

The Economic Impact of Human, Social, and Health Service Organizations in the Pioneer Valley

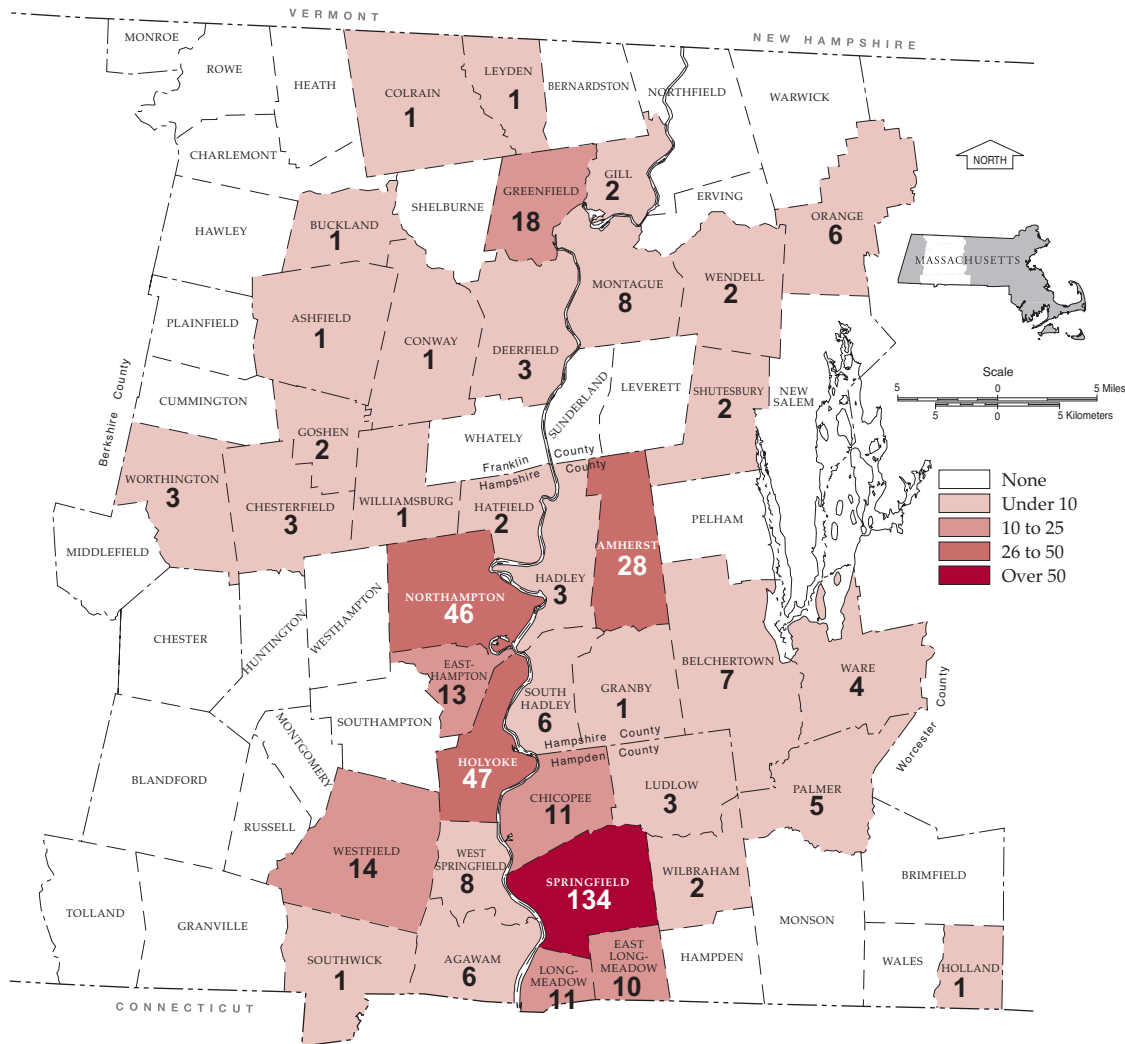
Summary

Human, Social, and Health Service (HSHS) organizations provide an array of services including residential supports, employment and vocational services, early intervention, early childhood education and care, behavioral healthcare and elder care, all of which are critical to the residents of the Pioneer Valley (encompassing the Hampden, Hampshire, and Franklin County areas of Massachusetts). In addition to providing services that many people depend on daily, these organizations play a significant role in the region's economy because of the number of people they employ and the wages paid to those employees. This impact has grown over time. In 2009, HSHS organizations in the Pioneer Valley:

- employed more than 1 in 5 workers in the region,
- paid \$1.6 billion in wages,¹
- annual revenues approached \$4 billion,
- annual expenditures also approached \$4 billion.

