

REPORT ON NONPROFIT RESPONSE TO MINIMUM WAGE

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EXECUTIVE SUMMARY

This report is the third in a series of reports to the City of Seattle regarding the Seattle Minimum Wage Study (SMWS). The Seattle City Council commissioned the study as part of Council Resolution #31524, adopted by unanimous vote on June 2, 2014. The resolution called for the City to contract with a group of academic researchers to conduct a rigorous and comprehensive evaluation of the City's minimum wage ordinance, passed by the Council that day. In December 2014, the City executed a contract with the University of Washington to conduct this evaluation. This report examines survey and in-depth interview data with more than 125 local nonprofit organizations gathered in the 18 months following the April 1, 2015 phase-in of the local minimum wage ordinance. Findings reported here provide insight into the possible pathways through which nonprofits may respond to higher minimum wage rates, but do not provide an empirical estimate of the impact of the ordinance on nonprofit hiring or business strategy.

Nonprofit organizations play an important role in American society. The City of Seattle itself has over 1,800 registered nonprofit organizations that provide a wide range of important programs and services that span the arts, health care, education, and human services. Many nonprofit organizations in Seattle promote social justice through programming focused on improving the well-being of vulnerable populations. Nonprofit organizations in Seattle also pursue advocacy and public education work intended to strengthen communities and provide voice to these underrepresented population subgroups.

Nonprofits can face challenges securing predictable and adequate revenue streams to support their programming. Often times nonprofit organizations find their revenue streams shaped by forces outside their control: federal program budgets; public agency rulings on reimbursement rates or covered services; and decisions by charitable philanthropy and private donors. These realities can place a lower ceiling on what organizations are able to pay frontline staff compared to organizational values or market wage rates. As a result, many different types of nonprofit organizations, in Seattle and nationally, pay critical program staff at hourly rates near or below \$15 per hour.

Higher minimum wage rates, while consistent with the social justice missions of many nonprofits, may pose significant challenges to nonprofits because of limited options for increasing revenues. Yet, the impact of higher minimum wage rates on nonprofit organizations have been a less prominent feature of the local and national public discussion about such policies.

This report uses survey and in-depth interview data with more than 125 local nonprofit organizations to explore how Seattle's nonprofit organizations are responding to initial phase-in of the minimum wage ordinance. The first wave of a panel survey of employers in the City of Seattle initially included 421 nonprofits in a screening survey, of which 138 reported employing staff in the City of Seattle earning less than \$15 an hour. Of those 138 nonprofit organizations with staff earning less than \$15 an hour, 101 completed the Wave 1 survey between March and May 2015. A second survey was completed with 89 of the 101 nonprofit survey respondents between June and September 2016. Complementing these survey data were in-depth interviews completed between March and June 2016 with 29 executive directors or senior leaders from Seattle nonprofit organizations. Combined, survey and in-depth interview respondents represent a wide array of nonprofits employing low-wage workers in the City of Seattle.

Nonprofits interviewed are broadly supportive of the minimum wage ordinance, but many report it creates challenges for their business models. A number of important findings emerge from analyses of these survey and interview data:

- A large share of nonprofit organizations initially contacted to participate in this study (246 out of 421) did not have low-wage workers earning less than \$15 an hour at the time the ordinance took effect.
- Most nonprofits participating in the study who had low-wage workers did not report significant changes to programs, services, or target client populations at this time solely because of the minimum wage ordinance.
- While a majority of respondents reported little or no difficulty understanding the four-part wage schedule, about one-third reported difficulties implementing or incorrect understanding of the applicable wages. Nonprofits report responding to the ordinance primarily by raising wages of staff earning near minimum wage. A small share of nonprofits interviewed are contemplating, but not yet enacting, changes to services or programs as possible responses to the higher minimum wage.
- Nonprofit leaders interviewed express doubt that the higher minimum wage will lead to improved morale and productivity among low-wage workers.
- Many nonprofits report seeking additional sources of revenue or increases in funding from existing sources of support.
- To date, the vast majority of nonprofits interviewed do not appear to be considering relocation or withdrawing services from the City of Seattle because of the higher minimum wage.

There are many reasons why the minimum wage ordinance may not have resulted in dramatic changes to staffing and business operations of nonprofit organizations when this study was in the field. Survey data show that the vast majority of nonprofit sector low-wage employees were near or above the City of Seattle minimum wage rates that into effect in April 2015 and at the next step-up in January 2016. Moreover, the minimum wage is just one of many policy-related forces currently shaping nonprofit operations. Changes to reimbursement rate setting, implementation of the Affordable Care Act, rising health insurance costs for staff, compliance with the Seattle paid sick leave law, and potential changes to federal overtime regulations complicate the business models of nonprofit organizations.

Despite these conclusions, we believe that the nonprofit response to the minimum wage ordinance is still unfolding and evolving. Many nonprofit organizations may be waiting to see the longer-term implications of the minimum wage ordinance for the broader labor market, and nonprofit sector specifically, before making any significant decisions or changes. Strategic planning around changes to staff compensation, particularly in light of the current uncertainty around future public funding of programs, is a time-intensive process. Some of the more significant potential responses to the higher minimum wage – relocation, shifting program or client focus – entail a fair degree of uncertainty and could have unforeseen downstream consequences. Finally, because the nonprofit sector is quite varied, organizational responses to the minimum wage ordinance should vary as well. While the impact of the law may be felt more directly by nonprofit organizations with large numbers or a large proportion of low-wage workers, nonprofit responses may be shaped by the degree to which organizations have access to diversified and flexible revenue streams with growth potential.

INTRODUCTION

Nonprofit organizations play an important role in American society. There are over 1.5 million tax-exempt organizations registered with the Internal Revenue Service (IRS), which include public charities, private foundations, and other types of nonprofits such as chambers of commerce and civic leagues. Nonprofits contribute over \$900 billion to the U.S. economy a year and are incredibly diverse in their characteristics including size, mission, activities, board and management styles, staffing, and revenue sources.² The City of Seattle itself has over 1,800 registered nonprofit organizations that provide a wide range of important programs and services that span the arts, health care, education, human services and other activities. Many nonprofit organizations in Seattle promote social justice through programming focused on improving the well-being of vulnerable populations. Nonprofit organizations in Seattle also pursue advocacy and public education work intended to strengthen communities and provide voice to these underrepresented population subgroups.

Yet, nonprofits can face challenges securing predictable and adequate revenue streams to support their programming. Often times nonprofit organizations find their revenue streams shaped by forces outside their control: federal program budgets; public agency rulings on reimbursement rates or covered services; and decisions by charitable philanthropy and private donors. These realities can place a lower ceiling on what organizations are able to pay frontline staff compared to organizational values or market wage rates.³ As a result, many different types of nonprofit organizations, in Seattle and nationally, pay critical program staff at hourly rates near or below \$15 per hour.⁴

Higher minimum wage rates, while consistent with the social justice missions of many nonprofits, may pose significant challenges to nonprofits. The impact of higher minimum wage rates on nonprofit organizations, however, has been a less prominent feature of local and national discussion about such policies. To our knowledge, there is no published research on the impact of minimum wage rates on nonprofit organizations. To fill this gap, this report discusses the potential pathways through which higher minimum wage rates may affect nonprofit operations and service delivery.

Facing fiscal pressures and rising operating costs, we hypothesize nonprofit service organizations may pursue one or more response strategies to a higher minimum wage. In addition to reductions in staffing or hours, nonprofits may cut back on scope of services offered, scale back geographic service areas, or favor clients that can afford higher fees. Such responses could reduce the availability or quality of the services provided to vulnerable populations. For example, elderly populations on fixed incomes may have fewer options for home care. Working poor parents may find higher childcare costs prohibitively expensive. Employment service organizations may find it harder to place jobseekers in jobs due to more competitive applicant pools.

At the same time, it is important to note that higher minimum wages could have positive consequences for nonprofit staffing and capacity. Higher wages could reduce employee turnover and increase staff morale and productivity. Organizations may not have to grapple with the contradiction of serving low-

² See McKeever, Brice. "The Nonprofit Sector in Brief 2015: Public Charities, Giving, and Volunteering." 2015. Urban Institute. <http://www.urban.org/research/publication/nonprofit-sector-brief-2015-public-charities-giving-and-volunteering>.

³ For additional reading on trends in the nonprofit sector, see *The State of Nonprofit America*, ed. Lester M. Salamon, Brookings Institution Press, 2012.

⁴ Butler, A. "Wages in the Nonprofit Sector: healthcare, Personal Care, and Social Service Occupations." 2009. U.S. Bureau of Labor Statistics. <https://www.bls.gov/opub/mlr/cwc/wages-in-the-nonprofit-sector-healthcare-personal-care-and-social-service-occupations.pdf>

income persons, but paying staff modest wages. If the minimum wage leads to higher income for many workers, there will be fewer families needing services.

Increases in the local minimum wage are occurring at the same time many nonprofit service organizations confront a number of other factors that complicate strategic planning and service provision. For example, many nonprofits operate on relatively fixed revenue streams that have not kept pace with rising costs.⁵ Given current federal budget conversations, many expect nonprofits could experience cuts to federal program funding in the coming years. Higher labor costs due to the minimum wage ordinance may complicate the work of nonprofits to respond to these realities of their external environment.

In consultation with the City of Seattle and Seattle nonprofit advocates, the Minimum Wage Study conducted research to explore how Seattle's nonprofit organizations are responding to initial phase-ins of the minimum wage ordinance. Specifically, this report examines survey and in-depth interview data with more than 125 local nonprofit organizations gathered in the 18 months following the April 1, 2015 phase-in of the local minimum wage ordinance. Findings reported here provide insight into the possible pathways through which nonprofits may respond to higher minimum wage rates but do not provide an empirical estimate of the specific impact of the minimum wage ordinance on nonprofit hiring or business strategy.

DATA SOURCES

Despite the relevance of minimum wage laws to nonprofit organizations, there are no existing data sources that can provide insight into the how the Seattle minimum wage ordinance may affect the nonprofit sector. For example, the most common source of information about nonprofit organizations – the Internal Revenue Service 990 Tax-exempt Status Form – does not contain information about staffing, wages, and business practice necessary to consider the impact of local minimum wage ordinances. Nor are there annual surveys of Puget Sound nonprofits relevant to questions about the Seattle minimum wage ordinance.

To generate insight into how nonprofit organizations may be responding to the higher minimum wage, this project collected survey and in-depth interview data with more than 125 local nonprofit organizations believed most likely to have low-wage employees in Seattle and thus subject to the ordinance. These data were gathered in the 18 months following the April 1, 2015 phase-in of the local minimum wage ordinance and represent one of the most carefully designed research studies of nonprofit experiences with local minimum wage laws.

Survey of Seattle Nonprofit Organizations. Through a two-part strategy, our survey team contacted nearly one-quarter of the nonprofits in the City, including a large proportion of those nonprofits likely to be most affected by the higher minimum wage.⁶ Survey data reported here are from a hybrid sample of

⁵ See Allard, Scott W. *Out of Reach: Place, Poverty, and the New American Welfare State*. 2009. New Haven: Yale University Press; Smith, Steven Rathgeb. "Social Services." 2012. In *The State of the Nonprofit Sector*, edited by L. M. Salamon. Washington, D.C.: Brookings Institution Press; Smith, Steven Rathgeb, and Michael Lipsky. 1993. *Nonprofits for Hire*. Cambridge, MA: Harvard University Press.

