

Trends in employment and earnings in the philanthropic sector

Employment in philanthropic organizations outpaced general labor force growth between 1972 and 1982; in particular, these organizations displayed amazing resiliency during the troubled 1980–82 period

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While small, the philanthropic portion of the nonprofit sector is an important and rapidly growing component of the U.S. economy. Philanthropic organizations are those privately controlled, tax-exempt nonprofit institutions to which donor contributions are tax deductible. The classification includes religious, educational, health, scientific, cultural, and social service organizations.¹

There has been a tendency on the part of analysts and the media to slight the role of philanthropic activities in the employment of human resources and the creation of personal income in the form of wages and salaries. In part, this is because official sources of economic data are dominated by the for-profit and government sectors. This article attempts to fill the knowledge gap by presenting the results of a systematized estimation and analysis of philanthropic employment and earnings for the period 1972–82.² The study, based on data from the Bureau of Labor Statistics and from the Bureau of Census special 1977 Census of Services for Tax-Exempt Service Organizations, yielded point estimates and trend information for both the sector and many of its subsectors. It thus allows one to gauge the relative importance of specific philanthropic activities and to make comparisons among them. And because the structure and classification system of the data base are consistent with

those used in other Federal employment and earnings series, it was possible to make comparisons with the for-profit and government sectors. The study covered both full- and part-time employees.

An overview

Philanthropic employment was about 93 percent (6.5 million) of 1982 total private nonprofit employment (7.0 million). (See table 1.) This was about 7 percent of the total U.S. labor force. (See table 2.) The sector paid wages and salaries of \$81.7 billion that year, or 5.4 percent of total U.S. payroll.

Like all service industries, philanthropic organizations tend to be labor intensive. Productivity depends heavily on competence, skills, and motivation of employees and volunteers. Labor costs thus account for a substantial portion of the total expenditures of philanthropic organizations: Wages and salaries and supplements (\$75 billion) were 58 percent of 1980 total costs in the philanthropic sector, with cost of goods and services bought from other sectors and the cost of capital resources used by the sector accounting for the rest.³ Labor input was 84 percent of value added by the sector. (Value added excludes goods and services purchased from others, such as energy, materials, and so forth.)

Between 1972 and 1982, the philanthropic labor force grew by 43 percent, outpacing the 35-percent increase in for-profit service industries. (See table 2.) Both increases are rather large compared to those for other industry groups,

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Table 1. Employment in philanthropic organizations and in the parent nonprofit sector, 1982

Type of organization	Employment (in thousands)	Percent of total
Total nonprofit ¹	7,032	100
Philanthropic	6,523	93
Hospitals	2,593	37
Colleges and universities	753	11
Social service organizations	959	14
Religious organizations	897	13
All others	1,321	19
Other nonprofit	509	7
Membership organizations	444	6
Business associations	84	1
Professional associations	36	(²)
Labor unions	145	2
Political and other	65	1
Sports and recreation	114	2
Hotels and other lodging places	16	(²)
Sporting and recreation	3	(²)
Membership-based organizational hotels	13	(²)
Business services	49	(²)
Commercial research and development laboratories	44	(²)
Commercial testing laboratories	5	(²)

¹Full- and part-time employment.
²Less than 0.5 percent.

reflecting the rapid relative growth of the service economy after World War II in both the profit and nonprofit segments. By comparison, there was virtually no growth in for-profit goods-producing activities.⁴ The importance of the philanthropic sector as a job creator is evident in that the 1.9 million new jobs it generated over the study period was greater than the total number of 1982 jobs in such important industries as mining, railroad transportation, trucking, apparel manufacturing, banking, and insurance.

The activities of four subsectors—hospitals, colleges and universities, social service organizations, and religious institutions—accounted for 81 percent (5.2 million) of 1982 philanthropic service jobs, and 82 percent (\$66.8 billion) of philanthropic payroll. The average 1982 wage over the four subsectors was \$12,841. Employment in nonprofit hospitals was the major share—40 percent—of philanthropic employment. Colleges and universities employed 12 percent, while social service organizations and religious insti-

tutions employed 15 percent and 14 percent, respectively. The remaining 19 percent was distributed widely among the other philanthropic services. (See table 3.)

The relative importance of these services in terms of payroll also varied considerably. Hospitals accounted for 49 percent of total 1982 philanthropic payroll, colleges and universities contributed 13 percent, religious institutions, 11 percent, and social services, 10 percent. The relatively higher hospital payroll reflects not only more jobs in that area, but also higher average 1982 wages and salaries than for the philanthropic sector as a whole. The reverse was true in the social service area.