The HSHS sector is growing in the region and, between 2000 and 2009, the number of HSHS sector nonprofits increased by 18 percent.

Figure 1 – Human, Social, and Health Service Nonprofits



¹ Due to availability of data from different data sources, in this report, employment estimates include both for-profit and nonprofit HSHS organizations, whereas wage and other estimates throughout this report are for nonprofit organizations alone.

The sector's economic impact is also growing more quickly in the Pioneer Valley than it is statewide - HSHS organizations in the region increased spending by 46% from 2000 to 2009 while the statewide increase was only 40 percent. Levels of spending greatly impact communities because nonprofits typically spend between 75% and 100% of their dollars locally.²

This report explores the sector's economic impact, growth and stability by analyzing its employment, revenues, expenditures and assets. The analysis also includes a more detailed examination of the sub-sector of these organizations that includes only human and social service organizations.

Data Sources and Methodology

This report primarily presents analyses of data from the National Center for Charitable Statistics (NCCS). The data covers nonprofits that are 501(c)(3) public charities and have filed a tax return with the IRS during a certain time period. These organizations are referred to as nonprofits in this report even though nonprofits who have not filed with the IRS in this manner are not included in this analysis. Accurate data about employment estimates were not available for nonprofit organizations alone, so when employment estimates were needed, data from the Massachusetts Executive Office of Labor and Workforce Development (EOLWD) that includes private for-profit and nonprofit organizations was analyzed instead. The types of organizations from the NCCS data set and the EOLWD data set that were included in the analysis are described below (See Figure 2). Public organizations (i.e. government entities) are not included in the analyses. All totals are adjusted for inflation to 2009 dollar amounts. Additional information concerning data sources and methodology is available in the Expanded Methodology Appendix of this report.

Figure 2: NTEE and NAICS Code Summary

Organizational Categories Selected from NCCS Data		
National Taxonomy of Exempt Entities (NTEE) Categories Included as Human, Health and Social Service Nonprofits	Category as Percentage of All Nonprofits in the Pioneer Valley in 2009	Category as Percentage of All Human, Health and Social Service Nonprofits in the Pioneer Valley in 2009
Education (Preschools, Vocational & Technical Schools, Higher Education, Graduate & Professional Schools and Adult Education)	3.2%	7.6%
Physical and Mental Health Care	7.5%	18.1%
Crime & Legal – Related (Crime Prevention, Correctional Facilities, Rehabilitation Services for Offenders, Protection Against Abuse, Legal Services)	1.3%	3.1%
Employment (Preparation, procurement, and vocational rehabilitation)	2.2%	5.3%
Food Programs, Housing and Shelter	7.7%	18.6%
Youth Development	2.7%	6.4%
Human Services	13.6%	32.9%
Civil rights, Social Action & Advocacy	1.4%	3.3%
Community & Neighborhood Development	2.0%	4.8%

² In the REMI and IMPLAN economic impact models, the regional purchase coefficient (defined as the percentage of goods purchased locally) for nonprofit industries in the Pioneer Valley varies between 75 and 100 percent.

Figure 2: NTEE and NAICS Code Summary (continued)

Organizational Categories Selected from EOLWD		
North American Industry Classification System (NAICS) Categories Included as Human, Health and Social Service Nonprofits	Category as percentage of all Employers* in the Pioneer Valley in 2009	Category as percentage of all Human, Health and Social Service Employers in the Pioneer Valley in 2009
Grantmaking and Giving Services	0.2%	3.7%
Educational Services (Elementary and Secondary Schools, Colleges and Universities, Business, Computer & Management Training, Technical and Trade Schools)	0.5%	10.6%
Health Care (Hospitals, Outpatient Care Centers, Home Health Care Services, Nursing and Residential Care Facilities, and Other Ambulatory Health)	1.4%	31.1%
Employment Services	0.4%	7.8%
Social Assistance	1.8%	35.1%
Civic and Social Organizations	0.6%	11.6%
*No public (government) employers were included		

