

A close-up photograph of an aloe vera plant. The plant has thick, green, pointed leaves arranged in a rosette. A tall, slender flower stalk rises from the center, bearing a cluster of small, yellow, tubular flowers. A small bee is visible on one of the lower flowers. The background is a soft, out-of-focus green.

Nonprofits: A Hidden Driver of Arizona Employment

Scope of the Arizona Nonprofit Sector

**Brief
#1**

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Arizona State University

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A first look at the nonprofit sector’s economic impact in Arizona

Arizona’s nonprofit sector, if treated as an industry unto itself, would rank as the sixth largest in the state, surpassing the construction, transportation and warehousing, and accommodation and food service in terms of economic impact.

The nonprofit industry employs over **188,000 full-time workers, who earn 7.3 percent of the total wages** paid in the state. Nonprofits also employ an additional 34,000 part-time workers.

Contrary to the image of nonprofit work entailing low-pay, the median wage for these workers exceeds the state median wage. **The median nonprofit wage is 11.6 percent greater than the overall state median wage**, a difference of nearly \$5,000.

Scope of the Arizona Nonprofit Sector

This is the first in a series of brief reports describing the influence of the nonprofit sector on Arizona’s employment and economy. These analyses come from large, publicly available datasets from the Internal Revenue Service and the Census Bureau. Future reports will delve into more detailed aspects of the sector and discuss areas where incomplete data cloud our view of the field.

Visit lodestar.asu.edu/scope for more information and interactive data visualizations.

Top 15 industries in Arizona, ranked by total wages

	Employment	Median wage	% of total wages
Arizona total	2,766,605	\$42,390	100.0%
Manufacturing	215,796	\$55,108	10.2%
Professional, scientific and technical services	190,592	\$64,738	9.9%
Health care	234,830	\$42,390	9.7%
Finance and insurance	189,583	\$57,000	9.3%
Retail trade	296,023	\$32,369	8.3%
Nonprofits	188,043	\$47,305	7.3%
Construction	217,527	\$40,821	6.8%
Educational services	206,545	\$44,211	6.5%
Public administration	147,729	\$56,522	6.0%
Transportation and warehousing	126,966	\$42,390	4.3%
Administrative and support and waste management services	152,016	\$30,000	3.7%
Accommodation and food services	169,048	\$25,100	3.4%
Wholesale trade	66,305	\$50,000	2.9%
Real estate and leasing	63,657	\$43,961	2.4%
Information	46,034	\$52,988	1.9%
Source: 2017-2021, ACS 5-year via IPUMS.org			

The nonprofit sector presents a complex landscape that is not easily summed up in a simple table of figures. The word “nonprofit” often conjures images of a small social services organization, perhaps a soup kitchen or a group providing school supplies to needy children. However, an examination of the IRS records for tax-exempt organizations shows the true diversity of the sector, ranging from healthcare behemoths such as Banner Health, with over \$8 billion in annual revenue, to the many thousands of organizations with less than \$50,000 in revenue.

As a cumulative sector, nonprofits have a larger economic impact in Arizona than industries like construction, transportation, and accommodation and food services.