⁶ Using data from the State of Washington Secretary of State, we estimate a total of 1,754 registered nonprofits in the City of Seattle who may have employed staff subject to the minimum wage ordinance at the time of 2015 survey. We exclude a number of organizations from this figure, including foundations, Parent Teacher Associations (PTAs), religious establishments, and youth sports leagues, which we expect not to have low-wage workers.

nonprofit organizations drawn from 1) a random sample of all business license holders in the City of Seattle, and 2) a purposive over-sample of providers in the human service sector. We selected an over-sample of human service providers because of those organizations commonly employ low-wage workers as frontline caregivers and office staff, making this sector particularly exposed to the effects of the ordinance.

The Minimum Wage Study conducted a two-wave panel survey of nonprofit organizations in the City of Seattle between March 2015 and September 2016. The first wave survey of nonprofits was conducted between March and May 2015 as part of a larger telephone and web survey of a representative sample of employers in Seattle and was drawn from a listing of all of City of Seattle business license holders. This initial sample of 3,780 business license holders included both for-profit and nonprofit organizations. Business license data do not provide information about for-profit or non-profit status, however, so it was not possible to know how many nonprofits and from which subsectors were in the sample until survey contact was made. To ensure enough representation of affected non-profits, the study also included an oversample of 335 nonprofit organizations operating in the health and human service sector built from several local community directories. Organizations were drawn from five specific service areas, where nonprofits were believed to be most likely to employ low-wage staff and where client populations may be most vulnerable to program cuts or changes (Basic Needs/Emergency Assistance, Education, Employment Assistance, Health Care, Mental Health Care).⁷ Figure 1 shows the sampling framework that generated the nonprofit survey sample at key stages of data collection.

[Figure 1 about here]

The Wave 1 survey occurred in two steps: 1) a brief screening survey completed between January and March 2015; and 2) a detailed survey about business practices completed between March and May 2015. The screening survey determined nonprofit or for-profit status and whether an employer had workers earning less than \$15 an hour in early 2015, among other information.⁸ Of the 3,780 randomly sampled employers selected from the City of Seattle business license directory, 124 firms self-identified as a nonprofit during the screener. Of the 335 nonprofit organizations in the oversample, 297 responded to the screening survey. Thus, the screening survey contains information on 421 nonprofit organizations total. To focus on organizations most likely to be subject to the minimum wage ordinance, we used the screening survey information to identify organizations where it appeared possible that paid staff were earning less than \$15 an hour. Of the 421 nonprofits in the screening survey, 175 organizations were thought to have paid staff earning less than \$15 an hour at the time the ordinance took effect and were then determined eligible to continue to the longer survey.⁹ Of the 175 organizations that participated in the detailed survey, it became apparent during the course of the survey that 37 did not have paid staff earning less than \$15 an hour. The final survey sample, therefore, included 138 nonprofits.

⁷ It is important to note that the decision to focus on health and human service nonprofits was made prior to contract arrangements with the city to study the experience of nonprofits with the minimum wage ordinance. The nonprofit oversample drawn from community directories was checked against business license data to ensure there were no duplicate entries in the survey sample. In addition, it is important to note that this sample was drawn before the Minimum Wage Study was approached by the City of Seattle to investigate the experience of nonprofit organizations with the minimum wage ordinance. See Warren, Z. "Occupational Employment in the Not-For-Profit Sector." 2008. Monthly Labor Review.

<https://www.bls.gov/opub/mlr/2008/11/art2full.pdf>

⁸ The screener asked for information about firm or organization size, whether for-profit firms were minority- or immigrant-owned, and information about a contact who could answer a longer survey about staffing and business practice.

⁹ In some cases, the initial respondent – often a receptionist in larger firms – did not know wage information, but completed other parts of the screener. These ambiguous cases were forwarded to the main survey to avoid accidentally missing employers of low-wage workers.

We present more detail about the Wave 1 final survey sample in Table 1 using North American Industry Classification System (NAICS) codes or information from community directories for those without NAICS codes.¹⁰ About half of the nonprofits surveyed (N=68) were from the health care, social assistance, or human service sectors. The remaining nonprofits come from a mix of other industry codes including the arts, educational services, public administration, and retail or wholesale trade.

[Table 1 about here]

Of the 138 nonprofits in the Wave 1 sample, 101 completed the long-form survey (response rate of 73%). The long-form survey asked respondents for baseline information about number of employees, number of locations in the City of Seattle, the wage distribution of staff, provision of workplace benefits, awareness and understanding of the minimum wage ordinance, and anticipated responses to the ordinance. The Wave 2 survey asked the same set of questions and was administered to these 101 nonprofit organizations between June and September 2016. Of the 101 nonprofits interviewed in Wave 1, 89 (88%) completed the Wave 2 survey. All survey work was conducted by the Social Development Research Group (SDRG) with supervision from Professors Scott W. Allard and Jennifer Romich of the University of Washington. Survey screeners and instruments were reviewed by the project team and community partners, and were pilot-tested prior to entering the field.

In addition to drawing nonprofit organizations from a variety of sub-sectors, the nonprofits participating in this study reflect organizations of varied size. Participating organizations ranged in size from very small (1 or 2 employees) to very large (more than 500). Two-thirds of nonprofit firms surveyed, however, had fewer than 50 employees, with about 40 percent indicating they had fewer than 20 employees (see Figure 2).

[Figure 2 about here]

Each survey took about 30 minutes to complete. Each survey captured information about changes in business practice, employment and staffing strategies, employee productivity and morale, benefits and compensation, provision of programs or services, and responses to the wage ordinance. The Wave 1 survey captured baseline information about nonprofit organizations at the time the ordinance was beginning implementation and anticipated responses to the ordinance. The Wave 2 survey captured any changes in baseline organizational characteristics and self-reported responses to the minimum wage in the 18 months following the first step-up.¹¹

In-Depth Interviews with Nonprofit Executives. The Minimum Wage Study also conducted in-depth interviews with executive directors and senior leadership of nonprofit organizations located in Seattle between March and June 2016.¹² Drawing on community directories, a sample of 44 nonprofit organizations was drawn and of the 44 nonprofits invited to participate, 29 organizations completed in-

¹⁰ NAICS codes are self-reported by organizations, but may reflect only a part of the organization's business or service delivery model. Not all nonprofits sampled could be linked to a NAICS code, but these organizations were drawn from human service directories and are coded appropriately.

¹¹ Survey results presented here are not weighted. Wave 1 surveys were completed by phone (14 participants) and over the internet (87 participants). Wave 2 surveys were completed mostly by phone (60 participants), with about a third of participants completing the survey via web (29 participants).

¹² We invited 44 nonprofit organizations to participate in the in-depth interview portion of the study. The majority of those who chose not to participate cited limited or no exposure to the ordinance.

depth interviews. In-depth interviews complement survey data and provide granular detail about the response to the minimum wage ordinance by nonprofit organizations. The sample of 29 nonprofit organizations interviewed reflected the diversity of the sector and focused on sub-sectors most likely affected by the ordinance: social services (employment; food assistance; housing and homelessness; programs for immigrants); health care services; services for the elderly and disabled; and arts and culture. Table 1 provides more information about the sample of 29 nonprofit organizations drawn for the in-depth interviews.

Interviews were semi-structured and an in-depth interview guide can be found in Appendix B. In-depth interviews were conducted by trained interviewers, shared with community partners in advance of going into the field, and pilot-tested. During the interview process, respondents discussed changes experienced or anticipated in the following areas: the price of sub-contracted labor; the price of goods or services; staffing levels or hours; health insurance or other employee benefits; services available; fees charged to clients or insurers; and, strategies for seeking funding. In-depth interview data also help illuminate how nonprofit executives understand the minimum wage ordinance, its implications for their workforce, and impact on service delivery or organizational practices.¹³

Data Limitations. It is important to note a few caveats before proceeding to a discussion of findings. First, this report provides insight into how nonprofit organizations understand and are responding to the Seattle minimum wage ordinance. Design and data limitations prevent precise assessment of wage ordinance impact on nonprofit employment levels, specific changes in compensation, and implications for budgets. Findings reported below from the two waves of survey data reflect self-reported responses of nonprofits who employed low-wage workers in the City of Seattle at the time the minimum wage ordinance took effect, rather than a reflection of the nonprofit sector overall. Thus, findings below should be read to reflect the understanding, responses, and strategic plans of nonprofits most likely to have staff subjected to the minimum wage ordinance.

Second, while we believe the findings here capture important opportunities and realities confronting nonprofit organizations as they respond to the higher local minimum wage, the nonprofit sector is diverse. Certain organizations or types of organizations may feel the impact of the ordinance more directly than other organizations. Due to concerns about confidentiality and anonymity, we present findings here in a manner that limits the ability of readers to identify subsectors or specific organizations.

Finally, this report can be a resource to help policymakers, nonprofit leaders, scholars, and advocates to further discussion about the development and implementation of local labor force regulation. As we note below, the impact of the minimum wage ordinance on Seattle nonprofits is still unfolding and we should expect the response of nonprofit organizations to shift in the coming years as the phase-in of higher hourly rates continues.

Limitations aside, we believe that the data findings discussed here present valuable insights into the experiences nonprofit organizations are having with the first step-ups in the minimum wage. Combined, survey respondents and in-depth interview respondents represent a wide array of nonprofits employing low-wage workers in the City of Seattle.

¹³ Interviews were completed by trained graduate research assistants at the Evans School of Public Policy and Governance with supervision from Professor Scott W. Allard.

UNDERSTANDING OF THE ORDINANCE

The Seattle minimum wage ordinance has phased in gradually for all employers in Seattle based on organizational size and the provision of health insurance. See Appendix A for a chart reflecting the phase-in. Given the potential complexity of the phase-in process, the Wave 1 survey in spring 2015 asked nonprofit leaders how difficult it was to understand and administratively comply with the ordinance. About one-third of respondents stated it was very or somewhat difficult to understand the ordinance. A similar share of nonprofits indicated it was very or somewhat difficult to understand the minimum wage rate that applied to staff in April 2015. Forty percent of nonprofits surveyed indicated it was very or somewhat difficult to comply with the recordkeeping and notification requirements entailed by the ordinance. See Figure 3 below for details.

[Figure 3 about here]

The Wave 1 survey also asked nonprofits, "based on your understanding of the Seattle Minimum Wage Ordinance, what is the minimum wage that you have to pay employees working in Seattle as of April 1, 2015?" Nearly three-quarters of nonprofits – 72.6 percent – reported their minimum wage level accurately based on where they were located in the ordinance phase-in calendar. Consistent with the results in Figure 2, however, a significant share of respondents had the impression that the Ordinance phased in at a higher wage level and on a quicker timetable than was actually the case. Over one in ten respondents – 13 percent – indicated the Ordinance required them to pay a \$15 per hour minimum wage as of April 1, 2015.

In-depth interviews completed in Wave 2, about one year after the ordinance took effect, suggest that most nonprofits have little enduring uncertainty about the minimum wage ordinance. For example, this segment of an interview with an executive from a small nonprofit reflected how most nonprofit organizations discussed their level of knowledge of the ordinance.

Interviewer: How familiar are you, or is your organization, with the ordinance?

Respondent: The organization, not so much. Myself and our HR director are aware.

Interviewer: OK. Do you know if you or the HR director reached out to the City for any help or clarification?

Respondent: No. The website was pretty clear, I think.

Interviewer: OK. Would you say that complying with the ordinance has been difficult or complicated?

Respondent: No.

Nevertheless, nonprofit executives were not always certain of where they sat in the phase-in schedule even a year after the ordinance took effect. The Wave 2 survey asked nonprofit leaders, "based on your understanding of the Seattle Minimum Wage Ordinance, what is the minimum wage that you have to pay employees working in Seattle as of April 1, 2016?" As was the case in Wave 1, about 70 percent of nonprofits reported their minimum wage level accurately. Almost one-third of nonprofits, however, still overestimated the wages they were required to pay employees (see Figure 4).