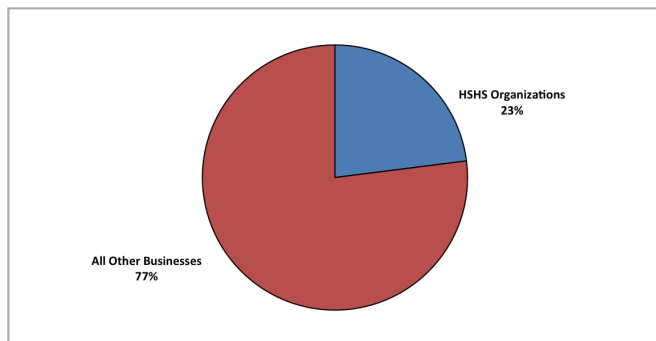
Human, Social, and Health Service Sector Overview

The nonprofit sector has grown tremendously over the past few decades in the Pioneer Valley. The total number of nonprofits in the Pioneer Valley has increased by 30% from 780 organizations in 2000 to 1,015 in 2009, and there has been an 18% increase in HSHS nonprofits in the valley as well (from 356 organizations in 2000 to 420 in 2009). As the total number of nonprofits has grown, the rate of that growth has increased as well. Twice as many nonprofits registered with the IRS in the 2000’s as registered in the 1970’s (144 and 70 respectively).³

While HSHS nonprofits have grown, this sector now makes up a smaller share of total nonprofit organizations in the region (decreasing from 46% of all nonprofits in 2000 to 41% in 2009). However, data from 2000, 2005 and 2009 show that the Pioneer Valley has consistently been home to about 11% of the state’s human, social, and health service nonprofits. Unsurprisingly, most of the Pioneer Valley’s human, social, and health service nonprofits are concentrated in population centers in the Pioneer Valley as shown in the map included in Figure 1.

Employment and Wages

Figure 3: Percent of Pioneer Valley Workforce Employed by Human, Health and Social Service Businesses, 2009



HSHS organizations have a significant economic footprint in the region because of the number of individuals that they employ and the wages paid to their employees. As the sector has grown, it has employed growing numbers of people in the Pioneer Valley. Data that includes information about both for-profit and nonprofit organizations indicates that the HSHS sector employed 51,815 people in the Pioneer Valley in 2009. The share of total employment in the region that is provided by this sector has remained relatively stable in recent years, increasing from 22% of the region’s workforce in 2005 to 23% of the region’s workforce employed in the sector in 2009 (see Figure 3). During this same time period, the total unemployment rate for the Pioneer Valley increased from 5.2% in 2005 to 8.7% in 2009. Of all employers in the Pioneer Valley, 5% (1,045) provide human, social or health services. HSHS nonprofit employers reported paying approximately \$1.6 billion in wages in the Pioneer Valley in 2009.⁴

³ Totals may be understated because organizations that were registered in previous years and have since closed are not included.

⁴ Compensation totals include compensation paid to officers, directors, trustees, key employees and all other employees. Compensation for officers, directors, trustees, and key employees includes “all forms of income and other benefits earned or received from the filing organization, common paymasters, and payroll/reporting agents in return for services rendered to the filing organization, including pension plan contributions and other employee benefits, but does not include non-compensatory expense reimbursements or allowances. Compensation of all other employees includes “salaries, wages, fees, bonuses, severance payments and similar amounts” but does not include pension plan contributions.

In addition to wages, nonprofits also spend money on goods and services in the communities where they are located. HSHS nonprofits contribute a large proportion of total nonprofit expenditures in the Pioneer Valley. Statewide, HSHS expenditures comprised 75% of all nonprofit expenditures in 2009. This proportion was even larger in the Pioneer Valley where 86% of nonprofit expenditures came from HSHS nonprofits.

Money Obtained, Spent, and Saved in the Region (Revenues, Expenditures, and Assets)

Examining the revenue and expenditure levels of HSHS organizations is critical because organizations rely on revenues to maintain expenditures, which in turn impact local economic performance and stability. Levels of spending greatly impact communities because nonprofits typically spend between 75% and 100% of their dollars locally.⁵ Growth in revenue can lead to a growth in expenditures by means of an expanded employment base or increased spending on goods and services, and this process can lead to local economic growth. HSHS nonprofits in the Pioneer Valley saw significant growth in revenue between 2000-2009 (an 8% increase overall), and their total revenue in the Pioneer Valley was nearly \$4 billion in 2009. In 2009, total HSHS sector spending actually exceeded revenues at slightly over \$4 billion in the valley.

It is also important to look at a nonprofit's assets because they provide stability for the organization, and an organization's assets can include property, equipment, investments and cash. Despite the fact that the Pioneer Valley's human, social, and health service nonprofit expenditures were greater than revenues in 2009, total net assets for the sector increased from 2000 to 2009, surpassing \$5 billion in 2009.

