Minimum Wage: The Impact on Nonprofits

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Outline of Presentation

> Study Background and Data Collection Activities
> Summary of Key Findings
  – Response of employers overall
  – Nonprofit response
  – Workers’ experiences
> Concluding Thoughts, Questions, and Discussion
> For more information: https://evans.uw.edu/policy-impact/minimum-wage-study

Seattle Minimum Wage Ordinance
Minimum Wage Study Components

- Analysis of administrative data
  - Unemployment Insurance (UI) records
  - Public program participation
- Employer Surveys
  - Nonprofit employers and for-profit firms
  - City of Seattle and surrounding suburbs
- In-depth interviews with nonprofits and for-profit firms
- In-depth interviews with low-wage workers
- Price data collection
Minimum Wage Study Components

> Analysis of administrative data
  - Unemployment Insurance (UI) records
  - Public program participation

> Employer Surveys
  - Nonprofit employers and for-profit firms
  - City of Seattle

> In-depth interviews with nonprofits and for-profit firms
  > In-depth interviews with low-wage workers
  > Price data collection

Why Focus on Nonprofits?

> Minimum wage discussions are mostly about for-profits
  - Food, accommodations, and retail
  - Outcomes limited to earnings and employment

> Regional economy & housing shapes nonprofit sector
> Nonprofits employ many low-wage workers
  - Human services, health care, home care
  - Compete for low-skill workers with other firms

> Nonprofits can have less control over revenue
> Challenging external environment
> Responses may affect most vulnerable persons
> Other jurisdictions weighing exemptions

Analysis of Administrative Data

> Question:
  - What is the effect of the minimum wage increase for wages, jobs and hours in the low wage labor market?
  > Estimated aggregate labor market impact

> Caveats:
  - Single-site firms only
  > 89.2% of all firms; 62.1% of all jobs
  - Still working on results tracking workers experiences over time
Analysis of Administrative Data

> Quarterly UI records collected by the WA Employment Security Department, all covered workers statewide 2005-16
> Hours, earnings, employer info, industry for each worker
> Compare Seattle to four different control groups:
  - King County (spillover + contamination)
  - Snohomish, Kittitas & Pierce County (spillover + contamination)
  - Synthetic Control (choose areas in WA state most similar to Seattle)
  - Interactive Fixed Effects (allows regions to grow at different rates over time)
> Limitations:
  - No self-employment, 1099 contract work, or informal sector
  - Tip income likely underreported
  - Employer address does not necessarily identify workplace: focus on single-site businesses (~60% of jobs in Seattle)

Jobs in Seattle

> In 2016 Q2, there were 331,927 jobs* in Seattle, of which:
  - Restaurants: 33,155 (10%)
  - Retail: 38,652 (12%)
  - Health Care & Hospitals: 32,249 (10%)
  - Nursing and Residential Care: 5,857 (2%)
  - Social Assistance: 8,953 (3%)
  - 88,431 – or 26.6% of all jobs – paid less than <$19 per hour

Year-over-year growth in low-wage jobs in Seattle & comparison regions ($11 cutoff, inflation-adjusted)

* Single-site locations only
Preliminary Estimated Impact:
All low-wage jobs (aggregate figures)

<table>
<thead>
<tr>
<th>Wage rate</th>
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<tr>
<td>3.1%</td>
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Survey of Seattle Employers

- 4,115 Seattle employers sampled
  - 3,760 business licenses & 355 non-profit oversample
- 420 total nonprofits contacted
  - 137 eligible for survey
  - 101 completed Wave 1 survey (March to May 2015)
- 3,352 for-profit businesses & 335 non-profit oversample
  - 3,102 for-profit sampled
  - 1,120 eligible for survey
  - 567 complete Wave 1 survey (March to May 2015)
  - 397 complete Wave 2 survey (June to Sept 2016)
- 420 total nonprofits contacted
  - 137 eligible for survey
  - 101 completed Wave 1 survey (March to May 2015)
  - 89 completed Wave 2 survey (June to Sept 2016)
  - 477 complete* Wave 3 survey (Spring 2017)
  - 84 Nonprofits
  - 393 For-profits

