

The State of the Nonprofit Sector

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I shop at those big box stores when I need toothpaste and other necessities of day-to-day life. I go to the mall to pick up my favorite scented soap at a bath store. When I need a gift for a special friend, I will head toward one of the dozens of little shops around the corner from the office. Stores come in a lot of shapes and sizes to meet my various needs. The nonprofit sector is a lot like the retail industry. There are the nationwide giants; there are regional chains; and there are the little boutiques that cater to a select clientele.

Maryland, is home to all types of nonprofits. We have the nonprofit equivalents of the big box stores represented by the national and international multi-million dollar nonprofits. We have our “mall store” nonprofits. “Mall stores” are those shops that are in every single shopping center in America. Nonprofits like youth programs, services to the elderly, and support for those with medical problems exist in every community in Maryland. We also have “specialty” shops. These are the little nonprofits that are of interest to a very small but passionate part of the population.

There are about 24,000 nonprofits in Maryland or about one for every 225 citizens. Half of these nonprofit have been started in the last decade. Each month, approximately 100 nonprofits in Maryland receive their determination letter from the IRS.

Nonprofits in our state are a major economic driver. In the most recent *Maryland Nonprofit Employment Update*, a joint product of the Johns Hopkins Center for Civil Society Studies and the Maryland Association of Nonprofit Organizations, it was reported that Maryland employment in the nonprofit sector grew by 2.9% between 2005 and 2006, nearly three times faster than the state’s for-profit sector. Nonprofit employment is nearly 10% of all jobs in the state. We have been tracking this data since 1998. Since that time, nonprofit employment has increased by 24% which is nearly double the increase for the total employment in the state (13%).

Interestingly, the growth in nonprofit employment is not coming from the newly formed nonprofits but rather from older established nonprofits. In research completed in 2007, we concluded that the organizations that started with the largest budgets are much more likely to grow. The small organizations are the most likely to fail. Of the new organizations starting, about one-third is predicted to disappear within ten years. Only about 10% will achieve even the modest annual budget level of \$250,000.

There are many factors that contribute to the growth in nonprofit employment. The per capita costs of health care are going up each year. In Maryland, with 41 out of 42 hospitals being nonprofit, this translates to a growth in nonprofit employees who provide health care services. As the population ages, the services to the elderly - be it home health care, meal deliveries, or assisted living - expand to meet the needs; these

services are routinely provided by nonprofits. Our state officials recognize the value that nonprofits add and make it a requirement that all charter schools are operated by a nonprofit entity. The increasing success and popularity of charter schools translates to more nonprofit employment.

Thirty-five years ago, I started my career not in nonprofits but in the retail trade. (This is why I still love to shop...but I seldom buy.) My first job was with Gimbel's in New York. Gimbel's no longer exists. My next job was with a regional department store in Baltimore called Hutzler's. It no longer exists. I spent time with a specialty chain in Florida and has been long out of business. In the for-profit world, there is acceptance that if companies can no longer meet the need of the marketplace, they need to go out of business. I tell this story because I think that nonprofits need to face the same reality.

The growth in nonprofit employment is a clear indication of the strength of the sector as a whole. It is a clear indication of the faith that government and the general public places in nonprofits to deliver a valuable product. Although the sector as a whole is strong, there are nonprofits that are struggling. Just as not every new shop can make it, not every nonprofit is going to survive. The boards of nonprofits need to learn when to close down shop and move on. There are way too many hours of civic engagement and philanthropic dollars tied up in trying to resuscitate a dying nonprofit, dollars and hours that could be channeled into an established nonprofit with the same mission.

Today I will be visiting an array of nonprofits. I am getting a flu shot this morning at a nonprofit hospital. At lunch time I will take a walk through a park that is maintained by a nonprofit. This evening I have tickets for a performance put on by a very avant-garde dance troop, a nonprofit. Because of nonprofits, it is almost as good as going to the mall!