The overall growth in the sector's revenue, expenditures and assets demonstrates how human, health and social service nonprofits have an important and expanding role in the local economy. The HSHS sector includes many different types of organizations. One key group of organizations in this sector, which is indeed a large sector of the Pioneer Valley economy, is that of health care organizations. While of vast importance to the region's economy, much analysis has already been done to measure the healthcare sector's economic impact. Since many of the health organizations included in the numbers discussed thus far are quite large, it is valuable to examine the impact that human and social service nonprofits have apart from the health sector. Therefore, while many organizations provide some health services in addition to human and social services, those organizations categorized as having health as their primary activity are excluded from the next portion of this analysis.

Human and Social Service Organizations

HSS Employment and Wage Contributions

Human and Social Service (HSS) organizations are a significant and expanding sector of employers in the Pioneer valley. According to data about for-profit and nonprofit private organizations, human and social service (HSS) organizations in the Pioneer Valley had increased the number of people they employed from 14% of the workforce in 2005 to 15% in 2009 (employing a monthly average of 32,636 total employees). At the same time, these 901 private (non-governmental) HSS employers in the Pioneer Valley made up only 4% of all private employers, suggesting that these organizations tend to be larger than the average employer in the region.

There were 344 HSS nonprofits in the Pioneer Valley in 2009, and 164 of them were estimated to have employees.⁶ Of these 344 nonprofits, 22% (74) were large organizations that had 50 employees or more. The 164 nonprofits with employees reported paying \$560 million in wages in 2009.

Growing Revenue and Expenditures

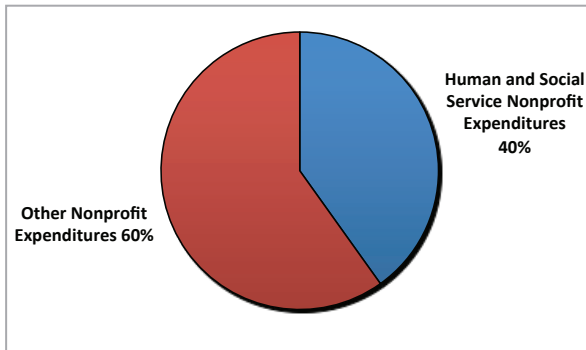
Nonprofits spend money on wages for employees, the purchase of goods and services, property rental and many other items in the communities where they are located. HSS organizations impact their communities through these purchases, and HSS nonprofits in the Pioneer Valley have expenditures that are outpacing their statewide counterparts. In 2009, Pioneer Valley human and social service nonprofits spent nearly \$1.9 billion. In the same year, 40% of total nonprofit spending in the Pioneer Valley came from human and social service nonprofits (see Figure 4), which is a significantly larger than the state's rate of 28 percent. Human and social service nonprofits also increased their total expenditures by 46% from 2000 to 2009, whereas the sector statewide increased its expenditures by only 40% in the same time period.

⁵ In the REMI and IMPLAN economic impact models, the regional purchase coefficient (defined as the percentage of goods purchased locally) for nonprofit industries in the Pioneer Valley varies between 75 and 100 percent.

⁶ More detail about how employment estimates were constructed is available from NCCS at: <http://nccsdataweb.urban.org/knowledgebase/detail.php?linkID=1770&category=84&xrefID=6566&close=>

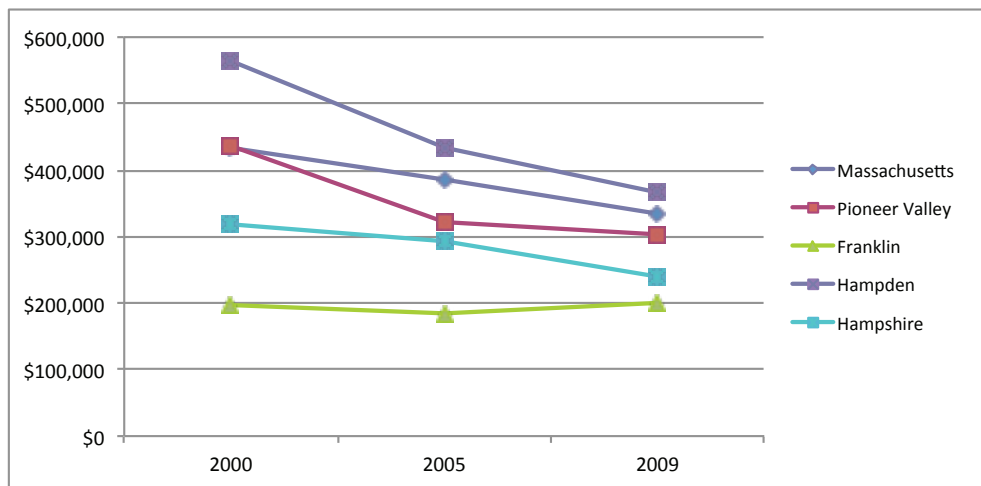
Expenditures for a Typical HSS Nonprofit

