

# Economic Benefits of Michigan's Nonprofit Sector

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2012

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# Executive Summary

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In the past decade, both Michigan and the nation have experienced a severe recession. Michigan, in particular, has been slow to recover from the economic downturn plaguing the nation at large. With multiple sectors of our economy struggling, nonprofit organizations are more important than ever, not only through the support they provide in their various social and political efforts, but also in their significant contribution to the overall economy. While there is considerable focus on the public and private sectors of our economy, the nonprofit sector cannot be overlooked. It is important to understand the contribution the nonprofit sector makes to statewide employment and to highlight its significance and economic contribution to our overall economy.

## **This report documents that Michigan's nonprofit organizations:**

- **Number over 48,000**—an increase of over 2 percent since 2006 (47,000), 18 percent since 2001 (41,000), and 28 percent since 1997—with over 10,000 new organizations since 1997
- **Employ directly nearly 435,000 people in 2011** (a decrease of less than 1.1 percent from 440,000 in 2010, but still an increase of nearly 1.5 percent from 429,000 in 2006), or 11 percent of the Michigan workforce
- **Pay their employees nearly \$4.8 billion per quarter**
- **Generate an additional 239,711 jobs** in indirect effects as a result of spending by the organizations, not including the induced employment effects.
  - This represents a 48 percent increase in indirect employment from 162,000 in 2009 and a 77 percent increase in indirect employment from 135,000 in 2004.
- **Hold assets of nearly \$227 billion**, a significant increase since 2008 (\$179 billion) and 2003 (\$105 billion).
- **Receive more than \$217 billion in annual revenue**, an increase of 63 percent since 2008.
- **Generate \$137 billion each year in overall economic activity**, through direct expenditures of nearly \$66 billion, which creates indirect economic effects of over \$30 billion and induced economic effects of an additional \$41 billion.
  - This represents an inflation adjusted increase of nearly 63 percent in the last 8 years and an increase of over 18 percent in the last 3 years (2004 and 2008 inflation adjusted economic impact totaling \$84 billion and \$116 billion, respectively).

Michigan's nonprofit sector has continued to grow in a time of economic turmoil. It has provided not only relatively stable employment opportunities in a state with a high unemployment rate, but it is also an important contributor to Michigan's overall economy. Nonprofit organizations in Michigan generate around \$137 billion each year in overall economic activity and provide employment to 11 percent of Michigan's population (more than 1 of every 10 workers).