[Figure 4 about here]

Even though the City of Seattle has taken many steps to improve information available about the ordinance and to help employers understand their correct minimum wage rate, the City may reduce

uncertainty about future step-ups in the local minimum wage by providing additional employer education efforts, additional employee education and “know your rights” trainings, more intensive outreach to ensure compliance, and greater monitoring of employer compliance.

IMPRESSIONS OF THE ORDINANCE

Many nonprofits participating in the in-depth interviews explicitly stated their support for the social and economic justice goals of the minimum wage ordinance. In fact, several organizations disclosed that they had decided to raise staff salaries above new minimum wage levels well ahead of the April 2015 phase-in of the law. For example, an executive from a large nonprofit described the decision to move to \$15 in advance of the ordinance taking effect noting, “we wanted to get out ahead of \$15. We felt like it something – as a mission based decision, it just made sense to do it that way.” Another nonprofit echoed this approach, “we just decided to do it . . . go all the way to 15. So, no one earns below 15, most of the people are above 15. So, we're on board.” Similarly, an executive from a smaller nonprofit organization indicated, “we had been feeling for some time like we weren't paying enough. And this was a good reason [minimum wage ordinance], a kick in the pants to step it up and show people that we care about them.”

When discussing their support for the ordinance, however, many nonprofits also revealed tensions the higher minimum wage has created within their business or strategic planning. Nonprofit organizations, perhaps like many employers, reported feeling as if they had a difficult task of reconciling their organization's core values with the mandates of the organization's business model. An executive from a large local nonprofit simply stated, “I am 100% behind people making better wages, but it is a significant amount of money that I do not know how we are going to make up over a long period of time.” Another organization expressed similar concerns about their fiscal bottom line,

Whatever they [workers] can get paid, they deserve it. The only thing is, they [city government] can come up with these different workforce development initiatives and blah blah blah, but at the end of the day, it's like you know, 'R' minus 'E' equals what? Revenue minus expenses equals what? Going back, it's really that simple I think, and so we're experiencing external factors that impact our business model, impacts everybody's business model.

A respondent from an organization serving particularly vulnerable adults noted, “I really feel like my employees are doing some of the most important work that there is to be done for society. And that work has always been undervalued, and I'm really happy about the \$15 an hour minimum wage, even though it's putting the squeeze on us. You know, when you have a [reimbursement rate] for something that doesn't go up for 6 years.”

An exchange with a longstanding area nonprofit organization similarly captures the tensions faced by many working to advance social justice. The executive described the decision made about hourly wage rates for workers in the city versus in the suburbs, “And, I want to say that, one thing that was kind of a dilemma for us and that [organization] has long stood for fair wages . . . our [founders] were very much into social justice and the rights of the poor and that kind of thing.” Employees in suburban sites are not subject to the wage ordinance, which has led to staff doing the same work to be paid on different schedules in locations. This led to some internal tensions about how to set wage rates across the organization, “the truth of the matter is, a lot of our staff people are [in low-wage jobs] . . . and so we had

to kind of, we had to kind of, grapple with that a little bit. Because, we would have liked to have raised everyone's rates."

To capture whether nonprofits had expressed their opinions and impressions of the minimum wage ordinance with public leaders, the Wave 2 survey asked if they had communicated with elected officials or government agency staff about the ordinance. One in five nonprofit organizations indicated they had communicated with elected officials or government agencies regarding the impact of a higher minimum wage on their organization or the nonprofit sector. Nonprofits most frequently reported speaking with the mayor's office, members of the City Council, and City of Seattle agencies, although nonprofits also reported to reaching out to elected representatives of the state legislature or state administrative agencies.

IMPLICATIONS OF THE MINIMUM WAGE ORDINANCE FOR NONPROFITS

The baseline survey assessed nonprofit employers' exposure to the wage ordinance in two ways. First, respondents were asked about the number of workers earning less than \$11 an hour, who in most cases would need a raise in order to comply with the law. Second, non-profits also reported the share of their workforce earning between \$11 and \$15 per hour, those likely to be affected by wage compression in the short-run and by increases in the ordinance wage floor over the next few years. At baseline, nearly 64 percent of the employees in the nonprofits surveyed were earning \$15 or more per hour. Less than 10 percent of employees in those nonprofits were earning less than \$11 an hour at the time the law went into effect (see Figure 5).

[Figure 5 about here]

While these findings at first glance may suggest that nonprofit organizations did not have employees subject to the higher minimum wage, we note that many organizations and firms increased wages in advance of the law taking effect in April 2015.¹⁴ As a result, our baseline survey data may not accurately capture the percentage of nonprofits with hourly employees below \$11 *at the time the ordinance was passed* in June 2014.

A year later, nearly 74 percent of nonprofit employees in organizations surveyed at Wave 2 were earning \$15 an hour or more (see Figure 6). The large majority of the remaining staff at surveyed nonprofits in Wave 2 were earning between \$12 and \$14.99 an hour, consistent with the requirements of the ordinance at that time.

[Figure 6 about here]

Nonprofit organizations could respond to higher minimum wages in a variety of ways, including shifting hiring practices, reducing staffing or hours, or modifying employee benefit packages. Organizations could also shift their underlying business models by providing a different mix of services or programs, focusing on different client populations, seeking new revenue sources, or moving to locations outside the city. At the same time, organizations could experience benefits of the law through lower turnover, higher

¹⁴ The Seattle Minimum Wage Study Team. 2016. *Report on Baseline Employer Survey and Worker Interviews*. Seattle. University of Washington; The Seattle Minimum Wage Study Team. 2016. *Report on the Impact of Seattle's Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015*. Seattle. University of Washington.

productivity, or improved staff morale. Finally, the law might lead to nonprofits changing services and programs offered to their client populations. Of particular interest is the degree to which organizations are rethinking location, revenue sources, and service provision.

This section compares baseline information about nonprofit organizations and their anticipated responses to the minimum wage in Wave 1 of the survey in spring 2015 to comparable information from the Wave 2 survey completed more than one year later.¹⁵ Quotes and narratives from in-depth interviews provide important context, texture, and detail around these survey responses.

Increasing Wage Rates in Response to Ordinance. Consistent with evidence from WA State Employment Security Department data, the vast majority of nonprofits with low-wage workers have increased wages in response to the minimum wage ordinance and continue to plan to increase wages as the step-ups continue.¹⁶ Roughly 80 percent of nonprofits interviewed in Waves 1 and 2 indicated they had raised wages or planned to raise wages in response to the ordinance. Similarly, there is evidence that a majority of nonprofits are raising wages for staff just above the new minimum wage floors. Nearly two-thirds of nonprofits indicated they had or planned to raise hourly wages of employees with wage rates just above the new minimum wage.

As the ordinance phased in, the few nonprofits that did not plan to raise wages initially later reported having to do so. Of the small number of nonprofits surveyed in Wave 1 that did not plan to raise wages for minimum wage employees in Spring 2015, nearly all reported they had or were planning to raise wages by Wave 2 of the survey.

Increased wages, however, may be only partly attributable to the minimum wage ordinance. Many nonprofit organizations described the upward pressure that the scarcity of qualified job applicants can place on wages. An executive from a large health and human service nonprofit used the term “serious wage aggression,” to describe the recent results of heightened competition for job applicants. Another described how real or rumored pay exceeding \$15 an hour at other comparable organizations created pressure to match and the possibility of employee dissatisfaction when that match isn’t made, “the shortage, supply and demand. If there's less people to pull from than the only way organizations, companies can attract by raising [the wage]. Show me the money.” This executive went on, “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?” Another executive noted, “we worked hard to make a wage change that exceeded the minimum wage law for 2016 in hopes that it would help us recruit more people, but it’s just, I would say we haven’t seen any difference. You know, it’s really been about the same.”

¹⁵ The hybrid design of our sample - which combines a randomly-chosen group of nonprofits across all sectors plus a targeted group of human services providers - precludes easily generalizable rules about statistical significance. Instead, we see the value of this evidence as illuminating the multiple pathways whereby nonprofit organizations are adjusting to the minimum wage ordinance. As appropriate, we report differences between the 2015 and 2016 survey waves, but we do not assign statistical significance to these differences. For survey items discussed in this report, none of the between-wave differences attain statistical significance under the standard assumptions of a randomly drawn sample (which would require differences greater than 14 percentage points for our sample size). We leave the reader to decide whether the prima facie differences are relevant to their policy or practice interests (i.e., “clinically significant”).

¹⁶ The Seattle Minimum Wage Study Team. 2016. *Report on the Impact of Seattle’s Minimum Wage Ordinance on Wages, Workers, Jobs, and Establishments Through 2015*. Seattle. University of Washington.

Wage Compression, Morale, and Productivity. Nonprofit executives also indicated they were thinking closely about issues of wage compression as the ordinance has phased in. A large local nonprofit noted, “the middle of the pay scale has suffered a little bit,” as they raised all entry-level positions to \$15 an hour. Similarly, an executive noted that the higher minimum meant higher wages for other staff, “we advanced everybody. And it’s not easy – I mean, it’s not easy for us to do that. It’s a core value that we felt like we really needed to address that concern for our lowest paid staff.”

One large organization with many staff earning just above the new mandated minimum wage levels described their work to address compression,

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.

Another nonprofit executive described the challenges posed by staff concerns about wage compression,

We’re trying to catch up with all the changes in terms of budgeting and the pay-scale structure. Everything that we will look into, because by changing the minimum wages is upsetting other groups as well. Others like . . . we call it more skilled workers. They might be a [more skilled job type], things like that. So right now, we still have some gap between those with [less skilled job types], but the minimum is catching up and we need to do something, because otherwise it’s getting too close and they [more skilled workers] will go somewhere else. They always complain it’s not fair to them.

Similarly, most nonprofits do not report morale improving among low-wage workers. Both surveys asked about anticipated changes in employee morale or productivity among the lowest paid workers due to the new minimum wage policy. In Wave 2, however, only 37.1 percent of nonprofits indicated that morale definitely would or probably would increase among the lowest paid workers following the new minimum wage policy. Nonprofit executives also are less certain of increased productivity among the lowest paid workers due to higher minimum wages, as only about one-quarter of nonprofits in Wave 2 indicated that productivity would definitely or probably increase.

Hiring and Turnover. To assess how much turnover occurred within nonprofits before and after the ordinance took effect, each survey wave asked nonprofits to report the number of employees hired, quit, laid off, recalled from layoff, and discharged in the last 12 months. Data on hiring, quits, and layoffs for Waves 1 and 2 suggest nonprofit staffing experiences a substantial level of turnover during the course of a year. For example, in Wave 1 the average nonprofit had hired or recalled from layoff 27.3 percent of staff employed at the time of the survey in the previous 12 months. The total number of quits, discharges, and layoffs in the previous 12 months was equivalent to 26.9 percent of staff for the average nonprofit. Figures for hiring and turnover were nearly identical for Wave 2. In Wave 2, the average nonprofit had hired or recalled from layoff 27.8 percent of staff employed at the time of the survey in the previous 12 months. The total number of quits, discharges, and layoffs in the previous 12 months was equivalent to 25.9 percent of staff for the average nonprofit in Wave 2.

When asked about the direct impact of the ordinance on staffing levels, the vast majority of nonprofits interviewed said the ordinance had not affected their staffing levels to date. While most nonprofits did not indicate the higher minimum wage had led them to reduce the size of their workforce, a small number of nonprofit executives discussed how they were coping with higher labor costs in part by freezing the number of staff. One nonprofit noted, “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.”