Figure 4: Human and Social Service Nonprofit Expenditures in the Pioneer Valley, 2009



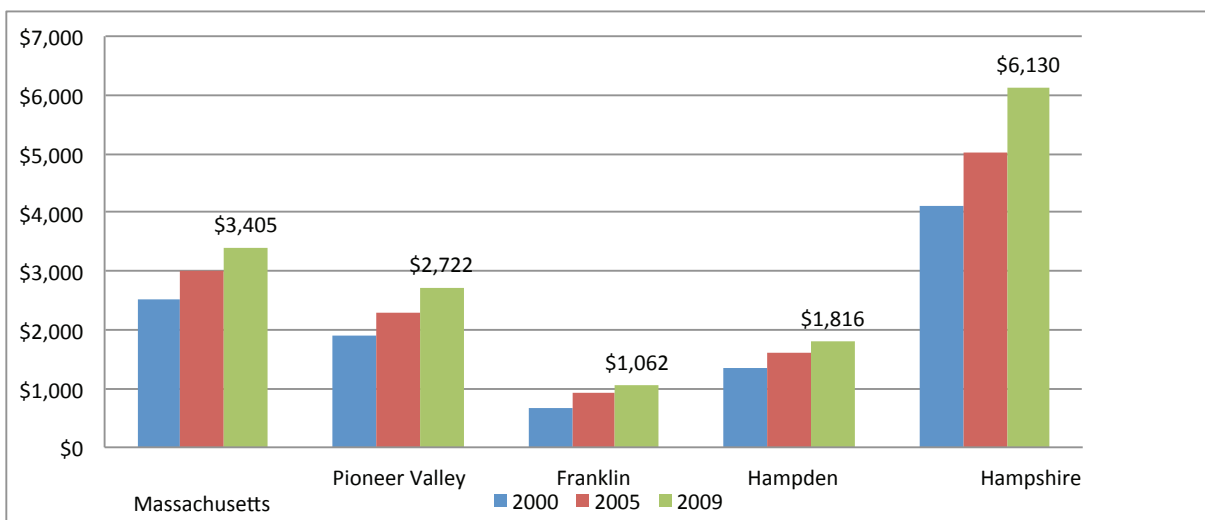
Examining median annual expenditures and per capita spending are two ways to further explore nonprofit expenditure data. The median annual expenditure of HSS nonprofits gives a better idea of what a typical HSS nonprofit might spend per year, and it is not as affected by extremely large or small expenditure amounts that can skew the average. Exploring expenditures per capita demonstrates the amount of nonprofit dollars being spent in a location in relation to the number of people in that location, and this statistic can demonstrate where there is a higher concentration of HSS nonprofit expenditures. The median annual expenditure of human and social service nonprofits (when adjusted for inflation) has decreased overtime in the Pioneer Valley from \$437,791 in 2000 to \$303,392 in 2009 (see Figure 5).

Figure 5: Median Expenditures of Human and Social Service Nonprofits



An increase in overall total expenditures with a simultaneous decrease in the median expenditure suggests that the number of nonprofits with smaller operating budgets has increased, bringing median expenditures down as the number of organizations has increased. Overall, per capita expenditures have increased over time. The Pioneer Valley had a per capita expenditure rate of \$2,722 in 2009 although rates were not equal throughout the region (see Figure 6).