Hospital employment understandably dominates the health sector. A similar dominance occurs in the area of education; employment in private universities and colleges was 2.3 times greater than in private elementary and secondary schools, but payroll in higher education was 3.2 times that of elementary and secondary schools, reflecting higher average wages and salaries in higher education.

Relationship with for-profits

What is the relative importance of for-profit and philanthropic organizations in the activities in which both operate? A comparison of philanthropic employment with total private employment of sectors in which these nonprofits operate yields some interesting differences from sector to sector. (See table 4.) Many service industries, such as private higher education and elementary and secondary schools, operate overwhelmingly as nonprofit organizations. (In this study, the representation was 100 percent.) On the other hand, correspondence schools and vocational schools had relatively few nonprofit employees. Nonprofit employment accounted for 86 percent of total hospital employment. There was considerable variation within cultural activities, where philanthropic employment in theatre, orchestras, and other performing arts (exclusive of television and radio) was 26 percent of employment. Only 5 percent of employment in radio and television, compared to almost 100 percent of employment in the visual arts, was nonprofit. The study also revealed that philanthropic employees earned substan-

Table 2. U.S. employment by sector, selected years, and change, 1972-82 and 1980-82

(Numbers in thousands)

Sector	1972		1980		1982		Employment change—		Percent change—	
	Number	Percent	Number	Percent	Number	Percent	1972-82	1980-82	1972-82	1980-82
Total ¹	73,675	100	90,406	100	89,596	100	15,921	-810	22	-1
Private for-profit	55,375	75	67,488	75	66,761	75	11,386	-727	21	-1
Goods-producing	23,668	32	25,658	28	23,907	27	219	-1,751	1	-7
Services-producing	31,707	43	41,830	47	42,854	48	11,147	1,024	35	2
Private nonprofit	4,966	7	6,677	8	7,032	8	2,066	355	42	5
Philanthropic	4,576	6	6,162	7	6,523	7	1,947	361	43	6
Other	390	1	515	1	509	1	119	-6	31	-1
Governments	13,334	18	16,241	18	15,803	18	2,469	-438	19	-3
Federal	2,684	4	2,866	3	2,739	3	55	-127	2	-4
State	2,859	4	3,610	4	3,632	4	773	22	27	1
Local	7,790	10	9,765	11	9,432	11	1,642	-333	21	-3

¹Full- and part-time employment.

NOTE: Dashes indicate data not available.

Table 3. Selected employment and earnings estimates for major philanthropic activities, 1972–82

Activity	Employment ¹						Earnings ²			
	1972		1982		Percentage change		1972		1982	
	Number (thousands)	Share of total	Number (thousands)	Share of total	1972–82	Annual rate	Total (billions)	Average	Total (billions)	Average
Total philanthropic.....	4,576	100	6,523	100	42.6	3.6	\$25.3	\$5,529	\$81.7	\$12,525
Hospitals.....	1,704	37	2,593	40	52.2	4.3	9.4	5,516	39.8	15,349
Colleges and universities.....	637	14	753	12	18.2	1.7	5.3	8,320	10.3	13,679
Social service organizations.....	455	10	959	15	110.8	7.7	2.1	4,615	8.0	8,342
Religious organizations.....	869	19	897	14	3.2	0.3	3.9	4,488	8.7	9,699
All others.....	911	20	1,321	19	45.0	3.8	4.6	5,049	14.9	11,734

¹Full- and part-time employment.²Wages and salaries.

tially less on average than the rest of the U.S. labor force. The average sector wage, \$12,525 in 1982, was less than three-fourths the average for all employees, \$16,797.

Comparison with government

Because philanthropic services are public goods provided by private organizations, it is useful to compare employment in government—the major provider of public goods—with that of the philanthropic sector, the private provider. Overall, governments employ 2.4 times as many workers as the philanthropic sector. Philanthropic employment, at 6.5 million in 1982, substantially exceeded the numbers of Federal workers (2.7 million) and State employees (3.6 million). Employment in local governments, however, at 9.4 million, was much greater than total philanthropic employment. In 1982, all levels of government had combined payrolls of \$266 billion, or more than 3 times that of the philanthropic sector. But the philanthropic payroll (excluding religious organizations) of \$73 billion more than matched the \$69 billion Federal outlay.

