volunteers. If Washington experienced a similar drop, we lost volunteer labor valued at over \$1 billion per year.

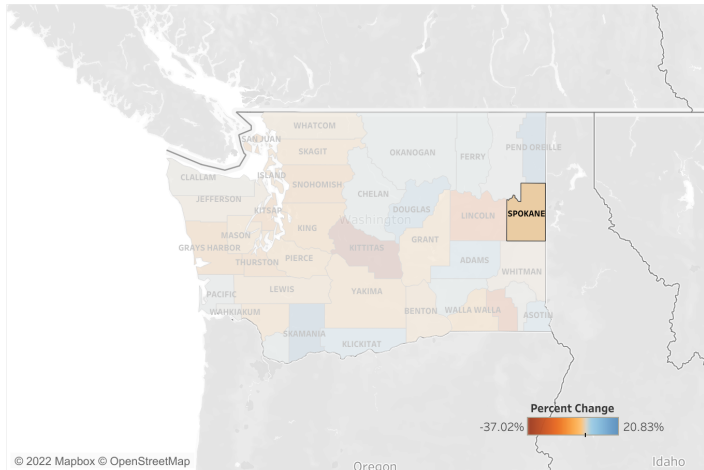
Our state has always enjoyed above average rates of volunteering. Washington will benefit if we can regain the volunteers lost during the pandemic. Nonprofit organizations are key to leveraging this unpaid but invaluable work on behalf of the common good.

NONPROFIT JOBS AND WAGES BY COUNTY

Economic Outlook of the WA Counties

Change in Employment, 2019 v 2021

Select Measure of the pandemic effect
Change in Employment



SPOKANE County Employment

2018	2019	2020	2021
7.12%	7.46%	7.55%	7.31%
15,938	17,024	16,473	16,781
Employees	Employees	Employees	Employees
473	497	499	513
Employers	Employers	Employers	Employers

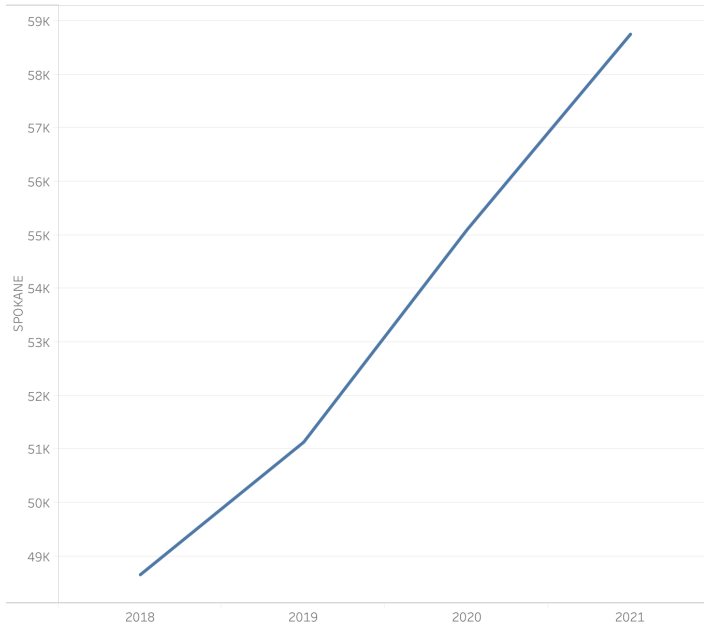
SPOKANE County Wages

2018	2019	2020	2021
7.18%	7.59%	7.75%	7.50%
\$48.66K	\$51.14K	\$55.10K	\$58.75K
Wages paid	Wages paid	Wages paid	Wages paid

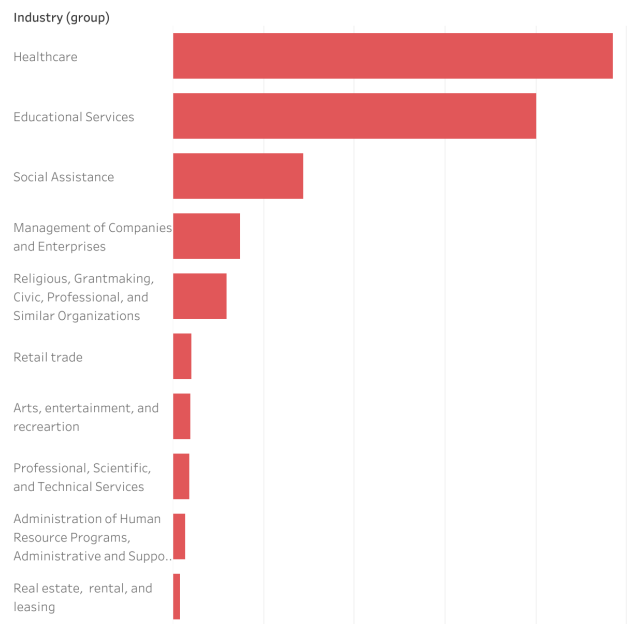
Select Year 2018

Select County Indicator
Wages

Wages in SPOKANE County, 2018 to 2021



SPOKANE County Wages by sector in 2018



The chart above shows data for Spokane County only. The [online presentation](#) of non-profit jobs and wages data allows a user to generate charts showing wage and jobs data for all individual counties, legislative districts, and congressional districts in Washington. A heat map also indicates the relative impact of the pandemic on nonprofit wages and jobs. Data for rural counties is incomplete due to privacy considerations. Additional information is available in the methodology section.

