

Montana's Nonprofit Sector: A Second Look

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Every year, thousands of people visit nonprofit hospitals in their communities to receive life-saving medical treatment. In addition to health care, nonprofit organizations provide other beneficial services to local communities, such as museums, fire protection, and humanitarian care. Nonprofits provide vital services to thousands of people within Montana each year. Nonprofits also serve an important role in the state's economy, providing rewarding employment opportunity, and income, to thousands of Montanans.

Unfortunately, the standard industry and labor market data sources provide very little information on nonprofit organizations. To provide information on the size and scope of nonprofit organizations in Montana, this article uses confidential establishment-level wage and employment data.

This article examines those establishments that qualify for tax exempt 501(c)3 status. Organizations classified as 501(c)3 nonprofits typically include religious, educational, charitable, and scientific organizations. 501(c)3 organizations do not make up all employers with nonprofit tax status, but they provide 91% of all nonprofit jobs and perform many of the operations people associate with nonprofits. IRS records indicate there were approximately 6,700 501(c)3 nonprofit organizations within Montana at the beginning of 2013. These nonprofits were matched with Unemployment Insurance (UI) establishment-level data to obtain wage and employment information. In total, about

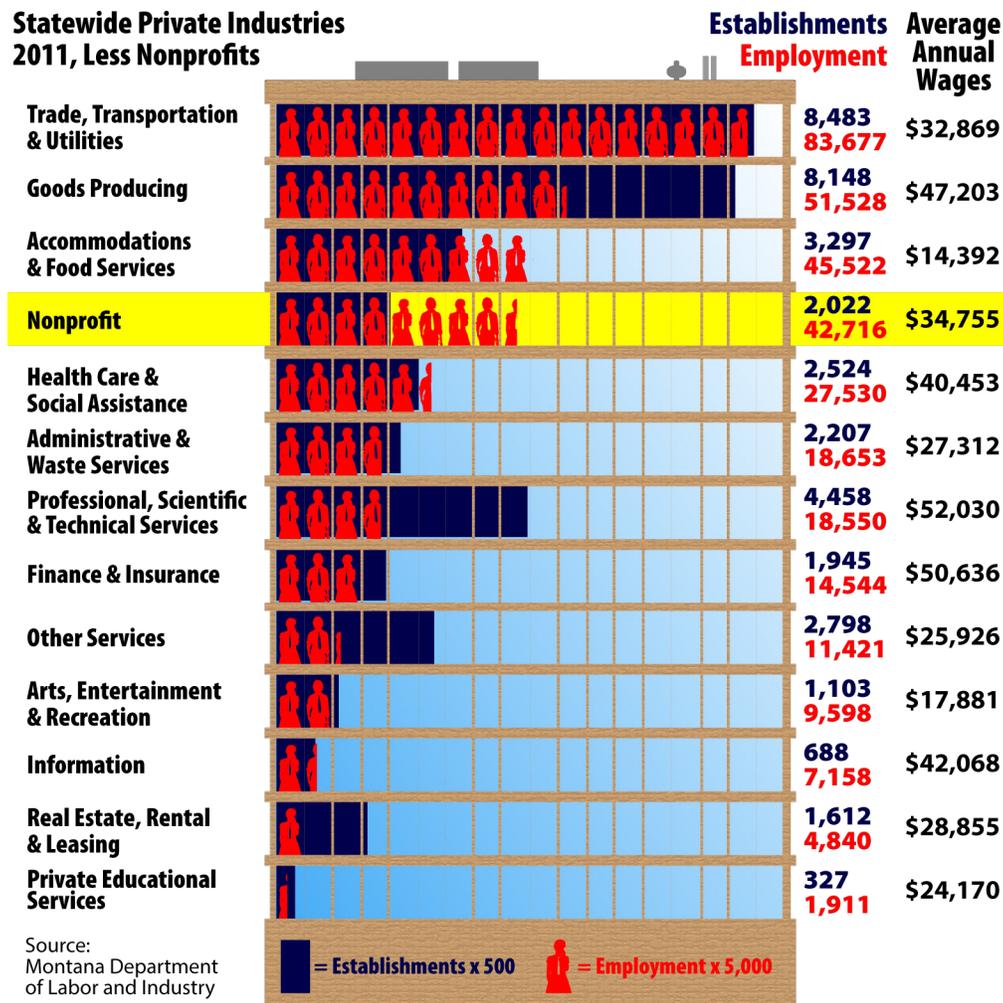
23% of the 501(c)3 organizations listed for Montana were matched to at least one private establishment with non-zero employment for the year.

