Nonprofit Employment
And the Metropolitan Economy

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Urban economies are shaped not only by output and employment growth, but also by industry concentration, and as a corollary, workforce composition. Metropolitan areas anchored by tradable, export-oriented industries, such as Information[1], Finance, Insurance, and Real Estate (FIRE)[2], and Professional Business Services (PBS)[3] tend to experience stronger income growth, higher productivity, and larger spillover effects into local service employment. By contrast, metros with a higher concentration of non-tradable industries, particularly those with a significant presence of nonprofit establishments and employment,[4] tend to rely more heavily on the internal circulation of income and public funding from local, state, and federal governments.

Nonprofit organizations occupy a distinctive and critical role in metropolitan life. They deliver essential services in health care, education, social assistance, and the arts, often filling gaps that markets or governments alone cannot address. In cities like Boston, Philadelphia, and New York, nonprofits are major employers, supporting social well-being and cultural vibrance. According to the U.S. Bureau of Labor Statistics, nonprofit establishments across industries employed roughly 12.8 million people as of 2022, accounting for 9.9% of national private-sector employment.

Yet the economic impact of nonprofit employment differs meaningfully from that of primary, tradable industries. Nonprofits typically generate smaller local economic multipliers, meaning each job tends to support fewer secondary jobs within the regional economy. This reflects both funding structure and wage dynamics: revenues are often derived from local or public sources rather than external demand, and average wages are generally lower than in export-oriented sectors. The result is less disposable income, more limited induced consumption, and a more modest expansion of the metro's economic base.

Because most nonprofit output is non-tradable and consumed locally, growth in nonprofit employment does not expand regional GDP in the same way as tradable industries that import outside capital. Further, to the extent that nonprofits rely heavily on public funding streams, jurisdictions with higher nonprofit concentrations require relatively high taxation levels. In addition, a large nonprofit workforce can contribute to a political constituency that is more supportive of public spending, redistributive fiscal policy, and regulatory intervention, factors that can influence the broader business and investment climate.

[1] The **Information** industry includes technology-oriented subsectors such as *Software Publishers* and *Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services*, based on the U.S. Bureau of Labor Statistics data.
[2] **Finance, Insurance, and Real Estate (FIRE)** is defined as the sum of employment in *Finance and Insurance* and *Real Estate and Rental and Leasing*, based on the U.S. Bureau of Labor Statistics data.
[3] **Professional and Business Servies (PBS)** is defined as the sum of employment in *Professional, Scientific, and Technical Services, Management of Companies and Enterprises,* and *Administrative and Support and Waste Management and Remediation Services*, based on the U.S. Bureau of Labor Statistics data.
[4] This analysis uses the U.S. Bureau of Labor Statistics ***Nonprofit Sector Research Data*** (https://www.bls.gov/bdm/nonprofits/nonprofits.htm), which identifies 501(c)(3) nonprofit establishments within each NAICS industry and reports employment and wages by geography and ownership type. The series is released every five years; the most recent update (August 15, 2024) covers data through 2022, with the next release expected in 2029.

This analysis focuses specifically on private-sector data. However, government employment concentration at the local, state, and federal levels can have differing effects on economic growth.

Federal institutions, such as military bases, scientific and research agencies, or regulatory bodies, draw funding from nationwide tax revenue and channel it into the local economy. For example, the Naval Station in Norfolk, VA, and NASA's Marshall Space Flight Center in Huntsville, AL, bring revenue collected from all 50 states into their respective regions. Among the three levels of government, these federal institutions most closely resemble a private primary industry in their ability to import outside capital.

In contrast, state and local government institutions, such as state universities or public school systems, are funded largely through state and local sources, with comparatively limited federal support. As a result, they generate less inflow of external capital and have a more contained impact on net new economic activity within local and state borders.

While nonprofits are essential to improving quality of life across geographies, a disproportionate nonprofit employment footprint in urban economies may be associated with political, fiscal, and business dynamics that warrant careful consideration by investors allocating capital across markets and property types.

