# The recession: Good for nonprofit employment?

Recessions rarely are good news for any organization, whether for-profit or nonprofit.

Just how bad things were for nonprofits during and immediately after the recession is a matter of some interpretation. Traditional sources of revenue—individual giving, foundation grants, government contracts—fell for many organizations during the recession, which typically could lead to layoffs.

But nonprofit employment actually grew during and after the recession, in stark contrast to total private employment, according to newly available data on the sector from the Bureau of Labor Statistics (see chart; North Dakota was a major exception to the overall trend, seeing exceptional job growth among both nonprofit and for-profit establishments, due in large part to the oil boom that was gathering steam at the start of the recession).

These competing trends suggest that some nonprofits managed to weather the recession thanks to a variety of strategies or factors, some of them stemming directly from the recession.

## First, the numbers

Employment growth in the nonprofit sector was not fickle. BLS data show that nonprofit jobs expanded every year, in every Ninth District state, from 2007 to 2012.

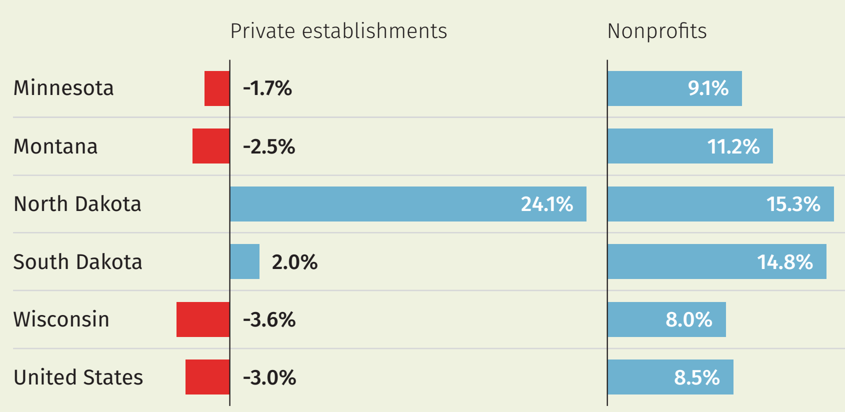
Some of that growth comes from hospitals and higher education institutions. These two sectors account for an outsized portion of nonprofit jobs—nearly 40 percent in Minnesota—and grew at an annual rate of 1 percent per year from 2007 to 2013, according to the Minnesota Council of Nonprofits (MCN), which partners with the Minnesota Department of Employment and Economic Development to gather some of the most detailed data on nonprofits of any state.

But employment at all other nonprofits rose even faster, at 2 percent per year over the same period. As a result, the nonprofit share of total employment in Minnesota rose from 9.7 percent in 2004 to 11.5 percent by 2011. It held steady at that level through 2013, according to the MCN.

The source of this seemingly strong employment growth—during and after the worst recession in generations—is hard to pinpoint exactly.

### Nonprofits see strong job growth

**Percent change in employment, 2007 to 2012**




Source: Bureau of Labor Statistics

Jon Pratt is the executive director of the MCN, and he also serves on the board for the Nonprofit Trust, a group that provides unemployment insurance for nonprofits (no colleges or hospitals), which allows these organizations to opt out of the state-based UI program. The fund saw unemployment claims for its 2,000 members and 200,000 covered workers "go through the roof" during and shortly after the recession, said Pratt. At the same time, he acknowledged, nonprofit employment appeared to be rising. "I don't know why. [Unemployment] claims definitely went up, and total [nonprofit] employment went up."

But sources also identified a mélange of factors that helped certain organizations retain and even add workers in the face of funding struggles.

Many nonprofits, for example, reportedly dipped into their fund balances to stabilize operations and employment during the recession. According to a December 2009 MCN survey, roughly seven in 10 nonprofits had an operating reserve, and one in three of those expected to use some of those funds the following year.

Some job growth also likely came from increased demand for basic needs, and a commensurate increase in funding. Organizations serving the neediest "actually did pretty well because the American people recognized the immediate needs" caused by the recession, said Kate Barr, head of the Nonprofits Assistance Fund.

Others agreed. "During periods of economic hardship, my experience is that most people are more than willing to help those less fortunate," said Gary LaPlant, executive director of the Community Foundation of the Upper Peninsula. "The gifts may not be large, but are much more numerous."

Formal data on such matters are not available, but heavy demand for basic needs such as food and clothing, and services like job training appear to have accelerated the growth of some nonprofits during the recession.

Goodwill-Easter Seals Minnesota, for example, has a unique position serving multiple community needs. Its discount clothing niche, for example, grew from 17 stores in 2007 to 36 stores last year, expanding the organization's employment along the way. But the rise in store numbers is driven by the organization's mission of job training, placement and support.

"Everything begins and ends with service needs. … We're not growing retail for the sake of growing it," said Mary Beth Casement, director of retail marketing for Goodwill-Easter Seals Minnesota. High unemployment during the recession led to a surge in demand for job training services, "and as the need for training grows, that drives [funding] needs, which drives retail growth. … More retail sales means more [job training] case managers" helping people find and retain jobs.

Another likely source of employment growth was the ARRA (American Recovery and Reinvestment Act, a.k.a. the federal stimulus bill) of 2009 that funneled billions of dollars to nonprofits for things like foreclosure prevention, workforce training, heating aid, weatherization programs and other support.

It's difficult to say just how large the impact was, however. Barr said that the federal stimulus bill offered "a bit of a counterweight" to the recession's general pullback, but that revenue "was not at all shared universally."

Anecdotes abound of nonprofits adding jobs, but also shedding them once stimulus money was spent. The net effects appear muted for the simple fact that employment data show little movement during the period of ARRA funding. A lot of ARRA dollars that went to nonprofits also ultimately created jobs at private sector companies carrying out the work.

Changes in employment at the Anoka County Community Action Program (ACCAP), a half-century-old nonprofit with a wide range of programs, illustrate the impact of ARRA at different points during and after the recession.

During the downturn, ARRA funding supported the addition of 10 to 12 employees in areas of technology, Head Start and foreclosure counseling at ACCAP. "The recession caused a huge increase in demand for our services, and we had to add employees to meet that demand," according to Executive Director Patrick McFarland.

The organization drew upon a combination of ARRA and an undesignated fund balance to add employees and "get us through the worst" of the recession, he said. It also used some funding to extend the hours of the Anoka County Workforce Center, which added staff as well. But, after the recession, eight positions went away; ACCAP either laid off people or did not fill vacant positions.

ACCAP and other nonprofit agencies also coordinated much of the ARRA funding for home weatherization upgrades. But, McFarland said, "the big employment gain in our area was with our weatherization subcontractors"—private employers contracted to perform the work paid for by ARRA.

And while ACCAP employment didn't grow much during the recession, it has posted job gains of late. Before the recession, ACCAP employed about 180 people, according to McFarland. By the middle of this year, he expects the organization's headcount to reach 220, with virtually all of the growth in child care and early childhood development, which has received strong financial support in Minnesota.

*—Ronald A. Wirtz*