Total wages of the nonprofit sector

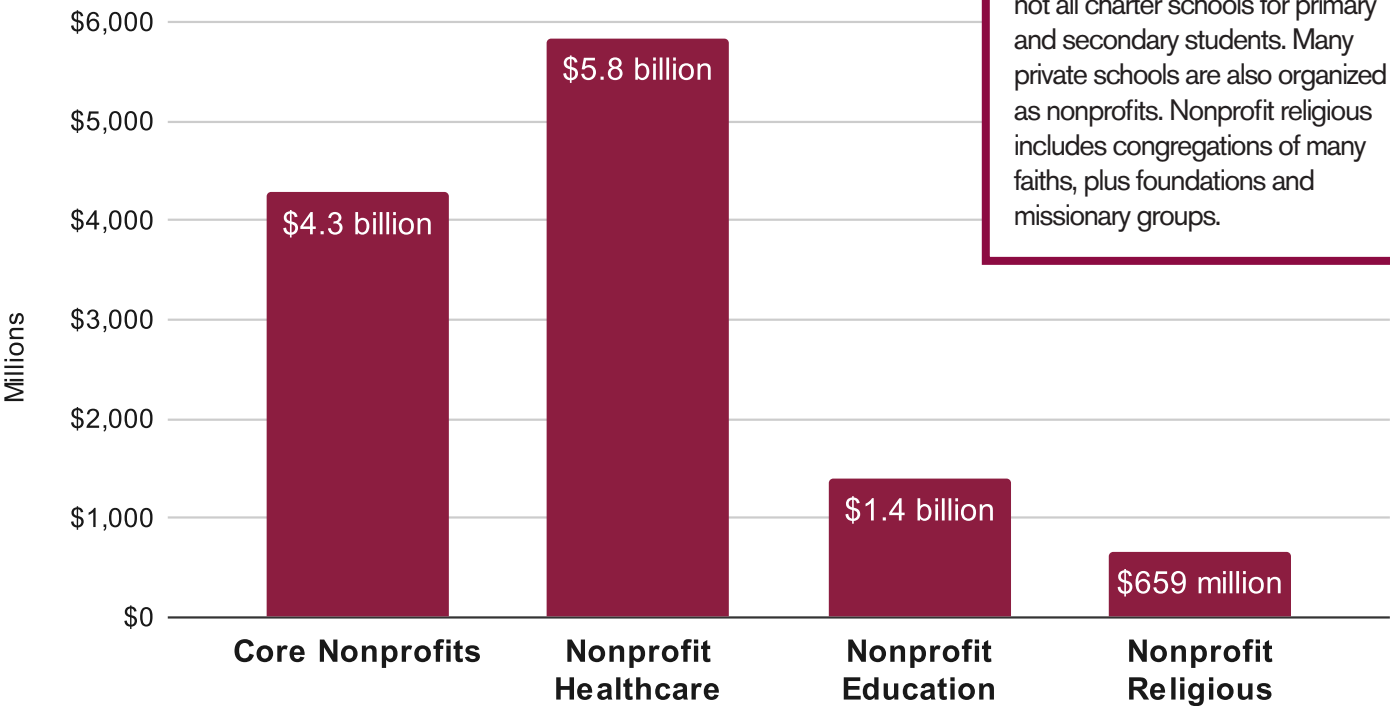
The Census Bureau estimates that wages for full-time and part-time employees in Arizona’s nonprofit sector total **\$12.1 billion annually**. This represents 7.3 percent of all wages paid in the state, meaning the nonprofit sector accounts for about **7.3 percent of the state’s economy**.

The core nonprofit sector, with nearly 22,000 organizations representing 77 percent of all nonprofits in Arizona, pays out just shy of \$4.3 billion in wages annually. Nonprofit healthcare, with just 350 organizations statewide, has \$5.8 billion in wages. The 469 organizations classified as nonprofit education organizations have \$1.3 billion in annual wages, and religious organizations have \$659 million.

To better capture the subtleties of the sector, it is helpful to separate it into **four broad categories**: Nonprofit healthcare organizations, religious organizations, nonprofit education, and all others (“core” nonprofits).

Nonprofit healthcare organizations include large providers such as Banner Health, regional medical facilities and medical clinics. Educational nonprofits include Grand Canyon University, University of Arizona Global Campus and Prescott College serving higher education needs, plus many but not all charter schools for primary and secondary students. Many private schools are also organized as nonprofits. Nonprofit religious includes congregations of many faiths, plus foundations and missionary groups.