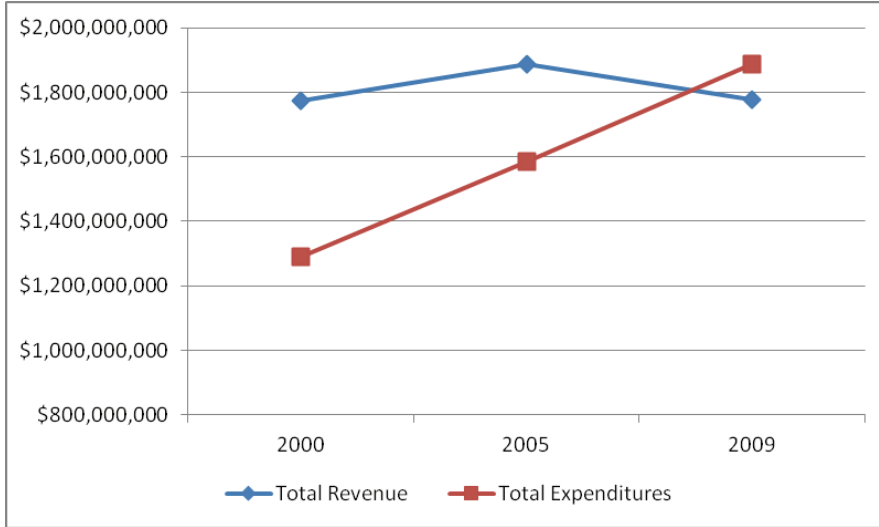
Figure 6: Average Annual Per Capita Expenditures of Health and Human Service Nonprofits in 2009



Revenues and Assets for HSS Nonprofits

Overall, revenue from the Pioneer Valley’s human and social service nonprofits has grown slightly over time although revenues in Hampshire County have trended downward, decreasing from over \$1 billion in 2000 to \$856 million in 2009. HSS nonprofits in the Pioneer Valley spend the majority of the revenue that they bring in each year, and this trend has increased over time. In 2009, HSS nonprofits reported revenue of approximately \$1.8 billion and expenditures of approximately \$1.9 billion that exceeded their total revenue (See Figure 7).

Figure 7: Total Revenue and Expenditures of Human and Social Service Nonprofits in the Pioneer Valley



Having expenditures exceed revenues is a negative trend because it indicates that some nonprofits may have started to spend down financial assets that they had carried over from previous years, and these assets can determine an organization’s ability to undergo change and make it through difficult financial periods. While total net assets for HSS nonprofits in the Pioneer Valley increased between 2000 and 2005, average assets per organization decreased for HSS nonprofits in the valley and each of its three counties. Additionally, HSS nonprofits in Franklin and Hampden counties saw an increase in net assets from 2000 to 2005 and then a

decrease from 2005 to 2009 (see Figure 8). While this finding is troubling, it is not surprising given the recession that has been occurring during this same time period.

Figure 8: Net Assets and Average Assets for Human and Social Service Nonprofits

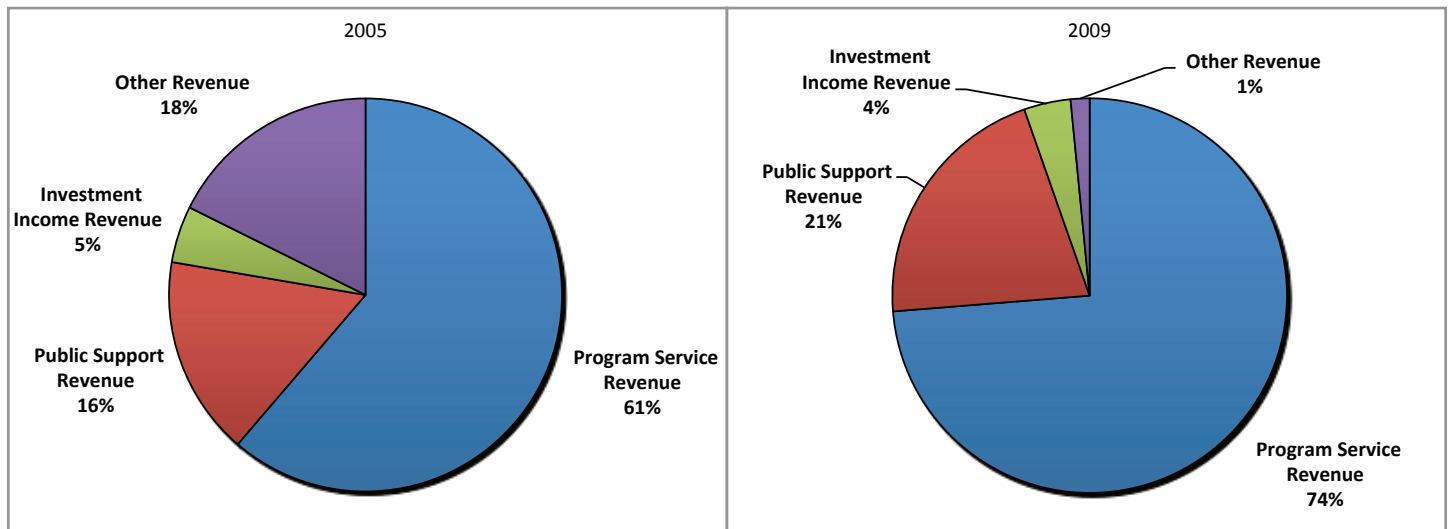
	End-of-year Net Assets for Human and Social Service Nonprofits				Average End-of-year Net Assets for Human and Social Service Nonprofits			
	2000	2005	2009	9-Year Change	2000	2005	2009	9-Year Change
Massachusetts	\$61.95 Bil.	\$65.55 Bil.	\$75.77 Bil.	\$13.82 Bil.	\$25.63 Mil.	\$23.86 Mil.	\$25.61 Mil.	(\$26,066)
Pioneer Valley	\$4.35 Bil.	\$4.41 Bil.	\$4.43 Bil.	\$79.49 Mil.	\$15.54 Mil.	\$13.48 Mil.	\$12.88 Mil.	(\$2.66 Mil.)
Franklin County	\$23.46 Mil.	\$30.87 Mil.	\$20.69 Mil.	(\$2.77 Mil.)	\$733,141	\$717,949	\$517,188	(\$215,953)
Hampden County	\$449.06 Mil.	\$433.25 Mil.	\$416.56 Mil.	(\$32.5 Mil.)	\$2.72 Mil.	\$2.21 Mil.	\$2.05 Mil.	(\$669,562)
Hampshire County	\$3.88 Bil.	\$3.94 Bil.	\$3.99 Bil.	\$114.76 Mil.	\$46.73 Mil.	\$44.82 Mil.	\$39.54 Mil.	(\$7.19 Mil.)