Nonprofit organizations comprise a significant portion of Montana's private economy and employ a large number of the state's workers. In 2011, there were 2,022 establishments within the state that were matched as a nonprofit organization and employed at least one worker during the year, comprising approximately 5.1% of the state's private sector establishments (Figure 1). The 2,022 nonprofit establishments in Montana employed nearly 43,000 workers during 2011, and increased employment by 6,000 jobs over the past five years.

Nonprofit establishments in Montana are one of the largest sectors in the state, with 12.7% of private sector employment. For example, the nonprofit sector employs more people than the for-profit Health Care and Social Assistance, Finance and Insurance, and Administrative and Waste Services sectors. In fact, the only for-profit sectors that employ more people than the nonprofit sector are the Trade, Transportation and Utilities, Accommodations and Food Services, and the combined goods-producing sectors of Natural Resources and Mining, Construction and Manufacturing.

Montana's nonprofit establishments are largely concentrated in a small number of industries. The industry with the largest number of nonprofit employees and establishments is the

Figure 1: Employment and Wages for Private Nonprofits and NAICS Industries in Montana, 2011

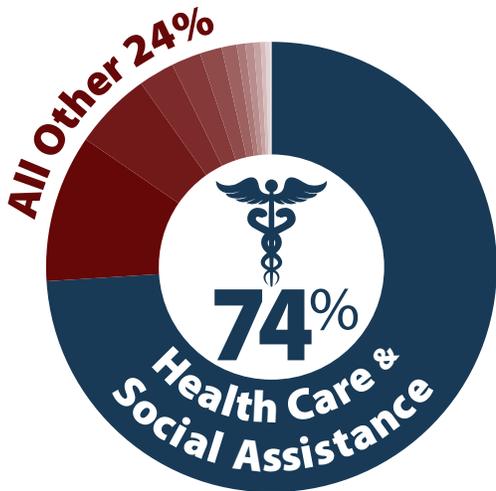


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Health Care and Social Assistance sector, which employs nearly 75% of all nonprofit workers (Figure 2). The large number of nonprofit workers in the Health Care and Social Assistance sector is not surprising, given that a majority of Montana’s hospitals are run as nonprofit organizations. Other industries with a large number of nonprofit workers include the Other Services sector (4,526 workers), the Private Educational Services sector (2,387 workers), and the Arts, Entertainment, and Recreation sector (1,099 workers). In total, the four industries with the largest number of nonprofit workers employ more than 92% of all nonprofit workers.

Montana’s nonprofit sector’s average annual wage levels are similar to those throughout the state. In 2011, the average annual wages paid per worker for the nonprofit sector was \$34,755, which is approximately the same as the statewide private sector average of \$34,528 (Figure 1). However, there is a significant amount of variation in the pay levels of Montana’s nonprofit establishments when broken down by industry, just like the for-profit sector of the economy. In 2011, the nonprofit industry with the highest average annual wage for workers was the Finance and Insurance nonprofit establishments, which had an average annual wage of \$50,481. Other industries