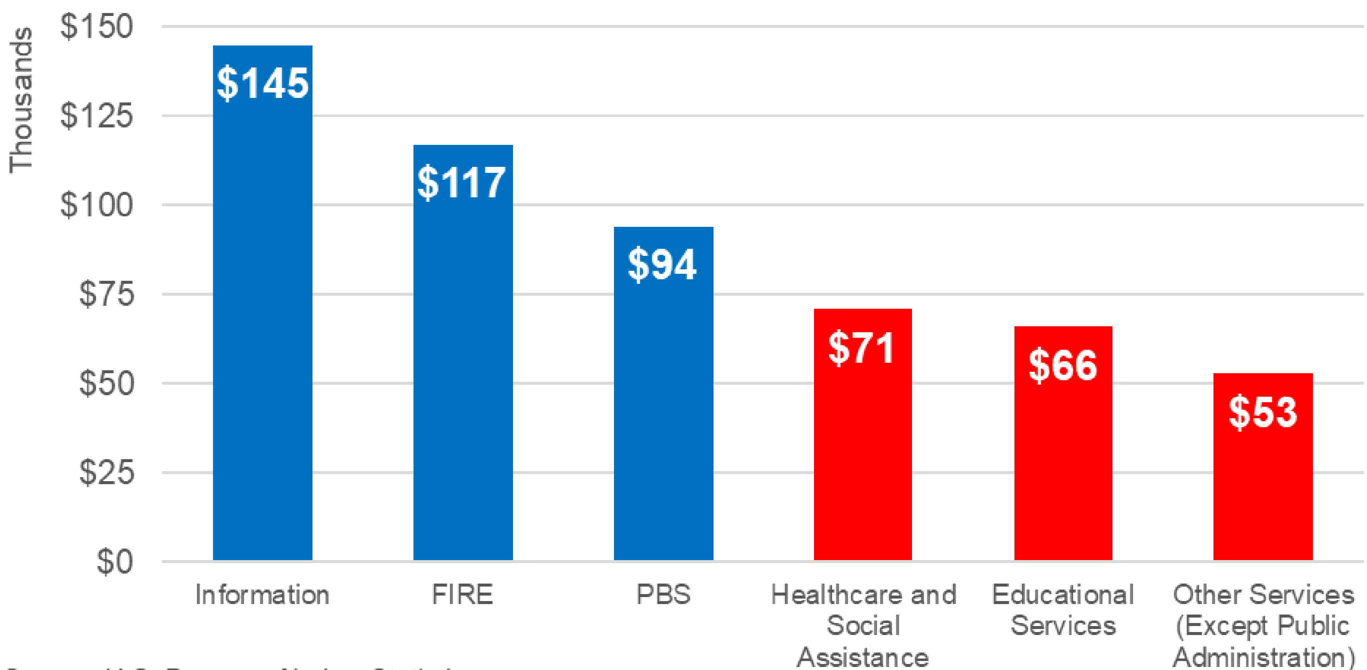
Industry Concentration, Wage Patterns, and Local Multipliers

At the national level, nonprofit establishments are relatively limited within office-using, tradable sectors such as Information, FIRE, and PBS, where nonprofit employment shares are approximately 2.2%, 0.9%, and 3.3%, respectively. By contrast, most non-tradable industries, including Educational Services, Health Care and Social Assistance, and Other Services (except Public Administration), as defined by the Bureau of Labor Statistics, include a substantially higher concentration of nonprofit establishments and employment. Within these categories, nonprofit shares are particularly elevated in the following subsectors: Elementary and Secondary Schools (83.4%), Colleges, Universities, and Professional Schools (93.9%), Hospitals (85.2%), Community Food and Housing and Emergency and Other Relief Services (90.2%), Religious Organizations (85.3%), and Grantmaking, Giving, and Social Advocacy Organizations (86.8%).