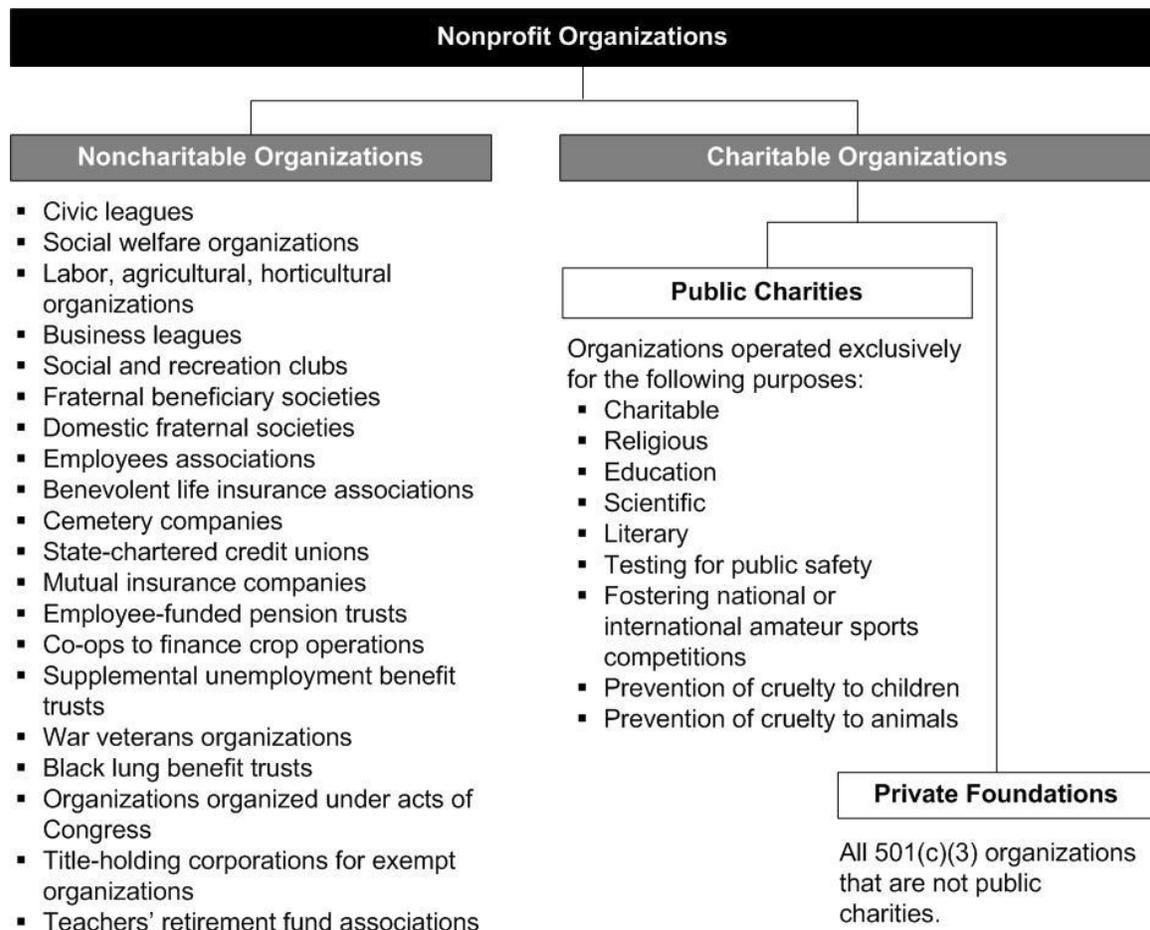
With broad distribution across the state, organizations comprising the nonprofit sector provide a level of stability in many communities. Maintaining the critical infrastructure the nonprofit sector provides to our economy is crucial to Michigan's health and economic recovery.

## DEFINING THE NONPROFIT SECTOR

Section 501(c) of the federal tax code specifies 28 different sets of requirements for classification as a nonprofit. There are two major divisions of nonprofits: **charitable** nonprofit organizations (to which donations are tax deductible) and **noncharitable** nonprofit organizations.

Exhibit 1 illustrates the categories of 501(c) nonprofit entities.

**EXHIBIT 1. Conceptual Breakdown of Tax-Exempt Organizations Classified under Section 501(c) of U.S. Tax Code**



SOURCE: Bureau of Economic and Business Research, the University of Utah, 1998. *The Economic Impact of Utah's Nonprofit Sector: Characteristics of a Resource for the Public Good*. Salt Lake City, Utah: University of Utah. A more detailed description of the types of organizations and requirements for nonprofit status can be found in IRS Publication 557 (REV. October 2011, Cat. No. 46573c), "Tax Exempt Status for Your Organization," available online at [www.irs.gov/pub/irs-pdf/p557.pdf](http://www.irs.gov/pub/irs-pdf/p557.pdf).

### **Charitable Nonprofit Organizations—501(c)(3)**

Charitable organizations (clustered under section 501(c)(3) of the tax code) are further divided into two categories: public charities and private foundations. According to the Internal Revenue Service (IRS), the express purpose of a 501(c)(3) organization must be to benefit the community or society. Furthermore, a group's articles of organization must limit the organization to one or more exempt purposes, must not empower the organization to engage in activities not directly related to its exempt purpose, and must provide that the organization, upon its dissolution, distribute its assets to another 501(c)(3) organization.

- **Public charities**—Examples include groups with arts, charitable, educational, health care, religious, and scientific missions. Michigan's largest public charities include Trinity Health Corporation, Van Andel Institute, Rural India Supporting TR, and Hillsdale College.
- **Private foundations**—Typically, these entities receive assets from families, individuals, or corporations and devote a portion of their assets and investment earnings to support charitable causes. Among Michigan's largest private foundations are the W.K. Kellogg Foundation, the Charles Stewart Mott Foundation, and the Kresge Foundation.