In-depth interviews highlighted the tight labor market as an important factor shaping hiring in the nonprofit sector and one present prior to the phase-in of the minimum wage ordinance. Respondents discussed how difficult it is for nonprofit organizations, perhaps like all employers in Seattle, to find qualified applicants. One executive summed up the experience that many others likewise reported, “[we’re] definitely getting fewer applicants, and that’s just a product of a hot job market.” Another pointed out, “there’s more people looking to hire than I think job seekers. I think again it goes back to some of the positions, but even for the entry positions I feel like you’re just competing with everybody.”

Competition for qualified applicants may be tighter in the wake of the minimum wage ordinance, although it is not possible to gauge this through survey data. One respondent noted that their starting pay today matched that of mass retailers, but “five years ago, we had a much higher hourly rate than somebody working at [national retailer].” Similarly, another executive complained, “what we’ve seen is a significant decrease in the amount of applicants. Because, from my office right across the street is a [fast food chain], and they have a sign on their door. They start at \$13.50.” Whereas nonprofit work may have paid better than retail, fast food, or accommodations in the past, those earnings differences are perceived to have been dramatically reduced by the minimum wage ordinance. A large health and human service nonprofit executive commented that the rising minimum wage, “has forced me to really think about our local market and who we compete with, who we lose staff to, and where do we get our staff.”

Staff turnover was a commonly cited challenge facing nonprofit organizations, but one that existed well before the increase in the minimum wage. Many executives suggested that workers are moving more often between lower wage positions. In part, this is a reality of the labor market and not one driven by the minimum wage ordinance. Higher minimum wages, however, may make it easier for workers to job-shop. As one nonprofit executive noted, “I think we see people staying in these positions for shorter periods of time, then so the positions tend to turn over more frequently and take longer to fill now. And so that’s a trend we saw before the minimum wage change in 2016, and it’s one we continue to see now.” A multi-site nonprofit reported, “Our Seattle turnover is the lowest of all of our cities.” A large regional nonprofit similarly expressed human resource efforts “to only hire people that show job stability.”

Complicating matters, many nonprofit organizations – again like other employers in the city – invoke the higher cost of living in Seattle as a key to understanding the scarcity of qualified job applicants. One respondent observed, “I don’t think it’s the availability of jobs that’s changing, I think it’s the availability of housing that’s changing. And then the question about proximity, and if you’re trying to get people into a stable, long-term situation, ideally you’d look closer to where you work, right? It’s less expensive and it’s, you know, it’s more doable.”

Little Changes to Employee Benefits. The surveys also asked if nonprofits provided any of the following employee benefits: health insurance for the employee; health insurance for the employee’s spouse, domestic partner, or dependents; paid sick leave; paid vacation leave; paid holidays; undesigned leave

or universal “paid time off” (PTO); and contributions to a retirement or pension plan (401k, 403b, etc.). Of these benefits, health insurance for the employee, paid holidays, paid sick leave, and paid vacation leave are the most common offered benefits (see Figure 7 below). The least common benefits offered included undesignated leave or universal “paid time off” (PTO) and health insurance for the employee’s spouse, domestic partner, or dependent. About two-thirds of nonprofits interviewed offered five or more of these benefits to employees. Only 9 percent of nonprofits surveyed indicated they provided none of the seven benefits to staff.

[Figure 7 about here]

Although we do not report comparable data from Wave 1, there was no evidence of significant changes in the share of nonprofits providing various benefits after the minimum wage ordinance took effect. In the early stages of the ordinance phase-in, therefore, it does not appear that nonprofits are shifting the benefits packages for employees. The reason why nonprofits do not appear to be reducing benefits in the context of higher minimum wages may be relatively straightforward. Benefits are a key feature of job quality and often distinguish nonprofits from other low-wage employers. Thus, provision of more or more generous benefits may allow nonprofits to be more competitive in a labor market where wages are rising across different types of low-wage firms. One executive pointed to this explicitly, noting that the robust package of benefits provided by his organization may be responsible for lower rates of turnover than otherwise would be expected, noting that “employees who have jobs that might be lower on the pay scale, you often assume that they’re going to go take something else...but if they have great benefits, a good pension plan, decent wage – some of them never move on!”

Changes in Workforce and Use of More Volunteers. To assess whether nonprofits make changes to their staff or workforce in response to the ordinance, each wave of the survey asked executives to indicate whether they had or intended to reduce the number of employees, contract out work currently provided in-house, or use more volunteers in response to the minimum wage. Results are presented in Figure 8. The first panel suggests that very few nonprofits surveyed in Waves 1 or 2 had reduced staffing levels in response to the minimum wage. About 1 in 10 nonprofits in each wave reported that they planned to reduce staffing in the future. When reductions in staffing were discussed, however, survey data and in-depth interviews suggest that these reductions in staffing are not large in most instances.

[Figure 8 about here]

Very few organizations reported contracting out work more frequently because of the ordinance, likely because most of the work occurring in these organizations happens on-site. Volunteers can play a significant role within nonprofits, particularly within organizations that provide basic services and have limited program revenues. About 1 in 3 nonprofits in each wave indicated that they are using or plan to use more volunteers because of the ordinance.

Concern about Potential Consequences for Workers and Jobseekers. For staff or clients receiving subsidized housing, childcare, or food assistance, the higher minimum wage creates concerns about maintaining income eligibility for those work supports. For low-wage workers, the higher minimum wage may lead to higher work earnings, which then can bring households closer to or above income eligibility

cutoffs for public assistance programs.¹⁷ Nonprofit organizations interviewed provided several examples of staff choosing to scale back hours to avoid compromising eligibility and losing program benefits.

An executive from a large multi-site nonprofit in Seattle described the dilemma that phase-outs of benefits present to some of their low-wage workers,

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.'

These reports from employers dovetail with previously documented concerns raised by Seattle workers likely to receive raises because of the minimum wage ordinance.¹⁸

Similarly, nonprofit organizations that employ or assist job seekers on Social Security Disability Insurance (SSDI) noted that the higher minimum wage brings those workers closer to the earnings limits. One executive's observations were echoed by several others, "I think that we're going to have more people [on SSDI] who are going to want to drop to four days a week who are full time right now, just because they don't want to go over those income limits that we were talking about for Social Security." While the focus here is on the earnings and benefits of the worker, the executive then went on to talk about how that reality may affected their staffing internally, "that may push us to try to find more part-time people, which we don't have all the positions filled now."

Modest Initial Modification of Programs or Services. Each survey also asked nonprofits about whether they intended to make changes to programs currently offered, changes in the scope of services offered, or changes to client populations served because of the minimum wage ordinance. It may be that nonprofits modify or phase-out program components where funding does not meet rising labor costs. It also may be that nonprofits seek a different mix of clients in order to generate additional revenue. Findings reported in Figure 9 below suggest nonprofits in our study have made very few changes to client services in the early stages of the ordinance phase-in. In Waves 1 and 2, very few nonprofits indicated they had modified programs or services offered in response to the higher ordinance. Less than 1 in 5 nonprofits indicated they had plans to change the scope of services offered at the time the ordinance went into effect. Neither survey nor interview data suggested that large numbers of organizations had shifted or would be shifting their client focus in the near-term in response to the minimum wage ordinance.

It may be the case, however, that changes in service provision will occur in future years. This is particularly important to consider given that nonprofit organizations interviewed work with some of the most vulnerable populations in the city; about 60 percent of nonprofit respondents indicated serving low-

¹⁷Researchers and policy analysts refer to the phenomenon of means-tested benefits reducing as earnings increase as "marginal tax rates." Marginal tax rates reflect the program benefit income or subsidy dollar amount lost for every additional dollar earned. Because many low-wage workers with dependent children qualify for tax credits and means-tested benefits, increases in the minimum wage are likely to trigger reductions in these sources of support. See also Holt, Stephen D. and Jennifer L. Romich. 2007. "Marginal Tax Rates Facing Low- and Moderate-Income Workers Who Participate in Means-Tested Transfer Programs." *National Tax Journal*, 60(2): 253-76.

¹⁸ The Seattle Minimum Wage Study Team. 2016. *Report on Baseline Employer Survey and Worker Interviews*. Seattle. University of Washington

income clients and about one-third reported serving clients living with disabilities. One executive described strategic planning considerations echoed in several interviews with nonprofits. Her organization was evaluating the possibility of withdrawing from one area of programming because labor costs have escalated and reimbursements or contracts have not kept pace. In turn, her organization is expanding into other areas where the revenues and expenditures net out more favorably. Another nonprofit organization talked about the “possibility” of reducing services because of higher labor costs due to the rising minimum wage.

[Figure 9 about here]

Little Change in Site Locations. Rather than make changes to services or programs, it is possible nonprofits could instead shift where they are located and provide services. In particular, there is the concern that Seattle-based nonprofits may either reduce their presence in the city or relocate outside the city altogether. Roughly three-quarters of Seattle nonprofits surveyed indicated they served customers or clients at a Seattle place of business (See Figure 10). Nearly half of nonprofits in each wave report providing services to customers or clients located in Seattle locations. About one-third serve clients outside of Seattle and a similar percentage report having offices or satellite locations outside of Seattle. Although these data were collected in the 18 months following phase-in of the ordinance, we see little change in the location of nonprofit services or office locations over the first year the ordinance was in effect.

[Figure 10 about here]

No organizations interviewed reported an immediate decision to move or relocate. Some nonprofits, however, appear to be keeping that option open as they think and plan. Such considerations, however, are driven by many concerns, of which labor costs are only one. An executive from a large local nonprofit explained how higher wages and higher rents may shape the location of future sites, “we may have to go back to the numbers. If you look at the business side . . . for opening a facility . . . between that [higher minimum wage] and the rent, but it does become such a much larger component that it does make it harder to make the case that we can make money.”

Another organization discussed their commitment to the city, but pressure from their board to move,

When we talked about the board, I think the board probably has said, you know, ‘Why are we still there?’ But there’s a reason why we’re here, and [colleague] mentioned it already, which is even though we’ve added other processes, redundant processes, we still need to be able to keep up with the demands of [stakeholders], we still need this location to be here.

Rethinking Revenue Sources. The revenue sources of nonprofit organizations may be key to understanding responses to the minimum wage ordinance. Certain revenue streams are more easily adjusted or increased to reflect rising costs of labor. Other sources of revenue may offer nonprofit organizations little choice or control. Both waves of the survey asked nonprofits about key revenue sources received in the last year, although there were no significant changes in revenue sources between the waves. Figure 11 below presents responses from the Wave 2 survey. As shown, the majority of organizations receive funding from foundations, corporate support, philanthropic organizations, non-governmental agencies as well as governmental sources. Less than half of respondents (40.5 percent) received funding through grants or contracts from the City of Seattle.

[Figure 11 about here]

Most of the agencies or organizations funding local nonprofits do not appear to have increased grant or contract amounts substantially to date to account for the higher local minimum wage. As one executive put it, “the problem being for the non-profit is that your funding source is not acknowledging that [minimum wage ordinance] and supporting it.”

Many nonprofits report efforts to locate additional sources of revenue to cover higher human resource costs due to the minimum wage. Roughly one-third of nonprofits in each wave reported that they had raised or were planning to raise prices for services delivered in response to the higher minimum wage. Approximately half of nonprofits in each wave indicated they had or were planning to request additional resources from current funders (see Figure 12). Many nonprofits mentioned seeking help specifically from public agencies to increase grants, contracts, or reimbursement rates to reflect the costs imposed by the higher minimum wage. A large health and human service nonprofit described how they presented the State of Washington Department of Social and Health Services (DSHS) with projections for how the increased minimum wage would force them to reduce services to a particularly vulnerable population subgroup. DSHS weighed the projections and agreed to increase contract rates to adjust for the higher wage cost. Similarly, other nonprofits mentioned working with unions to help renegotiate contracts and reimbursement rates with state or local agencies.