Nonprofit wages in Arizona by category

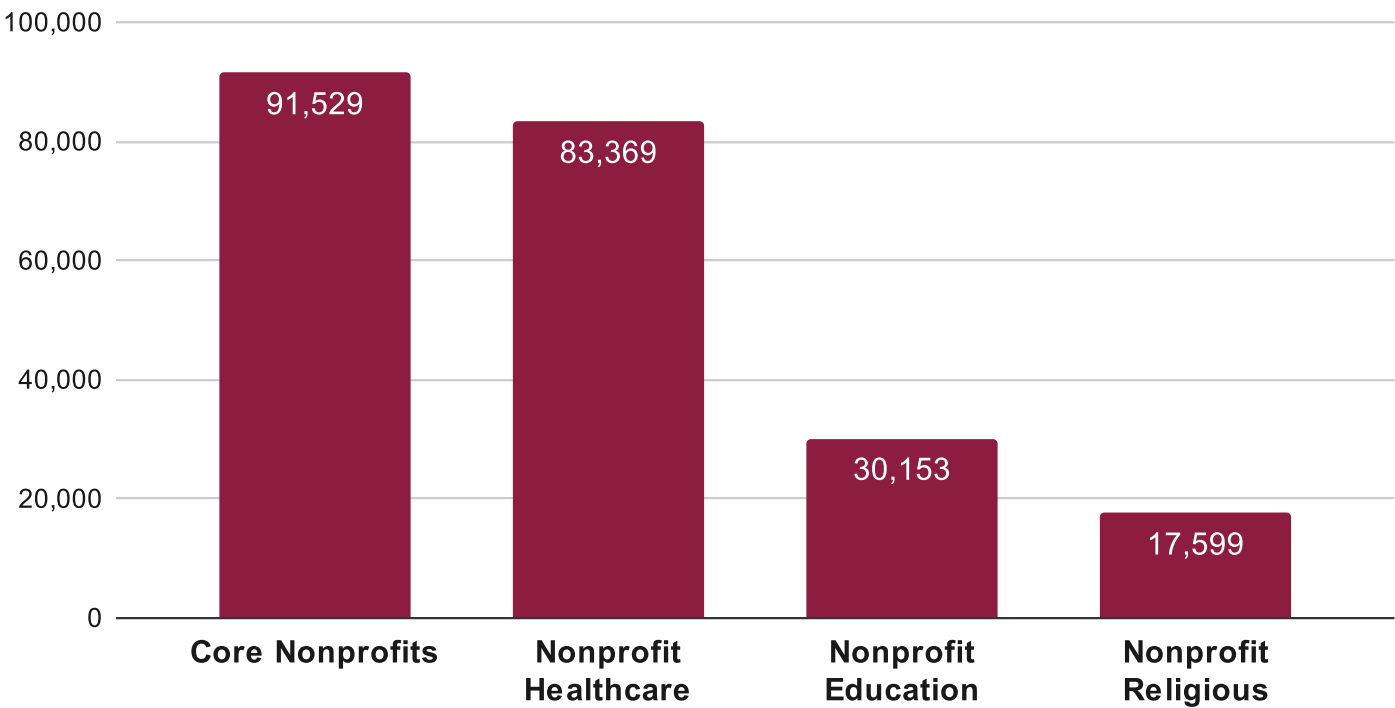


Total nonprofit employment

Employment in the nonprofit sector of **222,380 full- and part-time workers** represents **6.9 percent of total statewide employment**. Note that this percentage is slightly lower than the 7.3 percent of total wages paid to the nonprofit sector, which indicates that nonprofit workers are generally paid somewhat more than those in the for-profit and government sectors.

However, note that the “core” category of nonprofits has over 8,000 more employees than the nonprofit healthcare category, even though nonprofit healthcare reports significantly more in total wages. This reflects higher wages in the healthcare field, largely due to highly educated workers such as doctors and nurses being well-paid.