Industries such as Information, FIRE, and PBS export services nationally and globally, allowing firms to generate revenue from outside their home metros. A technology company, investment bank, or consulting firm can sell services well beyond local boundaries, effectively importing income into the region. This inflow expands regional GDP, supports higher wages, and stimulates secondary employment in housing, retail, hospitality, and personal services.

Figure 1: Annual Wage Levels by Industry Type

For-Profit Employees in Tradable Industries vs.
Non-Profit Employees in Non-Tradable Industries



Source: U.S. Bureau of Labor Statistics.
BLS's most recent nonprofit analysis, released in 2024, reflects data through 2022. The next release is scheduled for 2029 and will reflect data through 2027.

Because these sectors operate in competitive, market-driven environments, firms must innovate and scale, and wage growth tends to reflect productivity gains and external demand.

By contrast, nonprofit-heavy industries such as education, health care, social assistance, religious organizations, and arts institutions primarily serve local populations. Their funding is often derived from public transfers, tuition, philanthropy, or regulated reimbursement streams rather than market-based revenue generated outside the region. As a result, employment growth in these sectors typically recirculates existing income rather than expanding the metro's economic base, and wage growth is more constrained, limiting the broader spillover effects that characterize tradable industries.

Lower average wages in high-nonprofit metros translate into reduced disposable income, which in turn limits local consumer spending and dampens the economic multipliers that drive secondary job creation. This effect is compounded in urban cores, where living costs are high and nonprofit employment is concentrated.

Research by Enrico Moretti demonstrates the magnitude of these spillover effects. He found that each additional job in manufacturing generates approximately 1.6 jobs in the local non-tradable sector, while a high-tech manufacturing job can generate nearly five.[5] Higher wages in tradable industries translate into greater local spending on housing, retail, restaurants, and services, reinforcing secondary employment growth. Complementary research from the Economic Policy Institute, which examines a wider sample of BLS-classified industries reaches a similar conclusion from the reverse perspective: job losses in primary office-using sectors tend to produce disproportionately large indirect losses elsewhere in the local economy.[6]

This dynamic helps explain why metros anchored by tradable industries such as Dallas, Phoenix, and Miami tend to experience stronger private-sector job growth, higher incomes, and greater fiscal flexibility than cities where nonprofit and other non-tradable employment dominate. In these Sunbelt metros, the emphasis on export-oriented sectors and business-friendly policies has produced a virtuous cycle of investment, population growth, and economic dynamism, in contrast to the more constrained growth trajectories of legacy cities with large nonprofit footprints.

Nonprofit Concentration by Metro

Nonprofit-heavy metros frequently coincide with more expansive public-sector frameworks, redistributive fiscal structures, and regulatory regimes that prioritize tenant, labor, and environmental protections. These dynamics are not inherently negative, but they materially influence underwriting variables.

Policy dispersion between states has amplified across taxation, rent control, environmental mandates, and business regulation.[7] For CRE investors, this dispersion creates varying risk profiles across markets. High-growth Sunbelt metros such as Dallas, Phoenix, and Miami tend to emphasize tax competitiveness, pro-development zoning, and right-to-work frameworks. By contrast, several coastal and Midwest markets combine large nonprofit employment bases with higher tax burdens, stronger labor protections, rent regulation, and more complex entitlement processes.

The analysis next considers four major U.S. metropolitan areas, Boston, Philadelphia, New York, and Dallas, to assess differences in employment composition and policy frameworks.