The City of Seattle Human Services Department has allocated funds to help nonprofits offset the higher cost of labor due to the minimum wage. Nonprofits with active city contracts recognized such efforts. For example, one executive noted that, “our City of Seattle contracts . . . they have been also not only open to conversation, but you know, will reimburse us. [The City] will put more money into contracts where we’ve had an impact on wages for our own employees.” At the time of the Wave 2 survey, however, only about 26.3 percent of nonprofit organizations who reported receiving funding from the city’s Human Services Department also reported knowledge of such mitigation funds. Very few reported securing additional funding from this source. We hypothesize that organizations eligible for these mitigation funds were still in the process of learning about this opportunity at the time the of the Wave 2 survey and expect there to be greater awareness of these funds over time.

Similarly, about half of all nonprofits in each wave report making or planning to make changes to fundraising efforts in response to the ordinance (see Figure 12). Given the challenges of securing consistent and predictable funding, many nonprofit organizations report efforts to diversify or broaden their revenue streams regardless of the impact of higher minimum wage rates. One nonprofit discussed plans to expand its portfolio of programming to include new programs targeted at youth, “because corporate as well as government funders are really interested in youth programs.” About half of nonprofits surveyed also indicated they had or would request additional resources from external donors and funders in relationship to the impact of the minimum wage. For example, when asked about the impact of the minimum wage on fundraising strategies, another nonprofit executive mentioned a new focus on engaging private donors, “we’ve been going after major donors more with greater dedication, and trying to cultivate a greater base of major donors.” Upon reflection, however, the executive noted, “but that’s not entirely relevant to this conversation [about the minimum wage], I don’t think.” It may be that the local wage ordinance provides a compelling frame for fundraising campaigns, even if nonprofits are still uncertain about the impact of the ordinance in the long run.

[Figure 12 about here]

POSSIBILITIES FOR FUTURE NONPROFIT RESPONSE

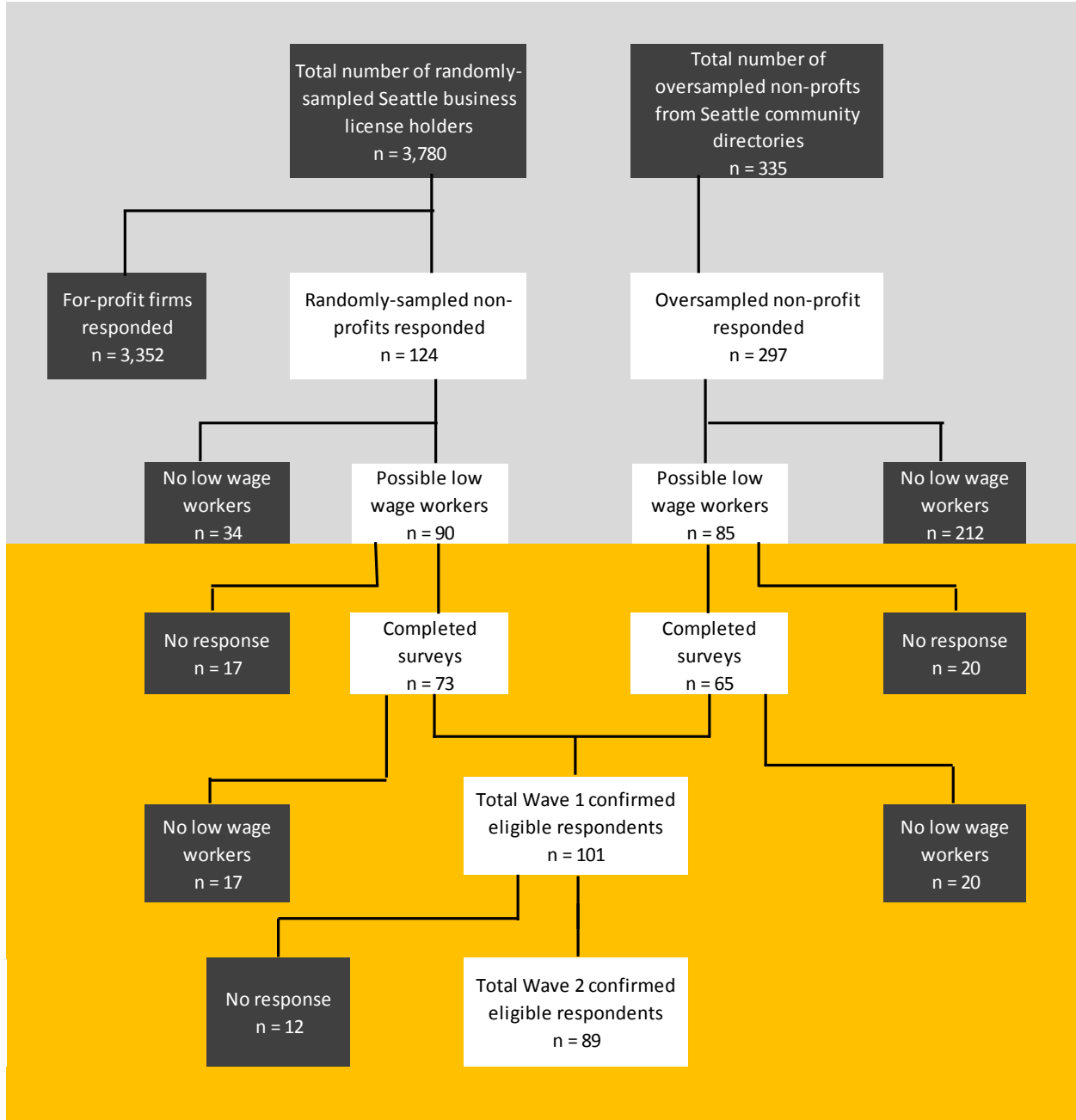
Nonprofit organizations made mention of many different strategic responses to the Seattle minimum wage ordinance. As we have seen in the analyses presented above, most nonprofits have increased hourly wages for staff and many expect to continue to do so. Several mentioned efforts to manage wage compression issues for those staff just above the new minimum wage rates. Our data to date provide no consistent evidence that the minimum wage ordinance has led to significant decreases in staffing or employment across nonprofits participating in this study. Very few organizations reported other drastic changes, such as relocating their operations or changing their service mission, in connection with the minimum wage ordinance.

It is important to note, however, that the nonprofit response to the minimum wage ordinance is still unfolding and evolving. As one respondent indicated, “I think that we’re so early in this process; it must be really hard for you to gauge the effects because it’s so early. I think in subsequent years it may be easier to measure.” There are many reasons why the minimum wage ordinance may not have resulted in dramatic changes to staffing and business operations of Seattle nonprofit organizations when this study was in the field. Our survey data show that the vast majority of nonprofit sector low-wage employees were near or above the City of Seattle minimum wage rates that into effect in April 2015 and at the next step-up in January 2016. Initial compliance with the law may not have been difficult for many nonprofit organizations, but it remains possible that nonprofits will face a different set of challenges as they adjust to even higher minimum wage rates in the future. Moreover, the minimum wage appears to be just one of many contemporary structural or policy-related forces currently shaping operating costs and revenue streams: changes to reimbursement rate setting; implementation of the Affordable Care Act; rising health insurance costs for staff; compliance with the Seattle paid sick and safe time law, and potential changes to federal overtime regulations.

Second, the strategic planning required for major changes in nonprofits organizations takes time. Trends in the local labor market and in funding streams often shape hiring, compensation, and programmatic decisions. Thus, many nonprofit organizations may be waiting to see the longer-term implications of the minimum wage ordinance for the broader labor market, and nonprofit sector specifically, before making any significant decisions or changes. Interviews were completed before the 2016 election, but it is reasonable to presume many nonprofit organizations are now concerned with whether government program funding will be cut in the coming year. Again, however, there is a lot of uncertainty about what changes to federal or state spending may occur, which makes it difficult for organizations to anticipate precisely how they may respond to higher human resource costs. Many of the more significant potential responses to the higher minimum wage – relocation, shifting program or client focus – themselves entail a degree of risk-taking and uncertainty because fundamental changes in operations could have unforeseen downstream consequences.

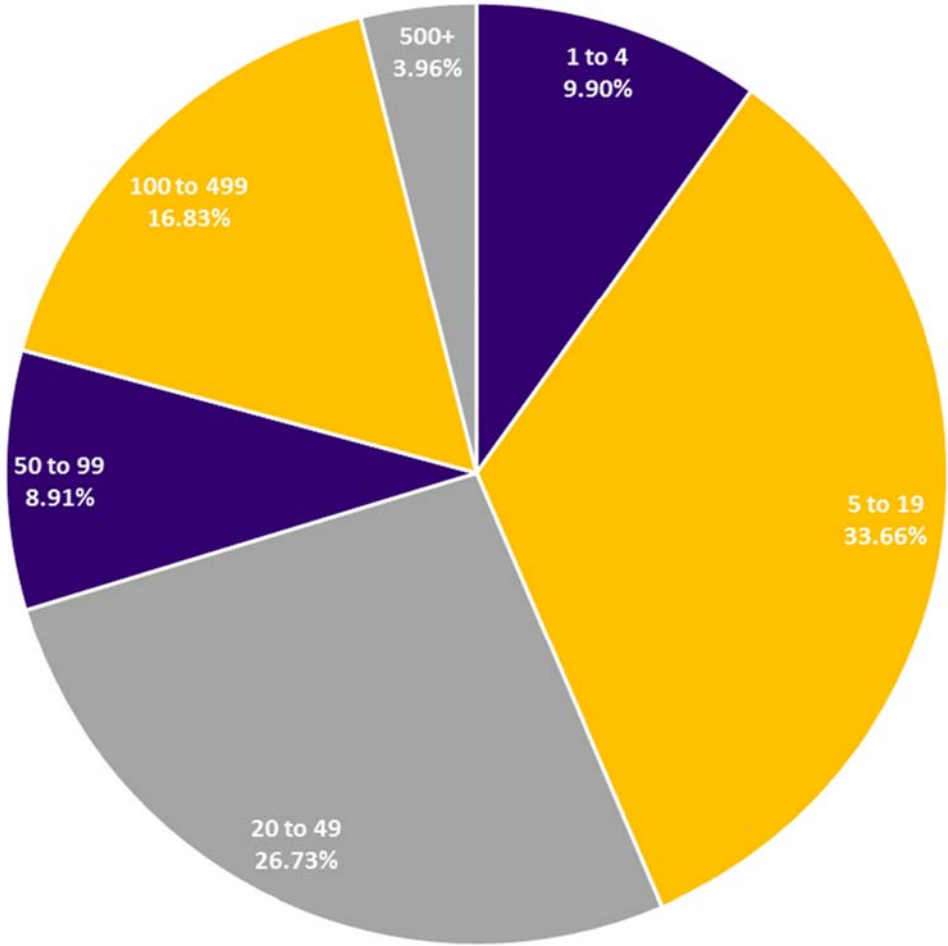
Finally, because the nonprofit sector is quite varied, we should expect organizational responses to the minimum wage ordinance to vary among sectors and organizations. Nonprofit decisions about relocation, expansion, or consolidation appear to be made in light of many issues – minimum wage may play a role, but as one of many factors – depending on the type of organization. While the impact of the law may be felt more directly by nonprofit organizations with large numbers or a large proportion of low-wage workers, responses may be determined in large part by the degree to which organizations have access to diversified and flexible revenue streams with growth potential. Responses also may be determined by the presence of other complicating factors shaping business decisions.

