

The Nonprofit Sector Jobs Engine and Strategies for Strengthening It

Nonprofits are known for their contributions in a wide range of areas—including human services, education, cultural and historic preservation, health care, and environmental stewardship—that improve the quality of life for people across Massachusetts. Public policy and philanthropic conversations often focus on the need to maintain a healthy nonprofit sector to preserve those critical services.

Less frequently noted are ways in which nonprofits sustain and drive the economy. Nonprofit organizations are essential job creators and employers in the Commonwealth. From small grassroots organizations to medium-sized service providers and large institutions, they generate economic activity that benefits everyone. While it's essential to preserve services, it's equally important that the nonprofit, government, and philanthropic sectors work together to support and enhance nonprofits' role as a critical part of the Massachusetts economy.

I. The Massachusetts Nonprofit Sector: Growing, Varied, and Resilient



KEY POINTS:

- Updated federal data demonstrates the scope, impact, and trajectory of growth of the nonprofit sector in Massachusetts.
- Nonprofits are an economic engine as key employers in the Commonwealth, generating \$36 billion in wages through 551,117 sector jobs.
- Policies that strengthen the nonprofit sector, on charitable giving, reporting requirements, and employer benefits, should be advanced to maximize its economic impact.

In 2014, the Bureau of Labor Statistics (BLS) began publishing data that demonstrates the size and scope of the nonprofit workforce. This data measures the number of nonprofit establishments and tracks employment and wages for organizations with 501(c)(3) designations in every state across every industry.

This year, BLS has released updated numbers. These figures show continued job growth in the Massachusetts nonprofit sector, with 551,117 nonprofit jobs in 2017 contributing more than \$36 billion in annual wages. Nonprofit jobs now comprise 18% of the total workforce in Massachusetts, the fifth highest percentage in the country. There are more jobs in the state's nonprofit sector than in its manufacturing and financial services sectors combined (464,000 jobs). The \$36 billion of wages paid by Massachusetts nonprofits generate substantial tax payments at the local, state, and federal levels that contribute to the health of the economy.

Nonprofit jobs and wages have grown significantly over the prior five years. From 2013 to 2017, nonprofit employment in Massachusetts grew by 41,763 jobs, an increase of 8.2%. And annual nonprofit wages grew by \$6 billion, an increase of 20.0%.

Nonprofit jobs in Massachusetts are also varied, spread across a wide breadth of subsectors and not as concentrated in the healthcare and education fields as many assume. Less than half of the sector's total jobs (267,000) are in universities and hospitals. The economic diversity of the sector is significant. It means that nonprofits can create jobs and generate economic activity across a large array of fields, and that the sector is not vulnerable to a downturn in any one industry.

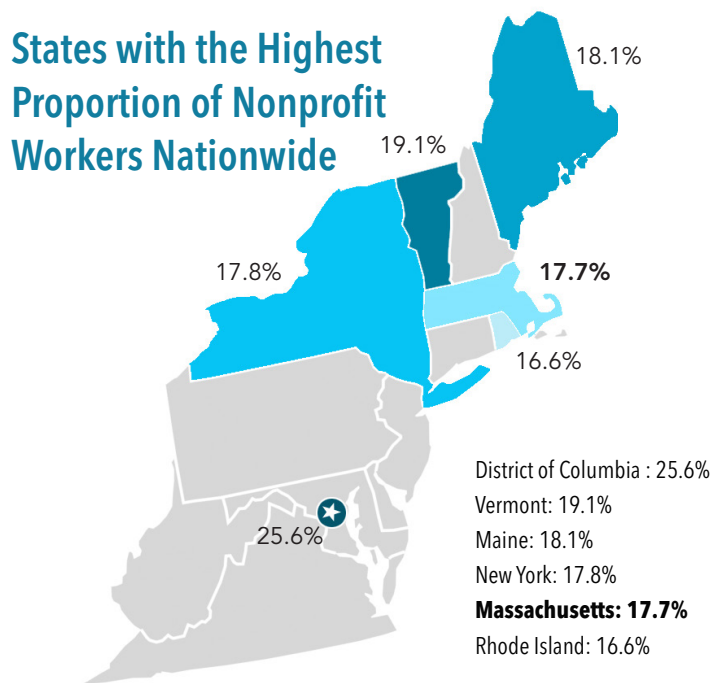
The nonprofit sector's resiliency, apparent in its growth trajectory, is also notable. Over the past decade, the nonprofit sector in Massachusetts has continued to add jobs, even during the Great Recession: 17,000 jobs were added in 2008 and 2009, when other sectors were rapidly losing jobs. Nonprofit assets were far less vulnerable than those in the for-profit sector, and nonprofits were also able to create new jobs in social services through federal stimulus funding. This trajectory has continued during both economic crises and periods of growth, demonstrating the adaptability of a sector that continues to support jobs and generate economic activity under various external forces and through extremely different fiscal climates.