CHANGE IN NONPROFIT EMPLOYMENT IN 2021

From 2020 to 2021, the annual average number of jobs in the nonprofit sector increased by less than 1%. This represents continued very slow recovery from pandemic job losses in 2020. At this rate, it will take the nonprofit sector until the end of 2026 to recover to pre-pandemic employment rates.

The two following graphs chart changes in the number of jobs in Washington overall and in the nonprofit sector. The recovery graph for the nonprofit sector looks significantly different from recovery of the economy overall. The overall employment outlook in Washington has bounced back more quickly. In fact, the number of jobs recovered entirely during 2020 and 2021, with a small net gain of 4,655 over the pre-pandemic high in February 2020.



In contrast, the second graph below shows what happened to nonprofit jobs—a dramatic drop followed by steady but very slow and incomplete recovery of jobs. From March to May 2020, the nonprofit sector lost over 24,000 jobs. Compared with pre-pandemic employment levels, over 10,000 nonprofit jobs were still missing at the close of 2021. The rate of recovery varies for subsectors within the nonprofit sector. Similar charts for each subsector are available online.

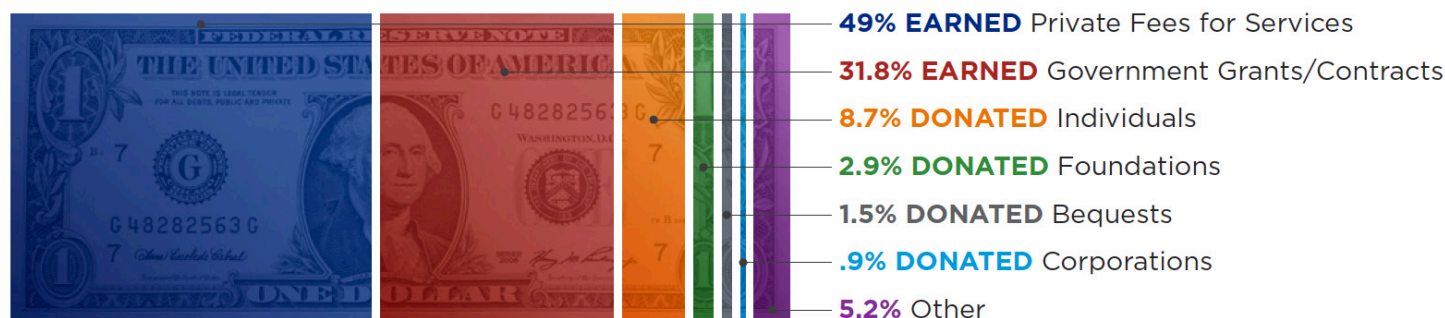


RECOMMENDATIONS

The nonprofit sector, our state's fifth largest private industry, is facing a workforce crisis. We can't afford to allow nonprofits to falter, cut services, or even close their doors due to lack of investment. The economic impact of lost jobs would be significant, and in addition, the work nonprofits do—childcare, healthcare, mental health services, education and job training, community development—has multiplier effects on Washington's economy.

Unlike the for-profit sector, nonprofits usually can't raise prices to cover rising costs. The chart below shows where nonprofit revenues come from.

REVENUE SOURCES FOR CHARITABLE NONPROFITS



Given the data in this report, we offer the following recommendations.

Increase government funding levels. This chart clearly shows the important role of government in funding nonprofits, primarily through fee-for-service contracts. For years, government contracts have not covered the full cost of delivering services (housing, human services, and youth development service providers all report contracts that pay 70 cents on the dollar). This has starved nonprofit organizations, suppressed nonprofit wages, and made nonprofits vulnerable. It's time for this to change, so that nonprofits can continue to partner with government to provide critical services to Washingtonians.

Increase philanthropy. Foundations and individual donors also have a role to play in helping nonprofits complete their recovery and maintaining strong nonprofits in the face of a changing economic environment with high inflation. Foundations and wealthy individuals should increase their grantmaking to keep up with inflation and to reflect the fact that for nonprofits, the destabilizing impacts of the pandemic have not ended.