Figure 2: Employment Multipliers
per 100 Direct Jobs Lost by Industry

Figure 2: Employment Multipliers per 100 Direct Jobs Lost by Industry	Direct Jobs	Supplier Jobs*	Induced Jobs**	Total Indirect Jobs Lost	
Finance, Insurance, and Real Estate (FIRE)	100	273.2	348.9	622.1	Tradable Sectors
Information	100	252.0	321.1	573.1	
Professional and Business Services (PBS)	100	110.7	206.9	317.6	
Other Services (except public administration)	100	70.7	139.6	210.3	Non-Tradable Sectors
Health Care and Social Assistance	100	69.4	136.2	205.6	
Educational Services	100	63.8	129.9	193.7	

Source: Economic Policy Institute analysis of data from the Bureau of Labor Statistics (BLS) Employment Requirements Matrices, the BLS Current Employment Statistics program, and the Bureau of Economic Analysis GDP-by-industry accounts. As of 2019

* Includes materials and capital services supplier jobs

** Includes jobs supported by respending of income from direct jobs and supplier jobs, as well as public-sector jobs supported by tax revenue

[5] Moretti, E. (2010, May). *Local multipliers.* American Economic Review.

[6] Bivens, J. (2019, January 23). *Updated employment multipliers for the U.S. economy.* Economic Policy Institute.

[7] Rubin, S., Wnek, M., & Swett, M. (2026, March). *Policy differences between states amplify and the implications for CRE investing.* New York Life Real Estate Investors Strategy & Research Group.

Figure 3: Nonprofit Employment Presence by MSA		Nonprofit Employment Share		Change
Rank	Metro Area	2022	2017	'17-'22
1	Boston-Cambridge-Newton, MA-NH	**17.54%**	17.32%	0.23%
2	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	**15.92%**	15.98%	-0.06%
3	New York-Newark-Jersey City, NY-NJ-PA	**14.15%**	14.59%	-0.44%
4	Minneapolis-St. Paul-Bloomington, MN-WI	**12.74%**	13.20%	-0.46%
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	**12.29%**	12.53%	-0.24%
6	Chicago-Naperville-Elgin, IL-IN-WI	**10.81%**	11.08%	-0.27%
7	Seattle-Tacoma-Bellevue, WA	**9.54%**	9.75%	-0.21%
8	San Diego-Carlsbad, CA	**9.38%**	9.26%	0.12%
9	San Francisco-Oakland-Hayward, CA	**8.85%**	9.13%	-0.28%
10	Detroit-Warren-Dearborn, MI	**8.78%**	9.42%	-0.64%
11	Tampa-St. Petersburg-Clearwater, FL	**8.22%**	8.18%	0.04%
12	Orlando-Kissimmee-Sanford, FL	**7.72%**	7.21%	0.50%
13	Los Angeles-Long Beach-Anaheim, CA	**7.66%**	7.38%	0.28%
14	Atlanta-Sandy Springs-Roswell, GA	**7.50%**	7.59%	-0.09%
15	Phoenix-Mesa-Scottsdale, AZ	**7.45%**	7.54%	-0.09%
16	Denver-Aurora-Lakewood, CO	**6.24%**	6.71%	-0.47%
17	Miami-Fort Lauderdale-West Palm Beach, FL	**6.16%**	6.31%	-0.15%
18	Houston-The Woodlands-Sugar Land, TX	**5.74%**	5.55%	0.19%
19	Riverside-San Bernardino-Ontario, CA	**5.34%**	5.82%	-0.48%
20	Dallas-Fort Worth-Arlington, TX	**4.49%**	4.64%	-0.15%

Source: U.S. Bureau of Labor Statistics. As of 2022
BLS's most recent nonprofit analysis, released in 2024, reflects data through 2022. The next release is scheduled for 2029 and will reflect data through 2027

Boston

Boston's economy is anchored by globally recognized universities, research institutions, and medical systems, many of which operate as nonprofit entities, and as a result the metro has the highest nonprofit employment share among major U.S. metros, at approximately 17.5% of total employment. Educational services and health care represent an outsized share of local employment, reinforcing the city's position as a knowledge and life sciences hub.