Comparative growth analysis

Philanthropy versus the total economy. Between 1972 and 1982, philanthropic employment grew at a 3.6-percent annual rate, compared with increases of 2 percent for all wage and salary workers in the economy; 0.1 percent for goods-producing industries; 3.1 percent in for-profit service industries; and 1.7 percent in government. Accordingly, the philanthropic sector's share of employment increased from nearly 20 percent of that of the goods-producing sector in 1972 to slightly more than 27 percent by 1982. The differential growth rate between the philanthropic sector and its parent service-producing sector (private and government) over the same period translated into a moderate increase in the employment representation of the philanthropic sector among service industries from 9.2 percent in 1972 to 9.9 percent by 1982. Similarly, the philanthropic sector's annual rate of employment growth was higher than that recorded for government over the decade.

Looking at recent experience, philanthropic employment

has fared better than employment generally, despite the severe 1980–82 recessionary period and Federal budget cuts in social programs. A reasonable explanation is that philanthropic activities, like other service industries, are not prone to the swings in output that result from changes in the rate at which businesses and consumers add to or diminish their inventories of goods. Although its rate of employment growth declined, the philanthropic sector actually expanded its labor force by some 350,000, or 6 percent, between 1980 and 1982, so that its share of total nonfarm wage and salary workers increased from 6.8 percent to 7.3 percent. And the decline in the rate of change in employment, 1980–82, was about four times as great for the total economy than among philanthropic organizations.

Much less fortunate was the goods-producing sector, which experienced a 7-percent drop (1.8 million) in employment from 1980 to 1982. The back-to-back 1980 and 1981–82 recessions speeded up the already declining trend in the sector's employment, which fell from 28 percent of the labor force in 1980 to 27 percent in 1982. The precipitous drop in the goods-producing sector could not be offset by the 2-percent employment increase in the for-profit service-producing industries. Consequently, total U.S. employment declined from 90.4 million in 1980 to 89.6 million in 1982.

Within-sector comparisons. The philanthropic sector experienced differential growth among its four major component industries between 1972 and 1982. Together, hospitals, colleges and universities, social services, and religious organizations accounted for about 80 percent of total sector employment growth. Over the period, however, hospitals and social services increased their employment shares, while those of colleges and universities and religious organizations declined. (See table 3.)

An aging population, increased availability of private health insurance, and Federal financial support for the medicaid and medicare programs bolstered demand for hospital services between 1972 and 1982. This, in turn, stimulated the expansion of employment in hospitals. In 1972, hospital

employment was 1.7 million, 37 percent of the philanthropic labor force. By 1982, employment had reached 2.6 million, and accounted for 40 percent of the sector total. This represents an increase of 52.2 percent over 1972, or average annual growth of 4.3 percent.

Between 1972 and 1982, employment in social services more than doubled from 455,000 to about 935,000, reflecting growth of 9.4 percent per year. This trend slowed considerably from 1980 to 1982, with employment increasing only slightly to around 960,000. Despite the recent slowdown, significant 1972–82 increases were recorded among all components of social services.

The problems faced by colleges and universities over the study period, which included declining enrollments and ris-

ing operating costs, are apparent in employment trends. The labor force in these institutions grew very modestly from some 640,000 in 1972 to about 755,000 in 1982, or by only around 1.7 percent per year.

Religious organizations constitute the other major group with a declining relative employment position over the study period. All told, employment increased from just under 870,000 in 1972 to nearly 900,000 in 1982. This translates into a growth rate of only 0.3 percent per annum.

Earnings growth

Total earnings, or the "wage bill," for the philanthropic sector more than tripled, from an estimated \$25.3 billion in 1972 to \$81.7 billion in 1982. This increase of 222.9 percent (41.2 percent in constant 1972 dollars) is related to changes in both employment and average annual wages. However, while the 1.9 million new jobs in the sector accounted for part of the change, much of the growth in total payroll resulted from the rising average earnings of philanthropic workers.

Average annual wages and salaries in the sector rose from \$5,529 in 1972 to \$12,525 in 1982. (See table 3.) This increase was 10.4 percent greater than that for all nonfarm wage and salary workers, with the result that the average philanthropic wage grew from 67.9 percent to 74.6 percent of the nonfarm average over the study period. (However, it should be noted that when this 126.3 percent current-dollar increase in average wages is stated in constant 1972 dollars, it amounts to no real gain at all.)

As one would expect, hospitals were a major factor in the increase in total philanthropic payroll. While hospital employment grew faster than the average for the sector, average relative wages and salaries rose even faster. Conversely, both employment and earnings in private higher education grew more slowly than the sector averages.