### **Noncharitable Nonprofit Organizations**

The largest category of noncharitable nonprofit entities can be found in sections 501(c)(4) and (8). These noncharitable entities are also exempt from federal taxation, but because they receive much of their funding from members as opposed to the general public, are allowed to serve a focused community, and may engage in substantial lobbying, their donors are *not* permitted to deduct contributions to these groups from their federal taxes.

Examples of noncharitable nonprofits in Michigan include civic associations and business leagues, such as chambers of commerce; fraternal societies such as The Benevolent and Protective Order of Elks and The Knights of Columbus; federal- and state-chartered credit unions; and mutual insurance companies.

## **DATA SOURCES**

Public Sector Consultants (PSC) compiled the most recent data available on nonprofit organizations in Michigan. Sources for the data were:

- The Internal Revenue Service Business Master Files for Exempt Organizations for 1997, 2001, 2006, 2007, 2008, 2010, and 2011, which list 48,642 nonprofit organizations<sup>1</sup>
- The National Center for Charitable Statistics (NCCS) Core Files for 1997, 2001, 2006, 2007, and 2009, which report the assets of all tax-exempt organizations with more than \$25,000 in gross receipts
- The Michigan Office of Labor Market Information (LMI)—official source of state employment figures
- Individual annual reports for the 15 largest private foundations
- The U.S. Census Bureau

To establish the full impact of nonprofit organizations on the overall state economy, PSC used IMPLAN, an input-output model of the state economy. In this model, an organization's purchases

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<sup>1</sup> PSC draws attention to several shortcomings in the data. The IRS Business Master File excludes financial information about organizations with annual revenues less than \$25,000, and about religious groups, which are exempt from disclosing financial data.

from vendors in other sectors are multiplied, along with the earnings of its employees, based on assumptions about the goods and services that they purchase from sources beyond their employer.

It is important to note that throughout this analysis financial information is considered only for those organizations with gross receipts of more than \$25,000. Reporting organizations account for only a small share of all nonprofit organizations. While those organizations that do not report financial information are by definition small, the large number of non-reporters creates an explicit downward bias in all of our estimates. Furthermore, this report excludes government bodies (including public universities and colleges). To include government bodies would greatly distort the picture of the nonprofit sector, which is very much separate from the public sector.

A similar downward bias also exists with respect to any employment figures that are included in this report. For reasons that will be discussed below, a large number of nonprofit organizations are not required to submit employment information to the Office of Labor Market Information. While PSC is confident that the employment figures below represent the vast majority of economic activity in the nonprofit sector, it is important to note that a nontrivial number of small nonprofit organizations are not included in the employment figures.

## **PREVIOUS STUDIES**

Public Sector Consultants conducted an analysis of the economic benefits of Michigan's nonprofit sector in 1999 (using the most recent available data, which was for 1997), in 2004 (using data from 2001), and in 2009 (using data from 2006, 2007, and 2008). This current analysis incorporates data from 2009, 2010, and 2011. While the number of nonprofits has declined from a peak in 2010, in terms of economic presence and impact, the nonprofit sector has continued to grow.

# Analysis:

## *Michigan's Nonprofit Sector*

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The analysis section:

- Describes the nonprofit sector overall, comparing all public charities, private foundations, and noncharitable nonprofit organizations in Michigan
- Discusses the employment impact of Michigan's nonprofit sector
- Discusses the economic impact of Michigan's nonprofit sector

In addition to the information presented in this written report, additional information is included on a website to allow readers to search by region and county. To view the additional information—including asset, revenue, expenditure, and employment data by county—please visit [www.mnaonline.org](http://www.mnaonline.org).

### SECTOR SUMMARY

There are a variety of nonprofit organizations in Michigan serving a wide range of purposes. Exhibit 2 describes Michigan's nonprofit sector over the last decade by IRS classification. According to the IRS, in 2011, Michigan had 48,642 nonprofit organizations. This represents a 17.5 percent increase in total organizations since 2001 and a 28.4 percent increase since 1997. In both absolute and percentage terms, this increase was largest in the 501(c)(3) category, which increased by 65 percent from 1997 to 2011.