Nonprofit employment in Arizona by category



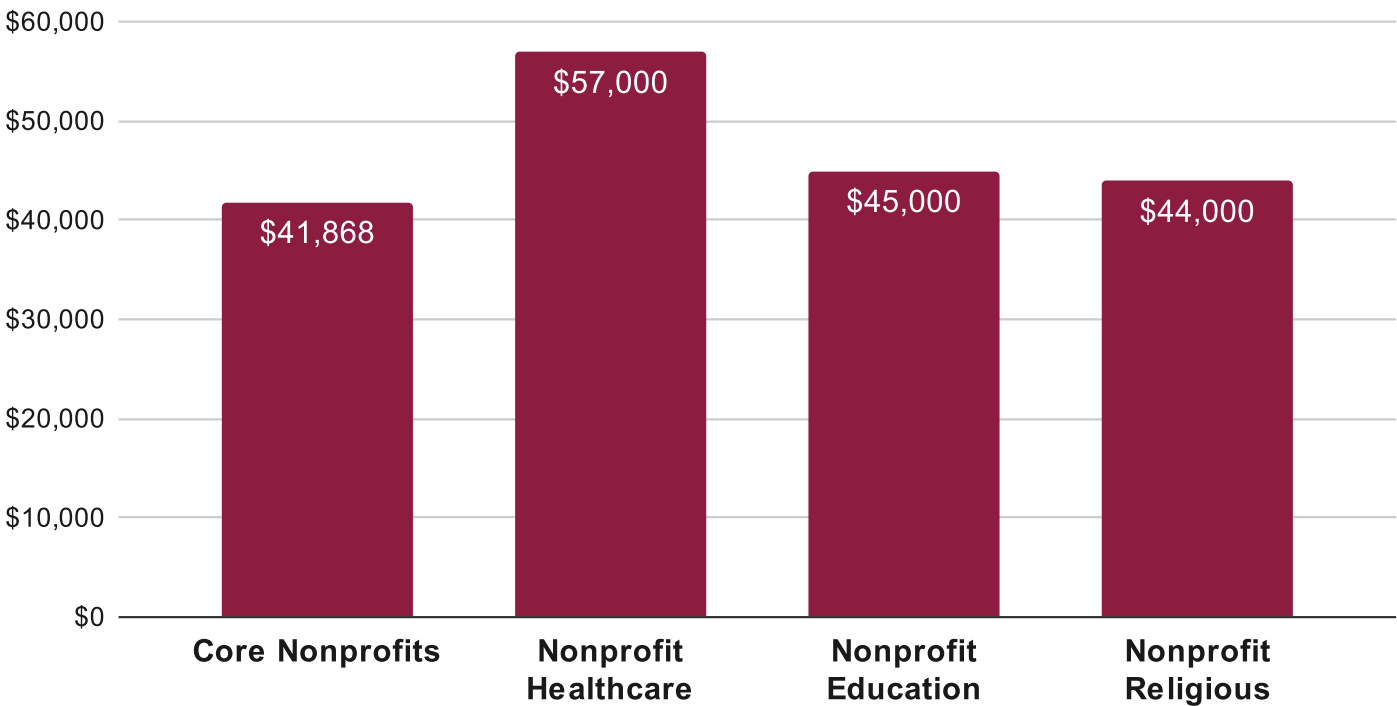
Median wages across subsectors

When comparing wages across sectors, it is always best to look at the median, rather than mean, or average wage. This minimizes distortions that arise when a few workers are paid either very much or very little. Likewise, comparing wages for full-time workers only allows a better apples-to-apples comparison across sectors since the compared workers will be working approximately the same number of hours.

When full-time wages are analyzed across the four subsectors of the nonprofit world, we see that those in the healthcare field are paid considerably more than others, with a median wage of \$57,000. Again, this is certainly an effect of the highly educated workforce in healthcare.

Full-time workers in religious organizations have a median wage of \$44,000 annually, with education workers coming in at \$45,000. Those in the core nonprofit workforce have a median full-time wage of \$41,868, which is just slightly less than the \$42,390 seen in the statewide workforce.

Median wages for Arizona nonprofit subsectors



About the data

The figures presented here have been derived from data gathered through the American Community Survey (ACS) administered by the U.S. Census Bureau. This is an annual, nationwide survey given to about one percent of residents. Microdata from ACS five-year estimates covering 2017-2021 was downloaded from IPUMS USA, [ipums.org](https://www.ipums.org). This data allows a more detailed look at responses than the tables published by the Census Bureau. However, there are several trade-offs that are required with this data. To protect the confidentiality of respondents and maintain statistical integrity, microdata is not released for geographies with fewer than 100,000 population. Because of this restriction, several of the smaller counties in Arizona are combined so that the summed population exceeds the minimum amount. Additionally, we use Census data collected over a five-year time span. The loss of the point-in-time specificity provided by one-year estimates is offset by the increased accuracy of results when looking at small segments of the workforce.

Participation in the nonprofit workforce was determined by the respondent's answer to question 42: "Which one of the following best describes this person's employment last week or the most recent employment in the past 5 years?" Those who chose, "Non-profit organization (including tax-exempt and charitable organizations)," were assigned to the nonprofit sector. The healthcare, education and religion subsectors were determined by the industry the respondent works in.

About the ASU Lodestar Center

Mission

The Center helps build the capacity of the social sector by enhancing the effectiveness of those who lead, manage and support nonprofit and philanthropic organizations.

Vision

The quality of life in communities is strengthened and enriched through impactful philanthropy and effective nonprofit practice.

What we do

The Center is a global leader in advancing understanding and effective philanthropic and nonprofit practice as a distinctive community development strategy. Through research, education, technical assistance and convenings, the Center focuses on educating, empowering and connecting nonprofit leaders and philanthropists to solve problems, to realize a community's highest aspirations and to accelerate social impact.

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