Figure 1: Non-profits sampling and response rates for screener and Wave 1 and Wave 2 survey



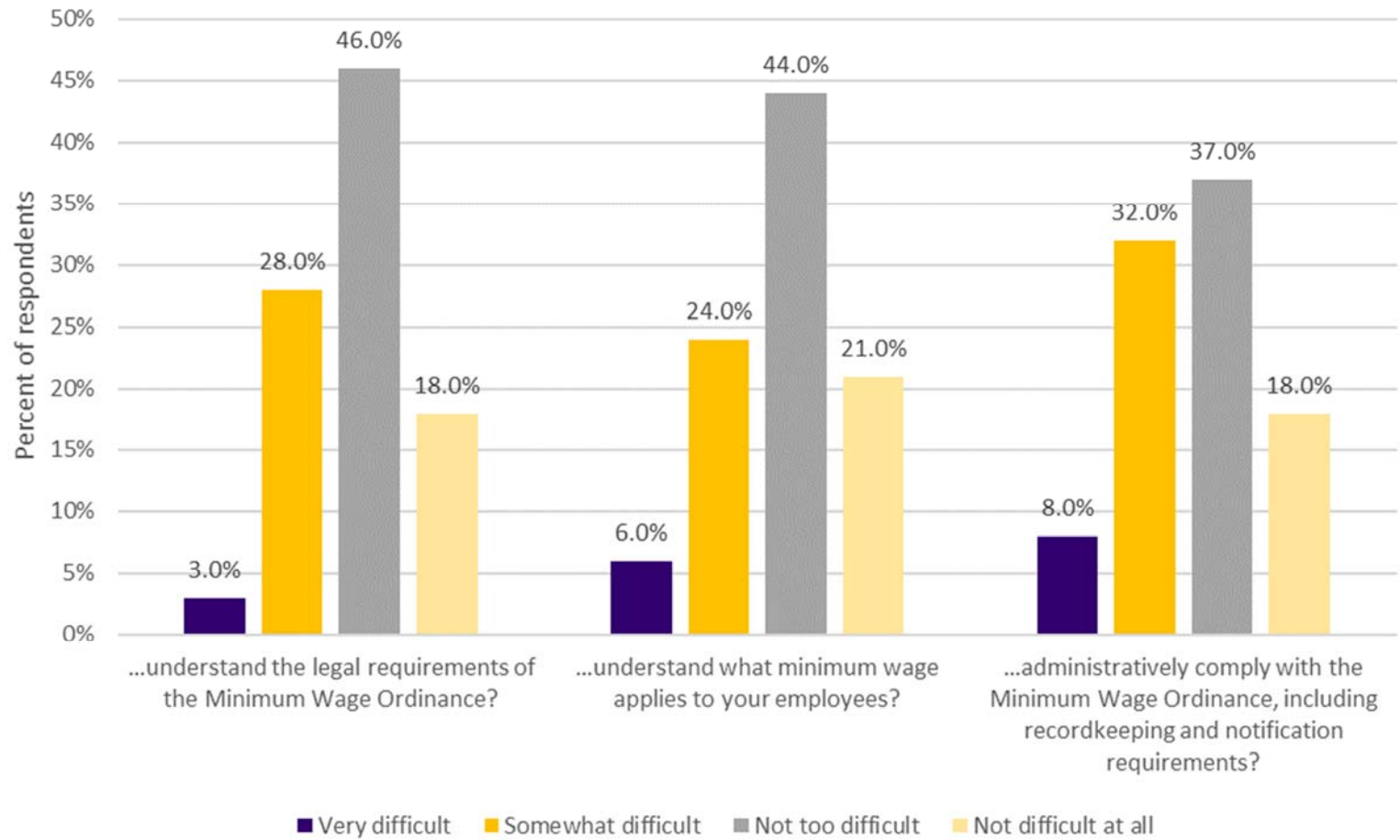
Source: Seattle Employer Survey, 2015 (Wave 1) & Survey of Seattle Non-Profits, 2016 (Wave 2).

Figure 2: How many Seattle employees did your business have as of April 1, 2015?



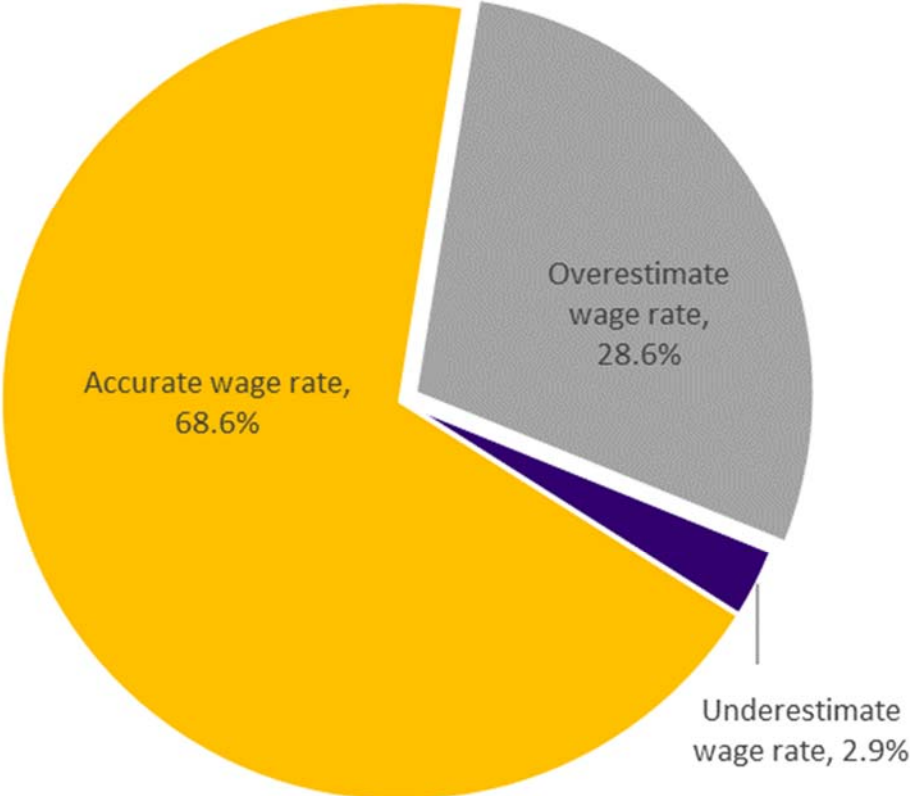
Note: Unweighted n=101
Source: Seattle Employer Survey, 2015 (Wave 1)

Figure 3: How difficult has it been for you to...



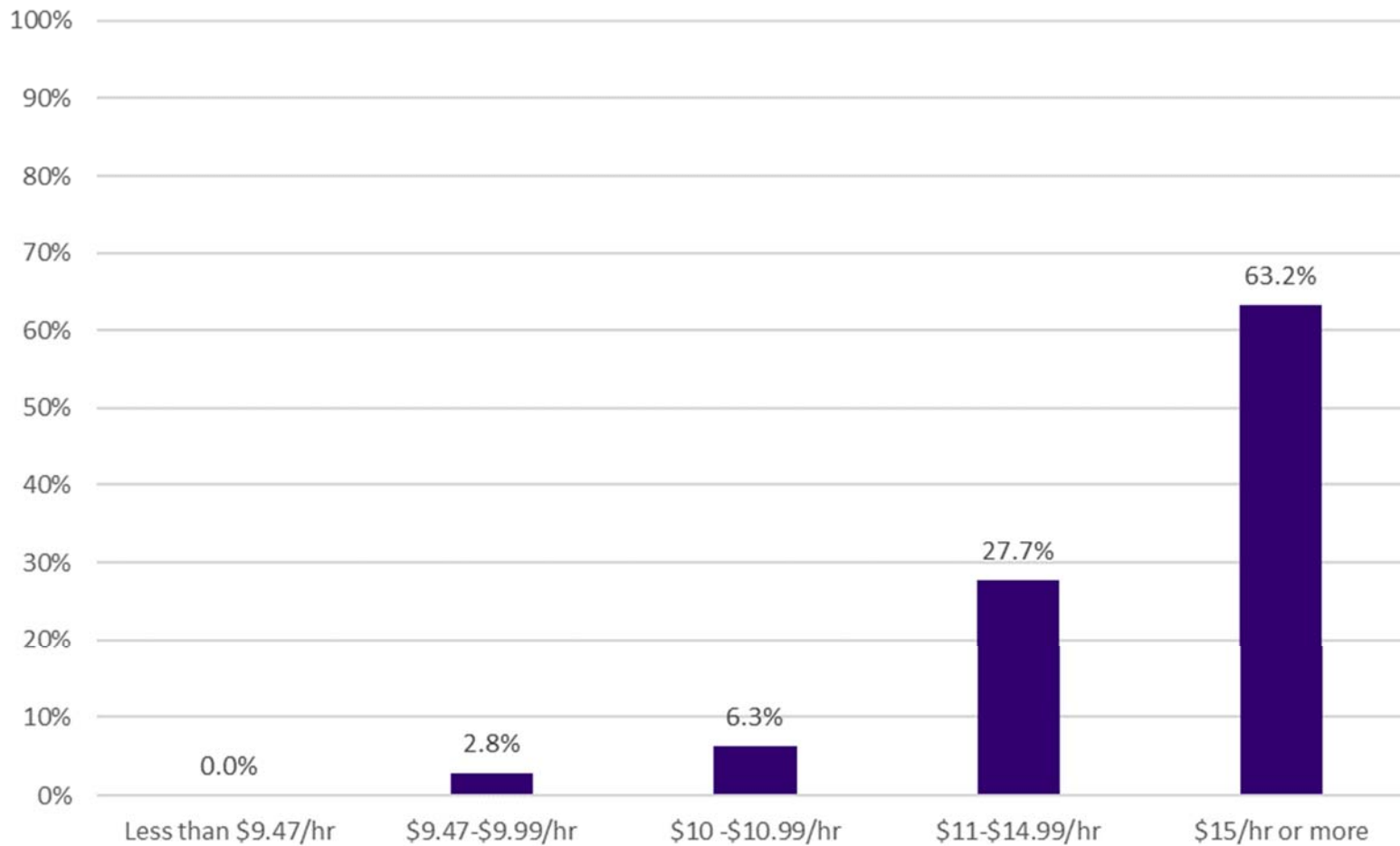
Note: Figures do not sum to 100% due to item non-response. Unweighted N =101
 Source: Seattle Employer Survey, 2015 (Wave 1)

Figure 4: Based on your understanding of the Seattle minimum wage ordinance, what is the minimum wage that you have to pay employees working in Seattle as of April 1, 2016?