Increasing Reliance on Program Service Revenue

As expenditures have increased at a faster rate than revenues, sources of nonprofit revenue have also shifted. Like other businesses in the region, one of the primary sources of revenue for HSS organizations is the collection of fees for services provided (program service revenue). The largest source of overall revenue for HSS nonprofits is program service revenue, which increased from 61% of total revenue in 2005 to 74% of total revenue in 2009. Organizations obtain program service revenue in many ways that include charging for their services or being paid to provide services through a contract. While program service revenue may include a government contract for an organization to provide services, government grants are not included in program revenue. Government contributions and grants, direct public support, and indirect public support make up the public support category on the graph below (see Figure 9).

Public support for HSS nonprofits in the Pioneer Valley increased from 16% of total revenue in 2005 to 21% of total revenue in 2009.⁷ Contributions, gifts and grants received directly from members of the public, businesses or foundations are considered direct public support. Indirect public support includes contributions received through fundraising organization and contributions received from a parent or subordinate organization. Direct service revenue makes up approximately 12% of total revenue, and government grants comprised about 7% of HSS nonprofit revenue in 2009. Investment income saw a decrease from 5% in 2005 to 4% in 2009, and other types of revenue dipped from 18% in 2005 to 2% in 2009. Other sources of revenue for nonprofits include income from interest on savings, bond proceeds, royalties, net rental income, net income from sales of assets other than inventory, net income from fundraising events, net income from gaming activities, net income from sales of inventory and other miscellaneous income. A breakdown of revenue sources is displayed in Figure 9.

Figure 9: Revenue Composition for Human and Social Service Nonprofits in the Pioneer Valley



Both expenditures and revenues are quite different depending on the size of the organization. Small- and medium-sized human and social service nonprofits (1-49 employees) had a median expenditure of \$684,596 in 2009 whereas large organizations (50 employees or more) had a median expenditure of \$6,946,677. HSS nonemployers in the Pioneer Valley had a median expenditure of \$83,812. Small- and medium-sized HSS employers in the Pioneer Valley spent a total of \$104 million in 2009, and large organizations spent \$1.7 billion. Nonemployers spent \$39 million. Total revenue is also much greater for large organizations in the Pioneer Valley at approximately \$1.63 billion in 2009 compared to approximately \$111 million for small- and medium-sized organizations and \$33 million for HSS nonemployers.

Conclusion

Human, social, and health service nonprofits contribute significantly to the regional economy. They employed 23% of the Pioneer Valley's workforce in 2009 (a monthly average of 51,815 people) and had yearly revenues and expenditures each approaching \$4 billion. Even when health organizations (a large employment sector in itself) are removed from the analysis, human and social service organizations still have a vital impact, employing 15% of the Pioneer Valley workforce with revenues and expenditures each nearing \$2 billion. This subset of HSHS organizations (including only human and social service) employ more people with less money than the HSHS industry as a whole. HSS organizations include more than 65% of the total industry employment but only about 50% of the industry revenues and expenditures. Clearly, these organizations play a critical role in the Pioneer Valley's economy.