II. Unique Attributes of Nonprofits as Employers

Adaptable, Stable, and Reliable

While nonprofits helped provide an economic safeguard during the Great Recession, in today's climate the sector plays a key role in solving the challenges associated with a tight job market. Nonprofits are stable and reliable employers. Recent surveys show that the sector boasts high levels of job satisfaction, a key factor in employee recruitment and retention. In addition to their role as employers, many nonprofits are also service providers in the workforce development realm, helping to train and connect employees and employers.

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Accountable and Transparent

As stewards of charitable assets, nonprofits are subject to considerable public oversight in the execution of their missions and the administration of their organizations. Nonprofits must meet significant state and federal disclosure requirements, with annual reporting of detailed financial and governance information that is part of the public record. They must also demonstrate compliance with laws requiring that their assets be dedicated exclusively to the advancement of their charitable missions.

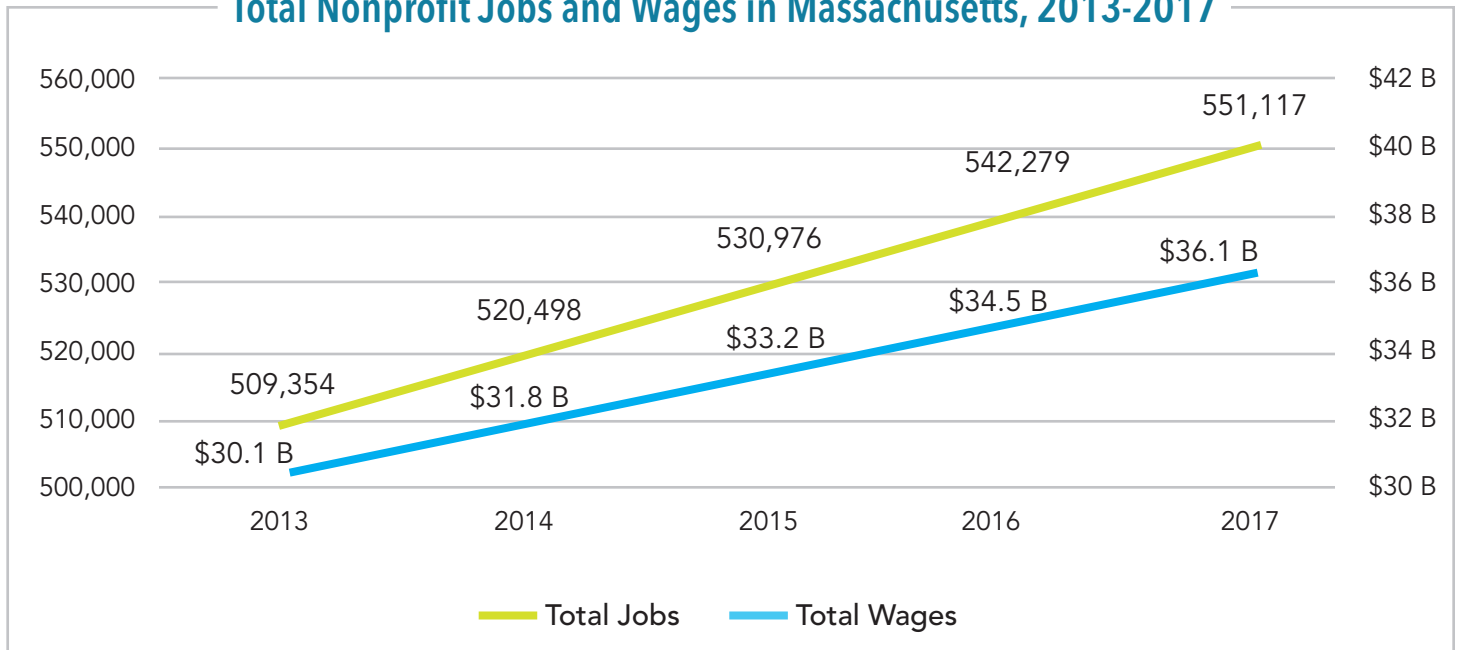
III. Sustaining the Sector

The significance of nonprofits as economic engines is growing against a backdrop of changing policies at the state and federal level. Because of the wide reaching economic benefits that nonprofits provide, it is crucial to protect the sector's role in the economy - in addition to its role as a service provider - when crafting policies that impact the health and viability of the sector as a whole.