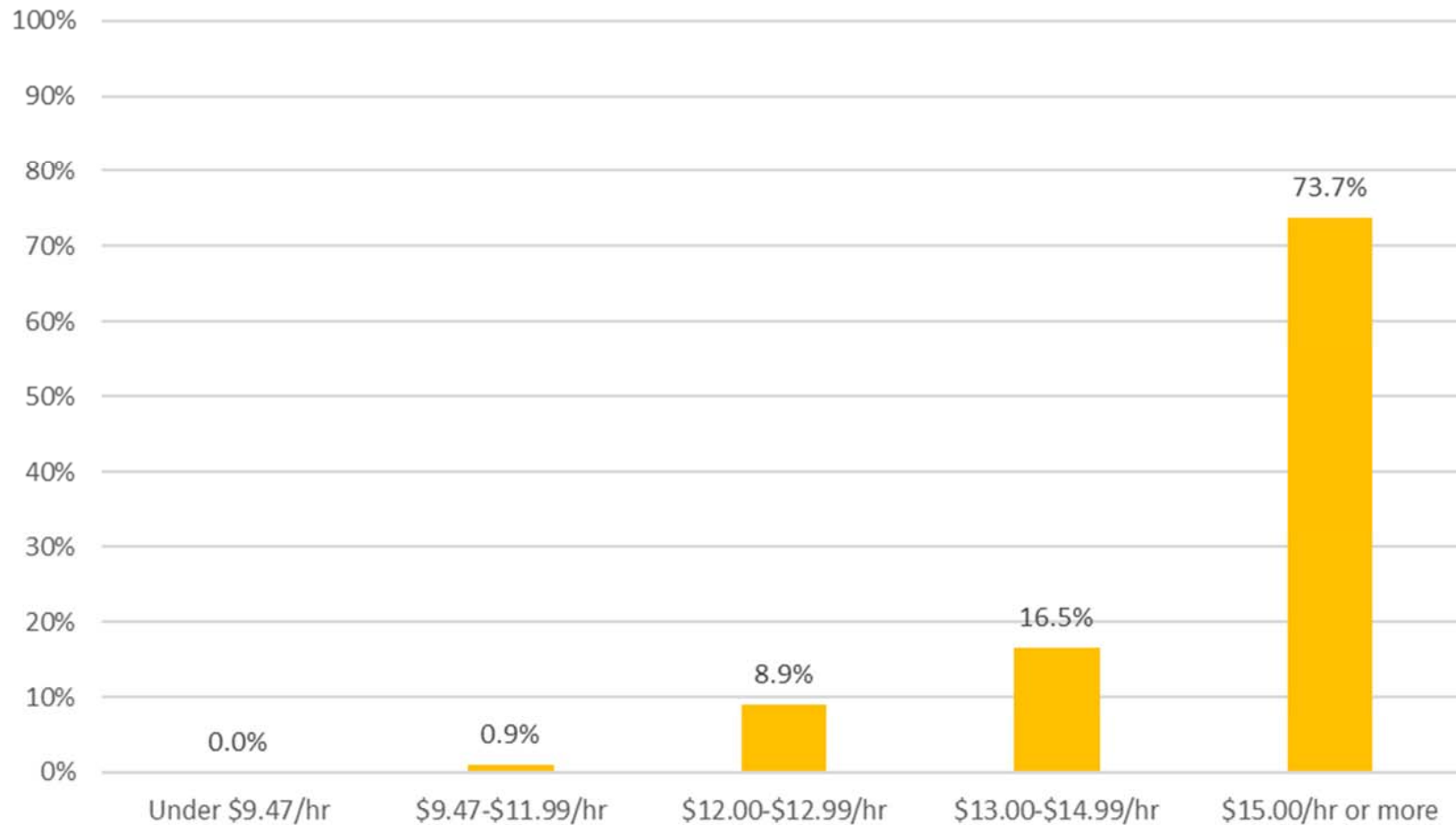
Note: N=70
Source: Survey of Seattle Non-Profits, 2016 (Wave 2)

Figure 5: Percentage of nonprofit employees earning near or above \$11 per hour in 2015



Note: Percentages reflect the share of nonprofit employees among surveyed firms (n=101) in each hourly wage category. Categories were created to reflect the \$11 hourly wage applicable to most employers on April 1, 2015.
Source: Seattle Employer Survey, 2015 (Wave 1)

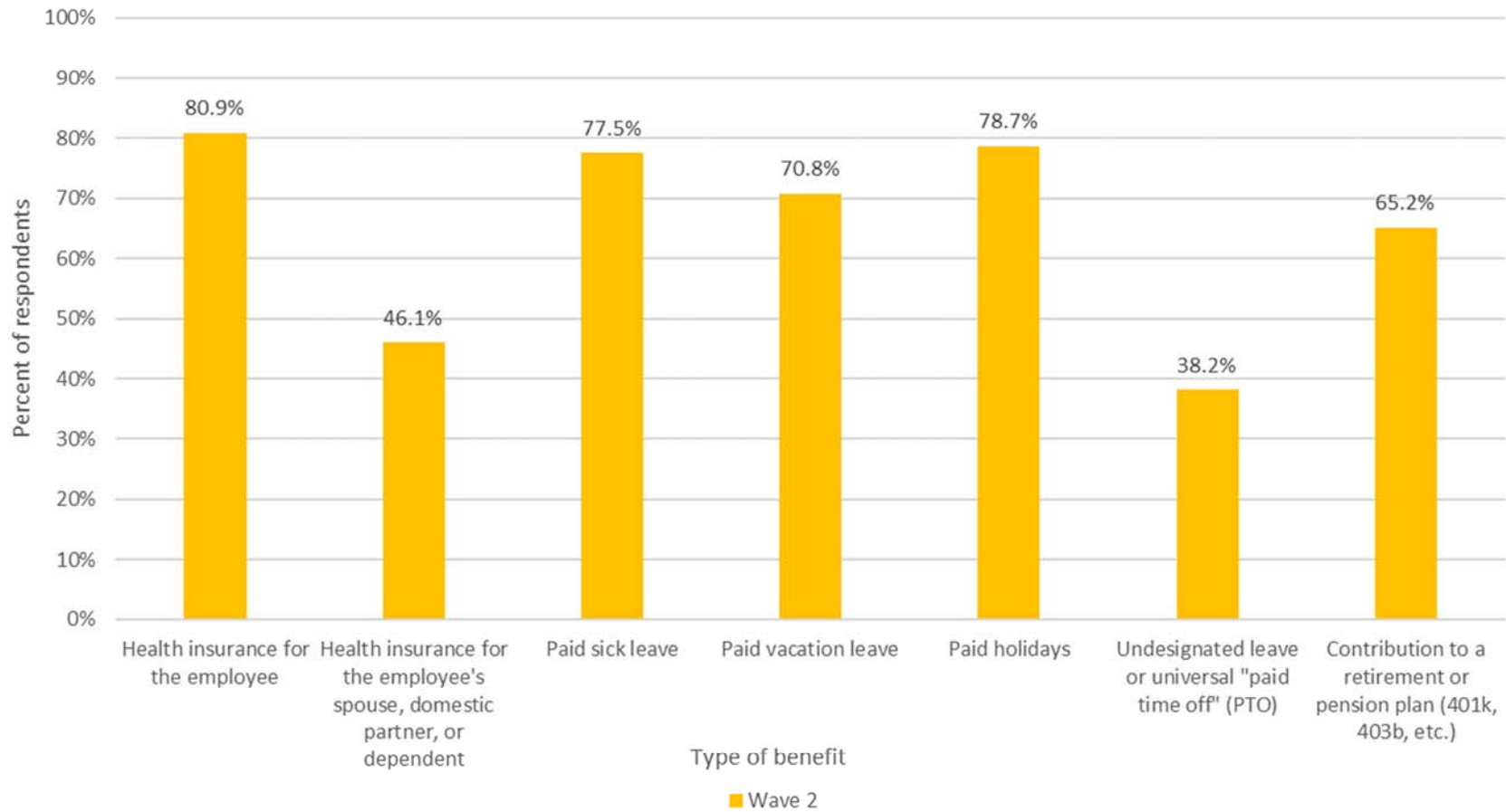
Figure 6: Thinking of the Seattle employees at your establishment, how many employees are paid in the following pay ranges?



Note: Percentages reflect the share of nonprofit employees among surveyed firms (n=101) in each hourly wage category. Categories were created to reflect the \$12 or \$13 hourly wage applicable to most employers on April 1, 2015.

Source: Survey of Seattle Non-Profits, 2016 (Wave 2)

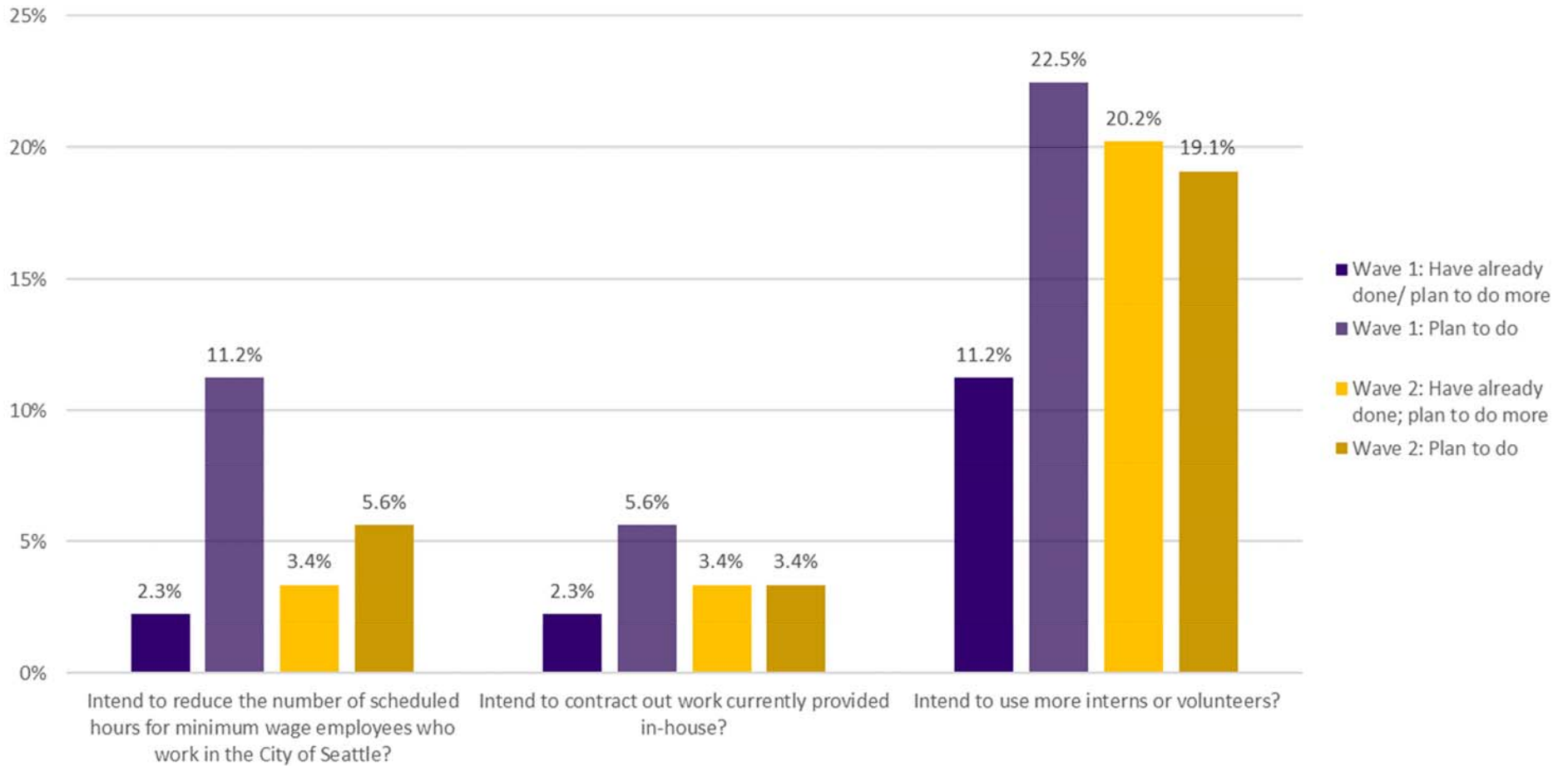
Figure 7: Which of the following benefits did your business offer to Seattle employees?



Note: Wave 2 Unweighted N = 89.