These institutions generate substantial intellectual capital and research output, yet they also benefit from broad property tax exemptions, even as many maintain substantial revenues and endowments, narrowing the city's taxable base. As a result, Boston relies heavily on property taxation, operating under a split-rate system in which commercial real estate is taxed at significantly higher effective rates than residential property.[8]

For CRE investors, Boston offers a combination of strengths and structural constraints. The city benefits from deep intellectual capital and durable institutional anchors, yet it also carries elevated tax burdens, regulatory complexity, and rising intervention risk. The concentration of nonprofit institutions supports economic stability, while simultaneously reinforcing fiscal and political dynamics that can weigh on commercial asset performance.

Philadelphia

Philadelphia exhibits one of the highest nonprofit employment shares among major U.S. metros, approximately 16% metro-wide and closer to 30% within the city limits. The city's economy is heavily influenced by education, health systems, and social services institutions, reinforcing its role as a regional service hub but also limiting exposure to higher-wage export-oriented industries.

Philadelphia's fiscal structure introduces additional underwriting considerations. The city imposes a broad-based wage tax on both residents and non-residents working within city limits, directly increasing labor costs and frequently cited as a competitive disadvantage relative to suburban Pennsylvania or nearby states.[9] The Business Income and Receipts Tax (BIRT) includes both a net income component and a gross receipts component, the latter applying regardless of profitability and often viewed as burdensome for startups and lower-margin firms.[10]

Philadelphia remains an important East Coast economy with strong institutional infrastructure. However, its high nonprofit footprint, layered tax structure, and regulatory friction may constrain private-sector expansion and income growth relative to faster-growing Sunbelt markets. For CRE investors, this can translate into slower rent growth assumptions and heightened fiscal sensitivity.

[8] City of Boston Assessing Department. (n.d.). *How we tax your property*. City of Boston.
[9] City of Philadelphia Department of Revenue. (n.d.). *Wage tax (employers).* City of Philadelphia.
[10] City of Philadelphia Department of Revenue. (n.d.). *Business income & receipts tax (BIRT).* City of Philadelphia.

New York City

The New York metro area maintains a nonprofit employment share of roughly 14%, with the five boroughs closer to 17%. Nonprofit employment within the five boroughs exceeds total FIRE employment, underscoring the scale of the sector. While New York remains one of the world's premier global gateway cities, with unparalleled depth in finance, media, technology, and culture, it also operates within one of the most layered fiscal and regulatory frameworks in the country.

Currently, New York State's top marginal income tax rate exceeds 10%, and New York City levies an additional local income tax of nearly 4%, producing one of the highest combined state and local tax burdens in the U.S.[11] Corporate taxation includes a state franchise tax and a city Business Corporation Tax of approximately 8.85%,[12] along with a 4% Unincorporated Business Tax applied to partnerships and LLCs.[13] Transaction costs are elevated by both state and city transfer taxes and comparatively high mortgage recording taxes.

Newly elected Mayor Zohran Mamdani has outlined proposals to expand social programs and identify additional revenue sources to support them. Among the concepts advanced are potential increases to state and city income tax rates for high earners of 200 basis points and corporate tax rates of 425 basis points, subject to state approval. He has also indicated that, absent such approval, property tax adjustments of up to 10% could be considered. In addition, a temporary rent freeze for roughly one million stabilized apartments has been proposed, contributing to ongoing policy discussions.

While it benefits from unmatched scale, liquidity, and global connectivity, CRE investors must underwrite heightened exposure to rent regulation, environmental mandates, litigation risk, and redistributive fiscal policy when investing in New York City.

Dallas

Dallas exemplifies a market where employment growth is driven primarily by tradable, for-profit industries within a business-friendly policy framework. Nonprofit employment accounts for just 4.5% of the metro's private workforce, well below Boston, Philadelphia, and New York, while Information, FIRE, and PBS represent a growing share of job creation.

Texas imposes no state income tax and no state capital gains tax. In November 2025, voters approved Proposition 2, amending the state constitution to prohibit taxes on realized and unrealized capital gains for individuals, families, estates, and trusts, embedding tax certainty into the state's fiscal structure.[14] Corporate tax burdens remain comparatively low, and the state's overall regulatory framework emphasizes predictability and speed to market.