✓ Protect and Grow Charitable Giving

Nonprofit organizations are uniquely impacted by policies that influence charitable giving. Nonprofits in Massachusetts, and all across the country, are still realizing the effects of the Tax Cuts and Jobs Act that was passed in December of 2017. This law made sweeping changes to the way that individuals file

Total Nonprofit Jobs and Wages in Massachusetts, 2013-2017



their taxes, nearly doubling the standard deduction from \$6,500 to \$12,000 for individual filers, and from \$13,000 to \$24,000 for joint returns. The law also capped the amount of state and local taxes (SALT) that can be deducted on federal taxes at \$10,000. Both of these policy changes significantly reduce the number of individuals - especially middle income earners - who itemize their deductions. Those falling into that category no longer receive a federal tax break for their charitable contributions, and their cost of giving has gone up by 28% (their former marginal tax rate).

According to a report released in late June by the Giving USA Foundation, individual donations to American charities dropped by \$3.2 billion in 2018. This is a concerning trend, as nonprofits rely heavily on charitable contributions as a key source of operational support that enables them to remain viable, execute their charitable missions, and continue to have direct and indirect benefits to the economy. It's likely that many filers only realized their loss of the charitable contributions deduction when they filed their taxes in April 2019, raising the specter of a further drop in giving at the end of this year.

There are both policy-related and fundraising strategies that can help to mitigate this trend. Policy solutions include creating a universal federal charitable tax deduction, and restoring the Massachusetts state charitable tax deduction. Practical solutions include encouraging individual giving while pursuing diversified revenue streams for nonprofit organizations. MNN will continue to advance these strategies to

preserve and strengthen the nonprofit sector's health and vitality.

✓ Streamline Reporting Requirements

Nonprofits comply with state and federal reporting requirements in order to maintain their tax exempt status and demonstrate transparency in their expenditure of charitable assets. When state and federal reporting requirements are duplicative they can strain nonprofit resources, with a disproportionate burden on smaller organizations. For reports filed annually by nonprofits, federal IRS forms and thresholds provide a helpful guidepost. State report requirements should be matched with federal thresholds. MNN will continue to advocate for improved, streamlined state-level reporting requirements to remove duplication, and reduce the cost associated with reporting.

✓ Optimize Employer Policies

There are a variety of policies and programs that impact nonprofits as employers. Like their for-profit counterparts, nonprofits administer a wide range of employee benefits including health care, dental care, retirement plans, and student loan assistance. It is

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POLICY RECOMMENDATIONS

- ✓ Protect and grow charitable giving to mitigate the detrimental effects of federal tax reform;
- ✓ Streamline state reporting requirements to reduce duplication and resource strain on nonprofits;
- ✓ Optimize employer mandates so they work for nonprofits as well as for for-profits.

critical to consider the voice of the nonprofit sector when crafting policies that impact employers in Massachusetts - and regularly assess their impact on jobs in both the nonprofit and for-profit sectors.

For example, nonprofit organizations are critical to the successful implementation of Massachusetts' new Paid Family and Medical Leave (PFML) program. Constituting almost 20% of the workforce, nonprofits of all sizes are administering the new employee benefit program. While some impacts are similar for nonprofits and for-profits, such as figuring out program regulations, developing new guidance, notifying employees, and contributing an employer share of the payroll tax, other impacts are larger for parts of the nonprofit sector. Many nonprofits employ large numbers of part-time, seasonal, temporary, and contract labor. Administering employee benefit programs on behalf of these employee categories may pose more difficulty than doing so on behalf of a more traditional full-time employee workforce. MNN was engaged throughout the regulatory development process of

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PFML, and provided input on behalf of the sector at each stage. MNN appreciates the positive changes that were made in each iteration of the regulations, and will continue to work with state officials for an effective implementation of PFML.

IV. Conclusion

The nonprofit sector in Massachusetts is a major economic engine, generating widespread benefits through jobs, direct economic activity, and tax revenue. It does so consistently, during both challenging economic times and periods of growth.

It is in the Commonwealth's best interest to support and strengthen nonprofits in their unique role as employers, in addition to their role as service providers. State and federal policies that affect the operations of nonprofits, as well as those that affect their ability to raise funds, will position nonprofits for success--to the benefit of the people they serve throughout Massachusetts.



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About the Massachusetts Nonprofit Network

MNN brings together nonprofits, funders, business leaders, and elected officials across Massachusetts to strengthen nonprofits and raise the sector's voice on critical issues. The network has more than 700 nonprofit member organizations and more than 100 for-profit affiliate partners. To join visit massnonprofitnet.org/join.

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