

Research & Policy Brief Series

The Economic Impact of Non-Profits: A Case Study

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What is the Issue?

Non-profit organizations exist in virtually every community. While many people are familiar with the invaluable work non-profits perform, few understand their economic contribution to the local economy. This is not merely a local blind spot. Almost universally, the social missions of well-known non-profits such as United Way, Big Sisters, Big Brothers and Meals on Wheels are better understood, more discussed and debated, than are their economic impacts. Most notably, the role of non-profits in job creation and economic growth is often forgotten, even though non-profits provide nearly one in five (18%) private sector jobs in New York State, almost double the average for the United States (10%).¹

Since 2003, the Institute for Non-Profits in Rockland County, New York² has surveyed local non-profit organizations at about five year intervals to assess their economic impact.³ Survey findings are used to educate the general public, the business community, local government and non-profit funders. Revenue generation, job creation, and spending in the county are highlighted as complements to the many services the non-profits provide. We report highlights of the 2017 survey analyses in this brief.

Survey Process

In the 2017 survey, we started with 1,165 Rockland County organizations currently registered with the NYS Charities Bureau. In contrast to previous years, local hospitals, colleges and universities were omitted. Though very important to the local economy, these are few in number, with large staff and budgets, and are unrepresentative of the rest of the non-profit sector. Private foundations, political and professional associations were also excluded, as were organizations that serve people outside of Rockland County, inactive organizations, those with no revenue, and those whose mission could not be ascertained. Our survey focused on 287 qualifying organizations self-identified as providing services related to housing, human services, non-school education, recreation, arts and culture, health services, civic, child care, special needs, environment, and ethnic and cultural groups.

The online survey asked basic information about the non-profit organization including number of staff and volunteers, the organization's focus, the number of people served, total

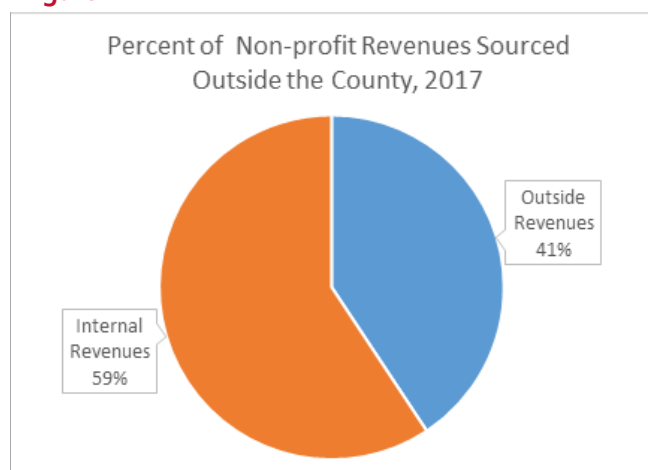
revenue, expenditures and payroll, sources of revenue and origin of the revenue – and whether it was from within the county, state or elsewhere. A total of 57 organizations responded, yielding an approximate 20% response rate (similar to INP's previous surveys).

To estimate countywide results, the non-profits were assigned to 13 sub-categories and the response rates and average responses within each category were calculated. Results representing the "universe" of 287 county non-profits were estimated by multiplying subcategory respondent averages by the total number of non-profits in each category.

The IMPLAN Model

In order to estimate the economic impacts of this subset of non-for-profits, the IMPLAN Model was employed. This econometric model software uses extensive economic and demographic databases to estimate and model impacts for a variety of applications for academia, government and business. For this study, after the data was "cleaned", basic statistics for each response category were calculated. Data from the 57 respondents was sorted by each of 13 not-for-profit sectors. In order to estimate total not-for-profit revenues, the average revenue for respondents from each of 13 sectors was

Figure 1



¹ Lester M. Salamon and Chelsea L. Newhouse, "The 2019 Nonprofit Employment Report," Nonprofit Economic Data Bulletin no. 47. (Baltimore: Johns Hopkins Center for Civil Society Studies, January 2019). Available at ccss.jhu.edu

² The Institute for Non-Profits (INP) was founded in 1995 by a number of community organizations in Rockland County to improve communication and collaboration among non-profits. Its mission is to enhance the growth, development and operation of non-profits by providing education and networking opportunities to maximize non-profit sustainability, impact and efficiency.

³ Cornell University's Community and Rural Development Institute (CaRDI) has assisted in analyzing and modelling the survey data. In related work, CaRDI has contributed to Cornell Professor Mildred Warner's efforts to accurately portray the full economic significance of the childcare sector. See http://www.earlychildhoodfinance.org/downloads/2008/ECEcoimpactbriefWarner_2008.pdf and <http://www.mildredwarner.org/databases>

calculated and then multiplied by the total number of not-for-profits in each sector. Next, each respondent was also assigned to an IMPLAN®-defined industry sector, a necessary step for use of the IMPLAN® economic impact modeling system. Using all available information about the characteristics of the respondent and nonrespondent organizations in each of the 13 sectors, an estimate of revenues and employment for county nonprofits in each IMPLAN® sector was generated. Finally, an input-output model of the county economy was created using MIG's IMPLAN® software. Together with the estimated revenues and employment data, this model was used to estimate countywide economic impacts of the not-for-profit sector(s).