The Dallas–Fort Worth metro has been a major beneficiary of corporate relocations and expansions across financial services and a range of other sectors.[15] Charles Schwab relocated its headquarters from California to the region, and JPMorgan now employs more people in Texas than in its home state of New York. Wells Fargo, Goldman Sachs, and Bank of America have all expanded their footprints in the area, further reinforcing the metro's growing financial services base.

The region's banking and capital markets strength is underscored by the announcement of two major stock exchange expansions. The New York Stock Exchange is relocating its Chicago outpost to Dallas, and Nasdaq has announced plans to establish a second U.S. headquarters there.

The economic implications are significant. Tradable-sector expansion imports capital into the region, supports higher average wages, and generates secondary employment across housing, retail, hospitality, and local services. Strong in-migration further reinforces this cycle, expanding the labor force and supporting household formation.

For CRE investors, Dallas offers a comparatively transparent underwriting environment. Lower taxes, limited rent regulation risk, faster entitlement timelines, and a political culture oriented toward private-sector growth reduce uncertainty around cash flow growth and exit liquidity. While no market is without risk, the policy framework in Texas has prioritized capital formation and corporate attraction, supporting a robust pipeline of primary employment growth.

Conclusion

Not all employment growth contributes equally to economic dynamism. For CRE investors, headline job gains and aggregate GDP growth can obscure important differences in industry composition. Markets driven by tradable, export-oriented industries tend to generate stronger wage growth, larger multiplier effects, and greater fiscal flexibility. By contrast, metros with an outsized concentration of nonprofit and other non-tradable employment may experience more modest spillover effects and greater sensitivity to public funding streams.

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[11] Tax Foundation. (2026). *New York tax competitiveness and tax burden.*

[12] New York City Department of Finance. *General corporation tax rates.* City of New York.

[13] New York City Business. *Unincorporated business tax (UBT).* City of New York.

[14] Johnson, N. (2023, November 8). *Texas voters approve constitutional amendment banning taxes on unrealized capital gains.* FOX 26 Houston.

[15] Rubin, S., & Swett, M. (2025, Fall). *Dallas - The buckle of the Sunbelt and America's fastest growing financial center.* New York Life Real Estate Investors Strategy & Research Group publication in CREFC World.

Nonprofit establishments are indispensable to metropolitan life, supporting education, healthcare, social services, cultural institutions, environmental stewardship, and historical preservation. In cities such as Boston, New York, and Philadelphia, world-class academic and medical institutions provide unparalleled access to talent, research output, and high-quality healthcare. Together, these strengths enhance quality of life, reinforce long-term desirability, and can directly add value to investments.

However, nonprofit-heavy employment bases are often associated with fiscal and regulatory frameworks that emphasize redistribution, tenant protections, labor standards, and environmental mandates. Policy dispersion across states has widened meaningfully over the past decade, particularly with respect to taxation, rent control, environmental regulation, and development barriers. Even incremental policy shifts, when compounded over time, can materially alter business climate, household migration, and capital allocation patterns.

Dallas represents the contrasting model: a metro anchored by for-profit tradable industries operating within a state that has constitutionally restricted capital gains taxation, prohibited rent control, and prioritized corporate recruitment. The resulting environment has supported corporate relocations, in-migration, and sustained private-sector job creation.

For CRE investors, the implication is clear: industry mix matters. Evaluating nonprofit employment concentration alongside tradable-sector growth provides insight into wage trajectories, multiplier effects, fiscal posture, and regulatory risk. Investment analysis should account for policy durability, political trajectory, and the composition of the local economic base.

In an era of widening state-level divergence, understanding what drives employment growth is essential. Markets anchored by dynamic, export-oriented industries within predictable policy frameworks may offer more certain long-term growth potential, while nonprofit-heavy metros require careful underwriting of fiscal and regulatory risk alongside their undeniable institutional strengths.

DISCLOSURE

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