**EXHIBIT 2. Nonprofit Organizations in Michigan, by Tax Status**

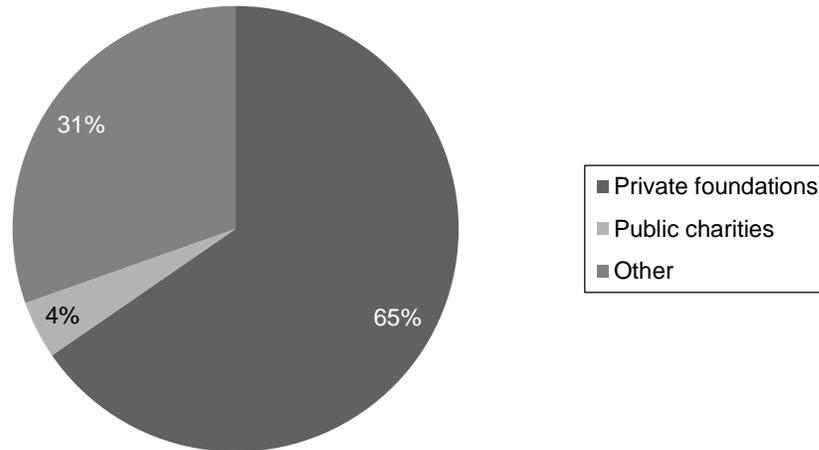
|  | 1997          | 2001          | 2006          | 2009          | 2011          |
|--|---------------|---------------|---------------|---------------|---------------|
| (02) Title holding corporation for exempt organization | 450           | 432           | 411           | 393           | 304           |
| (03) Charitable and religious organizations            | 19,522        | 23,690        | 30,396        | 33,505        | 32,201        |
| (04) Social welfare                                    | 4,431         | 4,127         | 3,992         | 3,796         | 2,882         |
| (05) Labor, agricultural, and horticultural            | 2,813         | 2,757         | 2,548         | 2,460         | 2,090         |
| (06) Business leagues                                  | 2,118         | 2,092         | 2,161         | 2,131         | 1,820         |
| (07) Social and recreational clubs                     | 2,012         | 1,852         | 1,759         | 1,662         | 1,347         |
| (08) Fraternal beneficiary societies                   | 3,508         | 3,333         | 2,504         | 2,333         | 2,361         |
| (09) Voluntary employees beneficiary associations      | 441           | 384           | 358           | 336           | 252           |
| (10) Domestic fraternal societies and associations     | 539           | 589           | 482           | 479           | 181           |
| (12) Benevolent life insurance associations            | 23            | 18            | 23            | 23            | 22            |
| (13) Cemetery companies                                | 98            | 99            | 95            | 95            | 74            |
| (14) State-chartered credit unions                     | 320           | 272           | 243           | 233           | 199           |
| (15) Mutual insurance companies or associations        | 11            | 9             | 21            | 16            | 11            |
| (17) Supplemental unemployment benefit trusts          | 90            | 69            | 55            | 56            | 27            |
| (19) War veterans organizations                        | 1,475         | 1,549         | 1,526         | 1,519         | 1,340         |
| <b>Total</b>   | <b>37,890</b> | <b>41,413</b> | <b>46,685</b> | <b>49,153</b> | <b>48,642</b> |

SOURCE: IRS Business Master Files.

NOTE: Categories where organizations appeared in some, but not all, of the years have been excluded from the detail but are included in the total.

As would be expected, the largest category is for 501(c)(3) organizations. Numbering 32,201 in 2011, this category includes both public charities and private foundations.<sup>2</sup> Exhibit 3 shows the distribution of nonprofit organizations in Michigan according to this grouping.

**EXHIBIT 3. Distribution of Nonprofit Organizations in Michigan, by Type, 2011**



SOURCE: IRS Business Master Files 2008.

Exhibit 4 displays the expenditures of reporting nonprofit organizations by tax status for 2001, 2006, and 2009 (that is, information for organizations that receive more than \$25,000 in revenue during the year). In terms of expenditures, the largest category of nonprofit organizations in 2001, 2006, and 2009 was 501(c)(3) organizations. By dollar value, in 2009 social welfare organizations were the second largest category, indicating the growing use of this type of nonprofit organization at a time of economic trouble for many Michigan residents.