Nonprofit leaders must act. While nonprofits are being squeezed, there are some actions nonprofit leaders can take as well. The first is to review the organization's compensation scale and check to ensure that the lowest paid employees are making

a livable wage. Explore with your employees how your total compensation package can be improved to attract and retain qualified staff members. In addition to wage increases, increase paid leave, flexibility, professional development opportunities, and other non-monetary benefits. Nonprofit leaders must also come together to demand a new deal from funders, so that we can provide appropriate compensation to nonprofit workers and maintain quality services and stable organizations.

Turning around the concerning trends in this report will take all of us working creatively and collaboratively. NAWA will be working on many fronts to ensure that our sector's workforce is strong and able to serve. We look forward to partnering with you.



Photo: Día de Los Muertos in Tieton

ACKNOWLEDGEMENTS

This report was authored by Laura Pierce and Aishe Memetova, Nonprofit Association of Washington. The report would not have been possible without the generous assistance of Jeff Robinson, Current Labor Force Statistics Manager, Labor Market and Economic Analysis at the Washington State Economic Security Department.

SOURCES AND NOTES

National statistics on workforce demographics and trends in volunteerism come from Independent Sector's Snapshot: Health of the US Nonprofit Sector, September 2022.

The graphic showing Revenue Sources for Charitable Nonprofits comes from the National Council of Nonprofits' Nonprofit Impact Matters and summarizes nonprofit revenue from 2016. More recent data that would show how revenue has shifted during the pandemic is not yet available.

METHODOLOGY

The official taxonomy of economically active entities in the USA does not recognize nonprofit or charitable organizations as a separate sector, so these organizations are dispersed throughout other recognized sectors. Nonprofit Association of Washington is grateful to the Washington State Employment Security Department (ESD) for their collaboration and assistance in our effort to bring the economic impact of the nonprofit sector into the spotlight. The data illustrates how valuable and important this sector is for the state's economy and various communities.

The primary data source used for the mapping project is Business Master File of the Exempt Organizations administered by the Internal Revenue Service. This dataset includes all tax-exempt organizations, including civic league and associations, labor organizations, chambers of commerce, social and recreational clubs etc. This report focuses only on 501(c)(3) organizations which are commonly referred to as nonprofits or charitable organizations.

Since an exempt organization that is required to file an annual return loses its exempt status if it does not do so for three consecutive years, organizations whose most recent tax return was filed in 2017 or earlier were filtered out. Thus, the assumption is that only active nonprofit organizations are represented on the map. The employment and salary data for the years preceding 2021 is most likely an underestimate of the economic impact of the non-profit sector as it does not include data on organizations which ceased to exist by 2021 but which were active in 2018-2020.

Latitude and longitude of the organizations were derived by using R ggmap package. Since some organizations share the same address, the number of visible dots on the map are fewer than the number of organizations in the dataset. Also, some addresses belonging to certain administrative entities are located outside the geographic boundaries of these entities.

The IRS classifies exempt organizations using National Taxonomy of Exempt Entities (NTEE codes). We relied on this classification when grouping nonprofits on the map showing the distribution of nonprofits. How we combined NTEE codes to create the categories in this report is indicated in Table 1. However, many nonprofits cannot be clearly classified as one or another if their activities overflow the category's boundaries and/or self-identification of a nonprofit might not correspond to its IRS NTEE code.



Photo: Apiary Volunteer Planting

NTEE CODES

Table 1. Assigning Groups to Nonprofit Organizations

NTEE Code	NTEE Description	Assigned Categories as Shown on Map
A	Arts, Culture and Humanities	Arts, Culture & Humanities
B	Educational Institutions and Related Activities	Education
C	Environmental Quality, Protection and Beautification	Environment and Animals
D	Animal-Related	Environment and Animals
E	Health – General and Rehabilitative	Health
F	Mental Health, Crisis Intervention	Health
G	Diseases, Disorders, Medical Disciplines	Health
H	Medical Research	Health
I	Crime, Legal-Related	Public Benefit/Other
J	Employment, Job-Related	Human Services
K	Food, Agriculture and Nutrition	Human Services
L	Housing, Shelter	Human Services
M	Public Safety, Disaster Preparedness and Relief	Public Benefit/Other
N	Recreation, Sports, Leisure, Athletics	Public Benefit/Other
O	Youth Development	Human Services
P	Human Services – Multipurpose and Other	Human Services
Q	International, Foreign Affairs and National Security	International
R	Civil Rights, Social Action, Advocacy	Public Benefit/Other
S	Community Improvement, Capacity Building	Public Benefit/Other
T	Philanthropy, Voluntarism and Grantmaking Foundations	Philanthropy
U	Science and Technology Research Institutes, Services	Public Benefit/Other
V	Social Science Research Institutes, Services	Public Benefit/Other
W	Public, Society Benefit – Multipurpose and Other	Public Benefit/Other
X	Religion-Related, Spiritual Development	Religion-Related
Y	Mutual/Membership Benefit Organizations, Other	Public Benefit/Other
Z	Unknown	Unknown
NA	No data available	Unknown