THE ESSENTIAL VALUE of employment and earnings data for significant segments of the economy is indisputable. The need for such information on the philanthropic sector will increase if the sector continues to grow in line with predictions by Victor Fuchs in his seminal study of the service economy.⁵ According to Fuchs, the outcome of the growth of nonprofit enterprise and government is indeterminate, as such growth will give rise to costs as well as benefits. Unless we prepare for the future with measurement systems and methods of analysis, which will require the support of both the private and government organizations, some of these costs and benefits may not be identifiable, much less quantifiable. We believe our study represents a major step forward in the derivation and presentation of such information on the philanthropic labor force. □

Table 4. Philanthropic employment as a percent of total private employment in service-producing activities, 1982

[Employment in thousands]

Service-producing activities	Total employment ¹	Philanthropic employment	
		Number	As a percent of total
Total	49,886.0	6,523.1	13
Activities with a philanthropic component	8,974.6	6,523.1	73
Health services	4,411.8	3,052.5	69
Nursing and personal care	1,064.4	255.5	24
Hospitals	3,013.9	2,593.2	86
Other health services	333.5	203.6	61
Education and research	1,274.9	1,212.5	95
Elementary and secondary education	322.1	322.1	100
Colleges and universities	752.6	752.6	100
Libraries and information centers	12.4	12.4	100
Correspondence and vocational schools	50.7	13.0	26
Other educational, scientific, and research organizations	137.1	112.4	82
Social services	1,166.6	959.2	82
Individual and family services	230.4	220.7	96
Job training and related services	191.4	183.0	96
Child day care services	289.0	163.2	56
Residential care	237.1	181.6	77
Other social services	218.7	210.7	96
Culture, entertainment, recreation	338.1	79.7	24
Theater, orchestra, and other performing arts	86.0	22.4	26
Radio and television broadcasting	216.4	11.6	5
Visual arts (museums and botanical and zoological gardens)	35.7	35.7	100
Membership organizations	1,198.7	1,198.7	100
Civic, social, and fraternal associations	301.6	301.6	100
Religious organizations	897.1	897.1	100
Legal services	565.4	12.4	2
Educational, religious, and charitable trusts	18.3	18.3	100

¹Includes full- and part-time employment.

—FOOTNOTES—

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¹This summary is excerpted from our monograph entitled *Significance of Employment and Earnings in the Philanthropic Sector, 1972-82*, ISPS Working Paper 2077 (New Haven, Conn., Yale University, Institution for Social and Policy Studies, Program on Non-Profit Organizations, November 1983). The monograph presents additional employment and earnings estimates, along with a description of the data structure and classification system used, and a discussion of the strengths and weaknesses of the estimating procedures.

In addition to philanthropic organizations, the nonprofit sector includes private nonprofit commercial enterprises and membership groups (social clubs, fraternal organizations, labor unions, chambers of commerce, trade associations, and business leagues) that are organized largely to provide mutual benefits to their members. Although nonprofit commercial enterprises and membership groups are tax-exempt under Federal law, donations to such organizations are not tax deductible.

²The terms "philanthropic employment," "philanthropic labor force," and "philanthropic jobs" have the same definition and are used interchangeably. Included are all persons employed for pay by philanthropic organizations, either on a full- or part-time basis. (This is consistent with BLS and Bureau of Census definitions.) Excluded are self-employed workers, farmworkers, private household workers, and the military, including the Coast Guard. The terms "payroll," "earnings," and "wages and salaries" are also used interchangeably. Compensation in the form of pensions or other deferred payments or in the form of fringe benefits is not included.

³See Gabriel Rudney, *A Quantitative Profile of the Nonprofit Sector*, Working Paper 40 (New Haven, Conn., Yale University, Institution for Social and Policy Studies, Program on Nonprofit Organizations, November 1981), p. 7, t. 2.

⁴It is noteworthy that 1982 was a recession year. But the choice of initial and terminal years is not of critical importance for long-run growth comparisons.

⁵Victor Fuchs, *The Service Economy* (Cambridge, Mass., National Bureau of Economic Research, 1968).

Satisfaction is not an absolute

Not only . . . is job satisfaction part of an unbounded continuum, it is also a personal state, as opposed to a group state, and its goals will vary from person to person, from circumstance to circumstance and from time to time in the same person. Furthermore, it is at least as much a function of the individual as of the job, with connotations of positive well-being which are barely consistent with reality and probably attainable at best by only a few. The majority of people, the majority of the time, are neither particularly satisfied nor particularly dissatisfied. They occupy some shifting range in between, satisfied about some things, dissatisfied about others, dynamically adjusting to each change in their individual homeostatic equilibria. Thus, data pertaining to the level of job satisfaction of groups have to be interpreted with caution. At best, they are statistical indices which have often little or no application to the individual.

—T. M. FRASER

*Human Stress, Work and Job Satisfaction:
A Critical Approach* (Washington, International
Labor Office, 1983), p. 56.