**EXHIBIT 4. Nonprofit Expenditures by Tax Status,  
Reporting Nonprofit Organizations, 2001, 2006, and 2009**

|  | 2001           | 2006           | 2009           |
|--|----------------|----------------|----------------|
| (02) Title holding corporation for exempt organization | \$27,266,929   | \$20,281,804   | \$27,702,652   |
| (03) Charitable and religious organizations            | 27,991,589,156 | 38,093,004,219 | 42,888,099,713 |
| (04) Social welfare                                    | 3,561,961,182  | 7,512,819,758  | 9,649,216,012  |
| (05) Labor, agricultural, and horticultural            | 804,932,433    | 967,126,038    | 875,203,543    |
| (06) Business leagues                                  | 1,381,327,081  | 1,542,968,159  | 2,471,680,888  |
| (07) Social and recreational clubs                     | 296,747,632    | 341,173,584    | 331,585,819    |

<sup>2</sup> Because of their differing objectives and the different tax rules that apply to them, these two groups will be analyzed separately. All other nonprofit organizations will be analyzed together in a composite group of noncharitable nonprofits.

|  | 2001                  | 2006                  | 2009                    |
|--|-----------------------|-----------------------|-------------------------|
| (08) Fraternal beneficiary societies               | \$195,703,677         | \$264,839,112         | \$244,495,020           |
| (09) Voluntary employees beneficiary associations  | 4,175,009,075         | 11,073,463,857        | 7,657,433,670           |
| (10) Domestic fraternal societies and associations | 15,173,057            | 26,935,771            | 16,035,554              |
| (12) Benevolent life insurance associations        | 269,458,175           | 527,653,420           | 691,398,526             |
| (13) Cemetery companies                            | 19,454,617            | 31,779,466            | 27,508,867              |
| (14) State-chartered credit unions                 | 888,306,966           | 1,260,411,052         | 1,804,506,120           |
| (15) Mutual insurance companies or associations    | (881,259)             | 3,246,560             | 1,439,907               |
| (17) Supplemental unemployment benefit trusts      | 63,514,319            | 346,241,617           | 345,669,393             |
| (19) War veterans organizations                    | 31,650,939            | 36,095,809            | 55,710,418              |
| (25) Title holding company for pensions, etc.      | 128,639               | 263,228               | 269,124                 |
| (50) Cooperative hospital service organization     | 36,351,445            | 77,845,124            | 47,468,490              |
| (82) 527 Political organizations                   |                       |                       | 2,118,898               |
| Other (00)   | 144,539               | 180,415               | 15,821,162              |
| <b>Total</b>                                       | <b>39,757,838,602</b> | <b>62,126,328,993</b> | <b>\$67,153,363,776</b> |

SOURCE: NCCS Core Files.

In 2011, the nonprofit sector held nearly \$227 billion in assets and took in approximately \$217 billion in revenue. As can be seen in Exhibit 5, this represents a significant increase from 2008, when these organizations held roughly \$179 billion in assets and earned \$133 billion in revenue. This represents an increase of 63 percent in revenue and 27 percent in assets since 2008.

### EXHIBIT 5. Michigan Nonprofit Organizations, Revenue and Assets, 2003, 2008, and 2011

|                                       | 2003 Revenue            | 2008 Revenue             | 2011 Revenue             |
|---------------------------------------|-------------------------|--------------------------|--------------------------|
| Noncharitable nonprofits              | \$32,748,202,324        | \$64,685,013,009         | \$160,063,088,304        |
| Public charities                      | 35,098,597,398          | 47,784,367,029           | 51,387,873,602           |
| Private foundations                   | 4,656,516,171           | 20,973,525,072           | 5,866,949,909            |
| <b>Total</b>                          | <b>\$72,503,315,893</b> | <b>\$133,442,905,110</b> | <b>\$217,317,911,815</b> |
| <b>Adjusted for inflation to 2011</b> | <b>\$88,634,520,000</b> | <b>\$139,415,310,000</b> | <b>\$217,318,000,000</b> |