In-Depth Interviews with Nonprofit Executives

- Detail about strategic responses to wage ordinance
  - Understanding of ordinance
  - Implications for nonprofit workers
  - Effects on service delivery
- Completed between March-June 2016 with 29 nonprofit organizations
- Focus on sub-sectors most likely affected:
  - Social services (employment; food assistance; housing and homelessness; programs for immigrants), Health care services, Services for the elderly and disabled, Arts and culture
Summary of Findings:
Surveys and Interviews

> About one-third of nonprofits reported challenges understanding the phase-in or proper wage level
  - Org size, health care provision, multiple locations
> About 90% of low-wage jobs at or above $11 at time law took effect
> Roughly 80% of nonprofits interviewed reported increasing or planning to increase wages
  - 1 in 10 low-wage nonprofit jobs paid <$13/hour in 2016
> Modest changes to staffing & service provision
> More significant efforts to increase revenues
> No evidence of significant closures or relocations (yet)

Ahead of Schedule, but Dealing with Compression

“The reality is if we don’t keep pace with whoever is putting up that $15 minimum, people are not going to come and work for us because if within the City of Seattle, if someone’s paying 15 bucks an hour, and we’re paying 11, and these are entry-level, why would you want to unless you didn’t need the money?”

“In order to retain some distance between them [minimum wage workers and staff in positions near $15 an hour] we needed to bring everybody up a little bit, but doing so, for such a large number of staff, increases our costs significantly, so we needed to do it carefully. And just with so many different kinds, so many different low wage positions, it just made it complicated to move people to a new wage so that they weren’t getting paid less – less than somebody on a lower wage scale – so, you know, who may have been here longer. So it became extraordinarily complicated to move all of these low-wage positions to a new scale and make it fair.”

Modest Change to Workforce, More Volunteers
Hiring, Turnover, and Hours Worked

“We’ve not had any layoffs, but we’re not replacing positions as there is attrition. As people have moved on to other positions, we’re trying to hold tight. We’re having other people take on those responsibilities and not refill that position.”

“We see it sometimes with our [job category] workers, who also until this year have been on the lower wage scale, and we’ve had some people say, ‘you know, we have to be careful because if my FTE goes to a full FTE and I earn more than this, I can’t afford to keep this job, because then I lose my food care assistance, or food stamps. I lose my daycare assistance. I lose housing assistance. It’ll cost me more to have to pay for those things without that assistance than the extra money that you’re paying me.”

Modest Changes in Services to Date

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<tr>
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<th>Wave 1: Have already done</th>
<th>Wave 1: Plan to do</th>
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Intend to make changes to client populations served? Intend to change programs offered? Intend to change scope of services provided?
### Changes to Revenue Streams

- Intend to raise prices on goods or services?
- Intend to increase fees or sliding fee scales?
- Intend to request additional resources from funders?
- Intend or change fundraising campaigns, events, or appeals?

**Wave 1:** Have already done / plan to do more

**Wave 2:** Have already done; plan to do more

**Wave 1:** Plan to do

**Wave 2:** Plan to do
Changes to Revenue Streams

- Intend to raise prices on goods or services? 31.0%
- Intend to increase fees or sliding fee scales? 29.2%
- Plan to do more

Wave 1: Have already done/
Wave 1: Plan to do
Wave 2: Have already done;
Wave 2: Plan to do

Intend to request additional resources from funders?

Intend to change fundraising campaigns, events, or appeals?

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Concluding Thoughts

- Subsequent step-ups may have more significant effects
- Other relevant structural or policy-related forces:
  - Challenges to securing stable and adequate funding
  - Local labor market competition
  - Changes to reimbursement rate setting
  - Implementation (Repeal?) of the Affordable Care Act
  - Rising health insurance costs for staff
  - Other workplace regulations
- Strategic planning required for major changes in nonprofit organizations takes time

Thank you!
Questions and Discussion

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For more information about the Minimum Wage Study:
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Nonprofit Employee Wages in 2015