Figure 2: Nonprofit Employment and Wages by NAICS Super-Sector in Montana, 2011



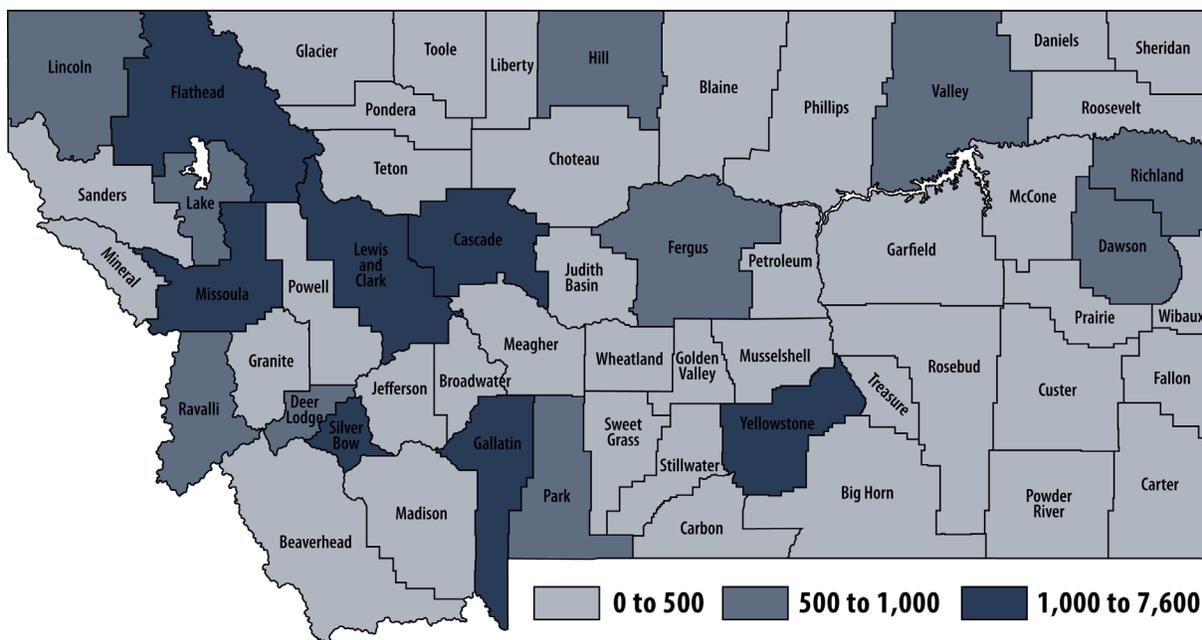
Industry	Employment	% of Nonprofit Employment	Average Annual Wages
Health Care and Social Assistance	31,606	74.0%	\$38,261
Other Services	4,526	10.6%	\$20,689
Administrative and waste services	903	2.1%	\$36,671
Trade, transportation and utilities	673	1.6%	\$17,926
Professional, scientific, and technical services	461	1.1%	\$44,048
All other / Unknown	261	0.6%	\$37,388
Real Estate and rental and leasing	260	0.6%	\$20,709
Finance and insurance	211	0.5%	\$50,481
Accommodations and food services	149	0.3%	\$15,847
Goods Producing	130	0.3%	\$29,239
Information	48	0.1%	\$27,285
Total	42,716	100.0%	\$34,755

Source: Montana Department of Labor and Industry

with high average wage levels were the Professional, Scientific, and Technical and Health Care and Social Assistance nonprofit industries, with respective average annual wage levels of \$44,048 and \$38,261. Just like the statewide for-profit employers, the Accommodation and Food Services and Arts, Entertainment, and Recreation industries had the lowest average annual wage levels for nonprofits.

In addition to being concentrated in only a couple of industries, Montana’s nonprofit workers are also unevenly distributed within the state. Not surprisingly, the counties with the largest number of nonprofit workers are those with the largest populations (Figure 3). Yellowstone County had the largest concentration of nonprofit workers, with 7,607 jobs associated with a nonprofit establishment in 2011. Other counties

Figure 3: Nonprofit Employment Levels by County, 2011



with large numbers of nonprofit jobs include Missoula (5,035), Cascade (4,727), Lewis and Clark (4,098), and Flathead counties (4,019). Several counties had no, or very few, nonprofit workers, including Garfield, Wibaux, Prairie, and Treasure counties. Overall, the distribution of nonprofit workers is relatively uneven, with ten counties employing nearly 80% of all nonprofit workers.

Just as the distribution of nonprofit workers in is spread unevenly throughout the state, the economic impact of nonprofits is also unevenly distributed. While Yellowstone County employed the largest number of nonprofit workers in 2011, nonprofit establishments employed a relatively small proportion of the county’s total workforce, with only 11% of jobs associated with a nonprofit establishment (Figure 4). Nonprofits play a significantly larger role in the economics of other, largely rural, counties throughout the state. For example, the counties with nonprofits comprising the largest share of private employment are Carter County, Liberty County and Deer Lodge County, where nonprofits provide at least a third of all private sector jobs. At the same time, there

are other counties where nonprofits comprise none, or almost none, of the private sector jobs, such as Garfield and Wibaux Counties.

Overall, Montana’s nonprofit organizations and establishments are a significant and vital part of Montana’s economy and community. In 2011, 501(c)3 nonprofit establishments employed approximately 10% of the workers within the state. The influence of Montana’s nonprofit organizations is not felt equally across industries or areas within the state. For example, nonprofit organizations employ more than 50% of all the Health care and social assistance workers within the state of Montana. At the same time, there are some counties, such as Deer Lodge, where nonprofit organizations employ more than a third of all private sector workers. Based on the number of people employed and the wages they are paid, there is no doubt that nonprofits are an important contributor to Montana’s economy. Beyond the economic benefits, the contributions that nonprofits make to Montana and its citizens may be impossible to quantify.

Figure 4: Nonprofit Employment as a Share of Private Employment by County, 2011