|                                       | 2003 Assets              | 2008 Assets              | 2011 Assets              |
|---------------------------------------|--------------------------|--------------------------|--------------------------|
| Noncharitable nonprofits              | \$44,551,390,539         | \$96,111,854,484         | \$144,611,927,140        |
| Public charities                      | 42,969,791,654           | 62,838,002,744           | 69,634,026,739           |
| Private foundations                   | 17,584,351,823           | 20,291,463,253           | 12,543,699,281           |
| <b>Total</b>                          | <b>\$105,105,534,016</b> | <b>\$179,241,320,481</b> | <b>\$226,789,653,160</b> |
| <b>Adjusted for inflation to 2011</b> | <b>\$128,491,510,000</b> | <b>\$187,263,030,000</b> | <b>\$226,790,000,000</b> |

SOURCE: IRS Business Master Files.

## EMPLOYMENT DATA

The National Center for Charitable Statistics (NCCS) provided firm-level data on nonprofit organizations to Public Sector Consultants for use in this analysis. Employer Identification Numbers (EINs) received from the NCCS were then given to the LMI in order to obtain **aggregate** employment data at a variety of different geographic and National Taxonomy of Exempt Entities (NTEE) categories of nonprofit levels. At no time was organization-level employment information transmitted to PSC.

Nonprofit organizations in Michigan employed nearly 435,000 people in the third quarter of 2011, which is approximately 11 percent of the Michigan non-farm labor force. Individuals in these jobs were paid nearly \$4.8 billion in that same quarter.

The breakdown of employment by nonprofit status is presented in Exhibit 6. Similar to the analysis in previous years, public charities account for the vast majority (92 percent) of direct nonprofit employment in 2011. Noncharitable nonprofit organizations account for approximately 8 percent, with private foundations accounting for the remainder (less than 1 percent).

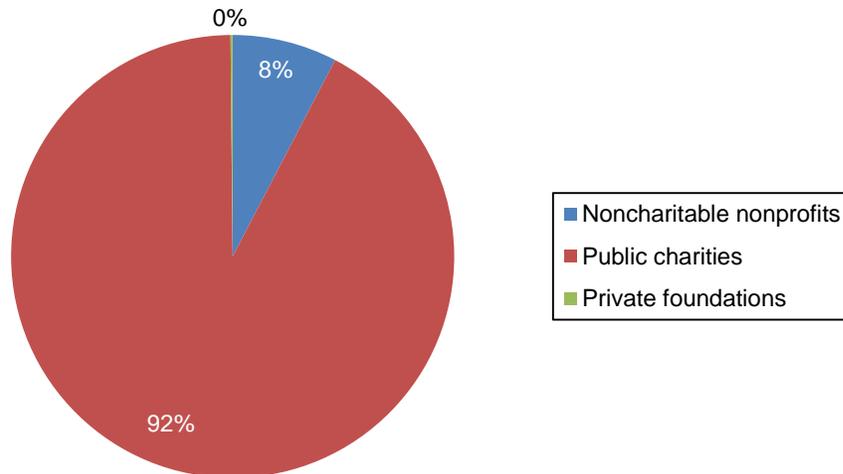
As with previous reports on the employment number of Michigan's nonprofits, there are two limitations to this method of obtaining employment data. First, firms that have no regular employees are not covered by unemployment insurance and thus are not required to supply the LMI with information on employees and wages. Second, as previously mentioned, the financial information from the NCCS Core Files do not include firms that receive less than \$25,000 in revenue.

As a result of these data limitations, PSC was only able to match approximately 14 percent of the firms in the Core File. Despite this, however, those matched represent the largest organizations and account for the majority of economic activity. In total these matches account for 79 percent of assets, and 88 percent of revenue. Furthermore:

- Among public charities we matched 15 percent of firms, but these accounted for approximately 82 percent of assets, and 82 percent of revenue.
- The matches were less successful for private foundations where only 5 percent of firms were matched, but these accounted for 65 percent of assets and 58 percent of revenue.
- Among noncharitable nonprofit organizations, we matched 14 percent of firms, but these accounted for approximately 79 percent of assets, and 90 percent of revenue.