The last few years have been difficult for many businesses, and the HSHS sector has not been immune to these challenges, as demonstrated by the recent decrease in average net assets and in total assets in some locations for HSS organizations. However, the sector has continued to provide services and support local economies even during difficult economic times. As the national and regional economies recover, it will be critical to ensure the health and survival of these organizations, not only because of the type of services they provide, but also because their economic activity constitutes a significant portion of the whole economy in the Pioneer Valley.

⁷ Direct service revenue and government grant figures are estimates provided by the NCCS. Estimates were not available for all nonprofit organizations in the NCCS Core File, and these percentages were calculated using only the organizations with available estimates. More detailed information about how estimates were constructed is available from NCCS at: <http://nccsdataweb.urban.org/knowledgebase/detail.php?linkID=1770&category=84&xrefID=6566&close=0>

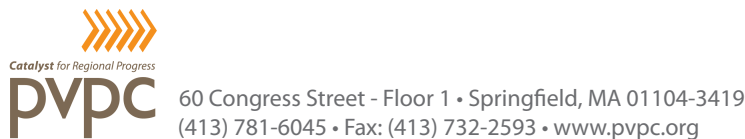
Appendix – Expanded Methodology

The National Center for Charitable Statistics (NCCS) at the Urban Institute provides systemized data about 501(c)(3) public charities that is derived from Tax Form 990s and made available by the Federal Internal Revenue Service (IRS). The NCCS core data sets used for this report have information on private charities that are required to submit a 990 and complied with the requirement. Information on private foundations and organizations that have a classification other than 501(c)(3) is not included in this data. Additionally, information about churches, church-affiliated organizations and organizations that earned under \$25,000 is not included because these and a few other types of organizations were not required to file a 990 in the years examined in this report.

In July of 2009, NCCS reported that there were 23,811 501(c)(3) public charities in Massachusetts, of which 15,111 had filed a form 990 within 24 months of July 2009. Only 11,338 501(c)(3) public charities are in the Core 2009 File. In this data digest, information is labeled with the year of the Core File being discussed (2000, 2005 or 2009), but the data in each file spans a range of years.⁸ These base financial numbers are not adjusted for inflation although total and median financial amounts discussed in this report are adjusted for inflation to 2009 dollar amounts.

While this report focuses primarily on data about nonprofit organizations, some data was also used from the Massachusetts Executive Office of Labor and Workforce Development (EOLWD), a data source that does not distinguish between for-profit and nonprofit organizations. This data was used for employment estimates, as nonprofit data was not available.

NCCS classifies nonprofits based on their principal activities using the National Taxonomy of Exempt Entities (NTEE). For this report, PVPC staff worked with the Pioneer Valley's Human Service Forum (HSF) to identify the specific NTEE categories in which human, social, and health service nonprofits would be included. The organizations classified in these categories are used in the analysis for this report. The categories selected expand beyond the Health and Human Service categories that already exist in the NTEE. Categories are included if organizations within those categories directly provide health or human services to individuals.⁹ Some classifications of organizations that support this type of work are also included. Similarly, North American Industry Classification System (NAICS) codes that identified human, social, and health service organizations were selected, and the organizations identified by these codes were used in the analysis.



The Pioneer Valley Planning Commission is the designated Regional Planning Agency for the Hampden and Hampshire county areas. Franklin County is served by the Franklin Regional Council of Governments. Because of the close relationship between our two regions we include Franklin County in some publications.

This document is made possible by funding from the Human Service Forum, a member organization that provides a voice for human service organizations through leadership, information, advocacy, recognition, public relations and capacity building. Analysis and writing was conducted by the Pioneer Valley Planning Commission in consultation with Human Service Forum members.



The Human Service Forum - 20+ years of experience working to strengthen the capacity of the nonprofit community in Western Massachusetts

⁸ Organizations included filed a 990 in the last three calendar years that covered one of the last three fiscal years. In the Core 2009 file, 7% of the 990s have information from fiscal years starting in 2007, 44% have information from fiscal years starting in 2008, and 49% have information from fiscal years starting in 2009

⁹ The classifications of arts and recreation are excluded from the analysis because the majority of these organizations are not typically considered to provide human, health or social services. The category of public safety, disaster preparedness and relief is excluded because emergency assistance is included under the umbrella category of human services. Only preschool, vocational, technical, adult and higher education are included in the education category. Vocational, technical, adult and higher education are included because they provide people with skills that allow them to find employment and gain greater economic security.