Survey Results

Revenue Sources: Local non-profit organizations generated a total of an estimated \$702 million in revenues in 2017. Respondent revenues ranged in size from \$1,000 to \$45.4 million with a median size of approximately \$0.6 million. Of these revenues, approximately 59% or \$414.2 million came from sources within the county, including grants and contracts with local funding agencies and municipalities, businesses and county departments; program fees; fundraising; investment earnings; and county appropriations for contract agencies. Importantly, these “in-county” revenues allowed the county’s non-profit businesses to leverage funds from sources outside of the county through grants and contracts with foundations, corporations and state and federal agencies – amounting to approximately \$286 million, or an average of 41% of their total 2017 revenues (see Figure 1). In other words, for every dollar of support from within the county, non-profits raised an additional \$.69 from sources outside the county. The combined revenues directly supported approximately 12,500 jobs.

In-County Expenditures: On average, it was estimated that 73% or \$512.5 million of the total budgets for 287 organizations was spent within the county, supporting the local economy through the employment of local residents and the purchase of equipment, supplies and services from local businesses.

Impact on other County Businesses: We measured economic ripple effects, or the job, income, and similar impacts of non-profit expenditures throughout the county’s broader economy. Expenditures and purchases by non-profits support other businesses which, in turn, generate new jobs and incomes in the for-profit business community. This ripple effect includes indirect impacts (businesses selling to non-profits spend the subsequent revenues on their employees and additional inputs of their own) and induced impacts (personal spending by non-profit employees and business owners on household and consumer goods). Using the IMPLAN economic model, we calculated that Rockland County’s non-profit business revenues from outside sources stimulated at least \$206.9 million in ripple effects for the business community in 2017.

Employment: In 2017, the “universe”, as described above, of the 287 non-profit agencies we analyzed employed approximately 12,500 people – including full-time and part-time employees. Staff sizes of the responding organizations

ranged from 0 to 1,171 (full and part-time) people with a median staff size of 9 people. Collectively, the non-profits we examined employ almost 10% of the total workforce (123,000) in Rockland County.

Volunteers: The Rockland County non-profits we focus on recorded an estimated 142,000 volunteer-hours donated to the community by 34,700 volunteers, with an estimated value of \$4,286,000 million⁴ and immeasurable value contributed to the quality of life in the county.

Visitors: Through its programs and services, these non-profit businesses drew an estimated 865,000 visitors to the county in 2017.

Overall size of the non-profit sector: As noted above, the total economic footprint of the non-profit businesses examined during 2017 was estimated to be over \$702 million in revenues. This represents approximately 3% of the estimated \$25 billion output of the County as whole. The ripple effects mentioned above support an additional 1% of economic activity in the economy. In addition to the actual services provided and people whose lives are improved by the work of non-profits, their work has a significant and positive economic impact on the entire county.

Discussion

While most non-profit organizations are well-known and valued for the services they provide to enhance the well-being of individuals and the local community, the significant contributions that non-profits make to local economic development are rarely acknowledged. The survey research conducted by INP clearly demonstrates how non-profit business contributions to economic development compare to those of other sectors in terms of standard economic development metrics. Using research methods such as those discussed here allow us to quantify the contributions of non-profits to the local economy in terms of jobs, incomes, and value of overall economic activity. In addition, these methods can estimate the size of the economic stimulus non-profit businesses promote by bringing money into the county from outside sources.

To some extent, this analysis parallels CaRDI’s collaborative work on the economics of child care, a sector which includes both for- and non-profit enterprises and has been valued primarily for the value of the service it provides to children and parents. CaRDI has contributed to Dr. Mildred Warner’s research on the economic significance of childcare⁵ by helping to measure and demonstrate the wage, output, job and other contributions the sector makes to local economies. The work on the childcare sector, as well as INP’s survey on the economic contributions of non-profits in Rockland County, each highlight typically ignored significant and positive economic impacts on local communities. These kinds of analyses can help the general public, the business community, non-profit funders, and policy makers deepen their understanding and appreciation of similar enterprises using the metrics of economic development, thereby complementing other kinds of information about the valued services they provide.

⁴ Based on \$30.18/hour value as determined by Independent Sector, 2018.

⁵ See http://www.earlychildhoodfinance.org/downloads/2008/ECEconomicImpactBriefWarner_2008.pdf