Taken together, these statistics ensure that the employment statistics in this report account for the majority of economic activity generated in the

**EXHIBIT 6. 2011 September Employment in Michigan Nonprofit Organizations, by Nonprofit Status**



SOURCE: Michigan Office of Labor Market Information and Public Sector Consultants Inc.

It is important to note that these direct employment numbers may not reflect the true employment impact of private foundations. A large percentage of the expenditures made by these foundations are given to public charities. As a result, a portion of the jobs in the public charities sector should be attributed to private foundations.

Exhibit 7 contains the breakdown of employment by major NTEE category from 2006 to 2011 for the 3rd quarter of each year. The total number of employees over this time has remained relatively constant, increasing only 1.3 percent from 429,381 in 2006 to 434,871 in 2011. Over this time period, total employment in the state decreased by 8.5 percent.

**EXHIBIT 7. Employment in Nonprofit Organizations, 2006–2011**

|                               | 2006<br>(3Q) | 2007<br>(3Q) | 2008<br>(3Q) | 2009<br>(3Q) | 2010<br>(3Q) | 2011<br>(3Q) |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Arts, culture, and humanities | 6,573        | 6,601        | 6,516        | 6,257        | 6,108        | 6,329        |
| Education                     | 62,581       | 61,924       | 60,176       | 60,471       | 62,612       | 63,637       |
| Environment                   | 2,661        | 2,790        | 2,426        | 2,505        | 2,617        | 2,730        |
| Health                        | 220,738      | 231,991      | 237,852      | 230,795      | 234,123      | 227,073      |
| Human services                | 90,631       | 90,986       | 90,944       | 92,138       | 93,519       | 94,811       |
| International                 | 629          | 693          | 762          | 703          | 698          | 734          |
| Mutual benefit                | 4,596        | 4,582        | 2,362        | 2,257        | 2,142        | 2,097        |
| Public and societal benefit   | 18,567       | 18,971       | 20,157       | 20,304       | 20,633       | 20,679       |

|  | <b>2006<br/>(3Q)</b> | <b>2007<br/>(3Q)</b> | <b>2008<br/>(3Q)</b> | <b>2009<br/>(3Q)</b> | <b>2010<br/>(3Q)</b> | <b>2011<br/>(3Q)</b> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Religion   | 17,687               | 17,684               | 17,837               | 17,880               | 17,549               | 16,435               |
| Unknown  | 4,718                | 4,266                | 1,378                | 580                  | 424                  | 346                  |
| <b>Total</b>   | <b>429,381</b>       | <b>440,488</b>       | <b>440,410</b>       | <b>433,890</b>       | <b>440,425</b>       | <b>434,871</b>       |
| State non-farm employment                                | 4,311,000            | 4,256,300            | 4,135,600            | 3,834,000            | 3,867,200            | 3,944,000            |
| Nonprofit employment as a percentage of state employment | 10.0%                | 10.3%                | 10.6%                | 11.3%                | 11.4%                | 11.0%                |

SOURCE: ES-202 data from the Michigan Office of Labor Market Information and Public Sector Consultants Inc. State non-farm employment numbers from the Bureau of Labor Statistics, "Michigan Economy at a Glance."

Comparisons between nonprofit employment and other sectors in Michigan are difficult due to the fact that standard labor force numbers do not take into account the organization type (for-profit vs. nonprofit). As such, the majority of Michigan's nearly 435,000 nonprofit employees are already included in the 3,944,000 service-providing jobs in the third quarter of 2011.

For comparison, we look to sectors of Michigan's economy where few nonprofit employees would likely reside. For example, in September 2011, the number of employees in the nonprofit sector, nearly 435,000, was less than the 506,300 employees in the manufacturing sector, but higher than the 372,900 employees in the leisure and hospitality sector.

Overall:

- Similar to the 2009 report, health services organizations are the largest source of employment in the nonprofit sector. The health services organizations share of total employment has remained relatively constant from 2006 to 2011, ranging from 51 percent in 2006, to 53 percent in 2008, and in 2011 the health sector comprised approximately 52 percent of nonprofit employment.
- The second largest group of organizations is human services, which has experienced an increase in employment over the past few years.
- Education organizations are the third largest group, which has also seen an increase in employment from 2008 to 2011.

Total 3rd quarter wages paid by nonprofit organizations in 2006, 2008, 2010, and 2011 are displayed in Exhibit 8. Nonprofit organizations are grouped by major NTEE code. Total quarterly wages in the state increased more than 23 percent from 3rd quarter 2006 to 3rd quarter 2011, in non-inflation adjusted terms.

**EXHIBIT 8. Quarterly Wages in Nonprofit Organizations  
2006, 2008, 2010, and 2011**

|                               | 2006<br>(3Q)           | 2008<br>(3Q)           | 2010<br>(3Q)           | 2011<br>(3Q)           |
|-------------------------------|------------------------|------------------------|------------------------|------------------------|
| Arts, culture, and humanities | \$40,266,022           | \$43,822,857           | \$42,702,036           | \$42,775,427           |
| Education                     | 594,460,747            | 648,803,954            | 752,791,091            | 746,713,515            |
| Environment                   | 18,873,037             | 16,306,031             | 19,154,575             | 20,826,280             |
| Health                        | 2,367,447,493          | 2,777,671,816          | 2,891,879,312          | 3,013,707,362          |
| Human services                | 514,600,817            | 548,132,270            | 573,600,994            | 606,691,377            |
| International                 | 7,535,940              | 9,406,031              | 9,477,511              | 10,706,387             |
| Mutual benefit                | 44,855,746             | 23,476,058             | 22,108,072             | 19,792,543             |
| Public and societal benefit   | 159,483,182            | 193,341,390            | 212,631,217            | 217,477,901            |
| Religion                      | 72,007,420             | 75,737,588             | 73,170,298             | 74,883,616             |
| Unknown                       | 40,216,712             | 10,918,983             | 68,799                 | 3,009,591              |
| <b>Total</b>                  | <b>\$3,859,747,116</b> | <b>\$4,347,616,978</b> | <b>\$4,600,902,497</b> | <b>\$4,756,583,999</b> |

SOURCE: ES-202 data from the Michigan Office of Labor Market Information and Public Sector Consultants Inc.

Similar to the analysis in 2009, health services organizations paid the largest amount in wages, accounting for 63 percent of wages in 2011. This is a similar pattern from 2006 to the present, where health services range from 61 percent to 63 percent of the total wages paid. This high share of total wages in the health care sector is not matched by an equally high share of employees, indicating higher average wages in the health care sector. The second largest category of organizations with respect to wages was education organizations.

## **ECONOMIC EFFECTS OF MICHIGAN NONPROFITS**

In addition to direct employment and income, the nonprofit sector generates economic activity known as indirect and induced effects.

- **Indirect** effects are the result of purchases by the nonprofit sector from other sectors of the economy—for example, transportation, communications, and utilities services—that generate income and employment in these other sectors.
- **Induced** effects are the result of nonprofit employees spending their income on goods and services provided by businesses other than their employer, such as grocery stores and dry cleaners.

Public Sector Consultants developed estimates of the direct expenditures for charitable and noncharitable organizations using information available from IRS data.

- Private foundations were excluded because many of their expenditures are in the form of grants to public charities, which would result in double counting if they were included.
- Public charities and noncharitable nonprofit expenditures were estimated at \$65.6 billion annually, based on reporting public charities and noncharitable nonprofits.

The expenditure estimates for the various categories were entered into the IMPLAN input-output model for the state of Michigan. On the basis of estimates that take into account direct, indirect, and induced economic effects, the model calculates that the nonprofit sector:

- Generates total economic activity (output) of \$136.9 billion
  - \$65.6 billion in direct effects
  - \$30.0 billion in indirect effects
  - \$41.3 billion in induced effects
- Generates total personal income of \$54.7 billion
- Generates 1,039,434 jobs (434,871 jobs according to NCCS data, and an additional 604,563 jobs in estimated impacts based on the most recent information available, 2009)
  - 434,871 jobs in direct employment
  - 239,711 in indirect employment
  - 364,852 in induced employment

Michigan's growing nonprofit sector has continued to serve a diverse set of purposes across the state. Not only do nonprofit organizations aid various individuals and interests, they also are an important contributor to Michigan's overall economy. The nonprofit sector provides a stable source of employment in a time of economic troubles.