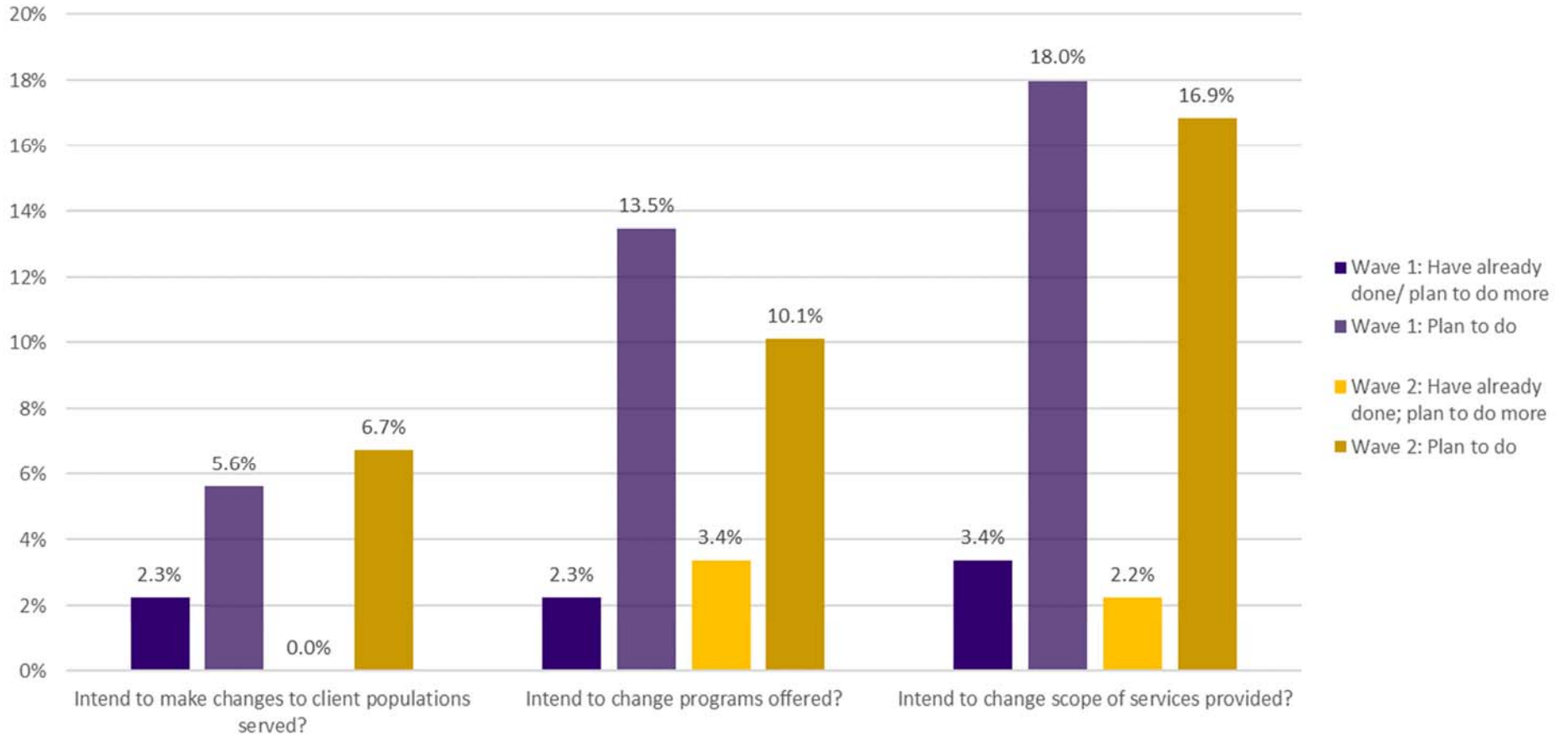
Source: Survey of Seattle Non-Profits, 2016 (Wave 2)

Figure 8: Have you made or do you intend to make any of the following changes to accommodate this new policy?



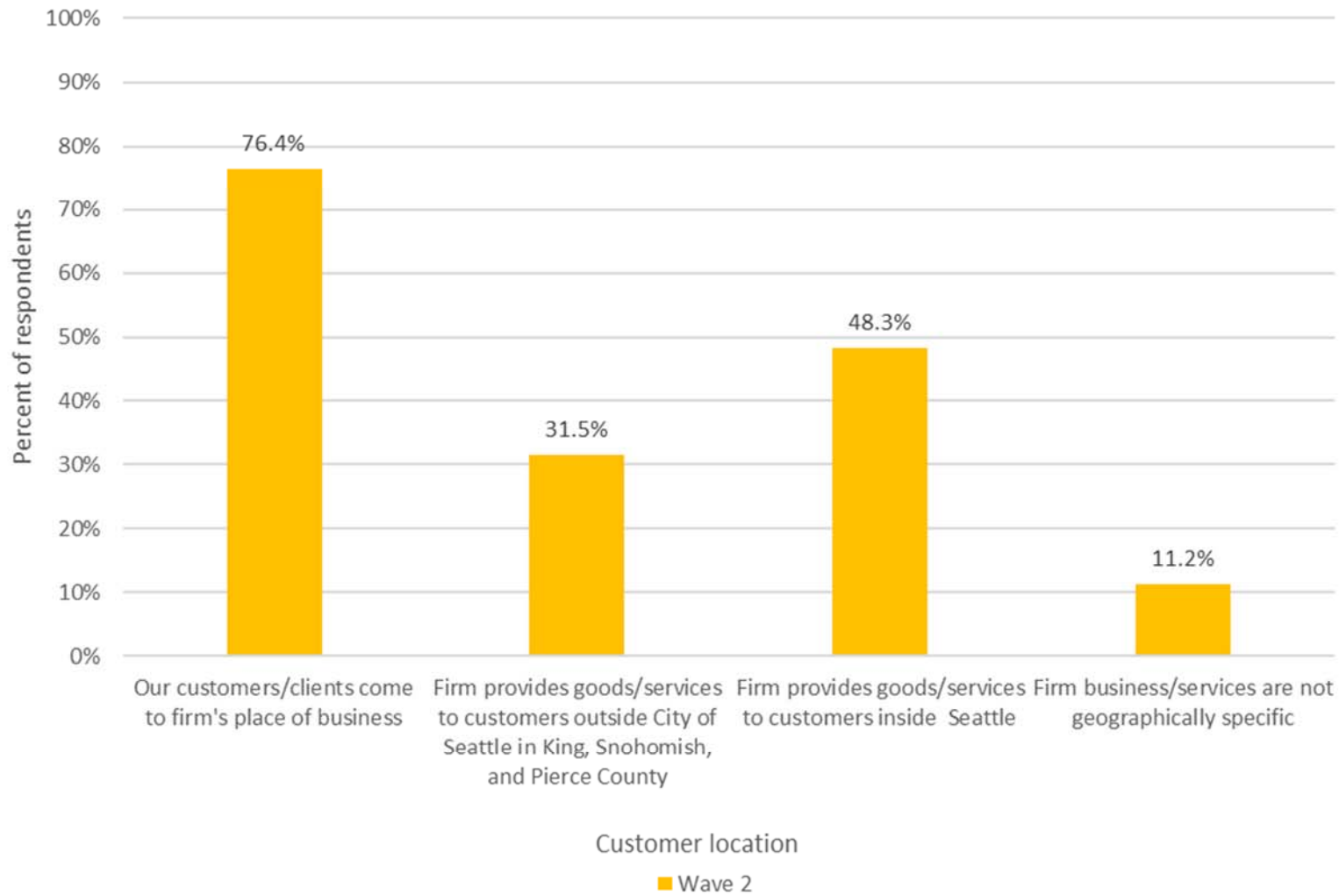
Note: N=89. Percentages reflect responses for participants completing both the Wave 1 and Wave 2 surveys.
 Source: Seattle Employer Survey, 2015 (Wave 1) & Survey of Seattle Non-Profits, 2016 (Wave 2)

Figure 9: Have you made or do you intend to make any of the following changes to accommodate this new policy?



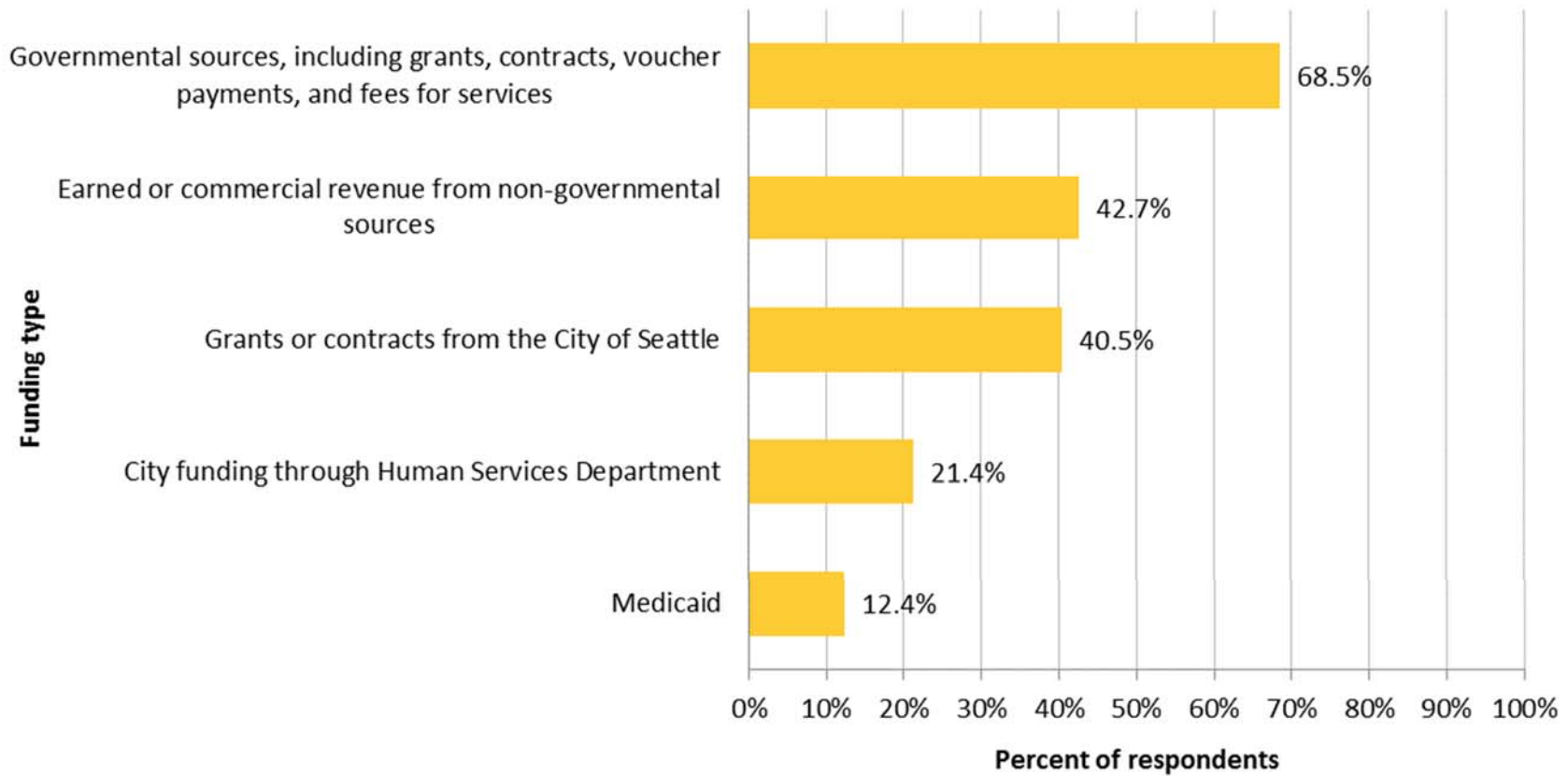
Note: N=89. Percentages reflect responses for participants completing both the Wave 1 and Wave 2 surveys.
 Source: Seattle Employer Survey, 2015 (Wave 1) & Survey of Seattle Non-Profits, 2016 (Wave 2)

Figure 10: Which of the following best describes the location of your firm's clients?



Note: Wave 2 Unweighted N = 89. Respondents were asked to select all options that applied.
Source: Survey of Seattle Non-Profits, 2016 (Wave 2)

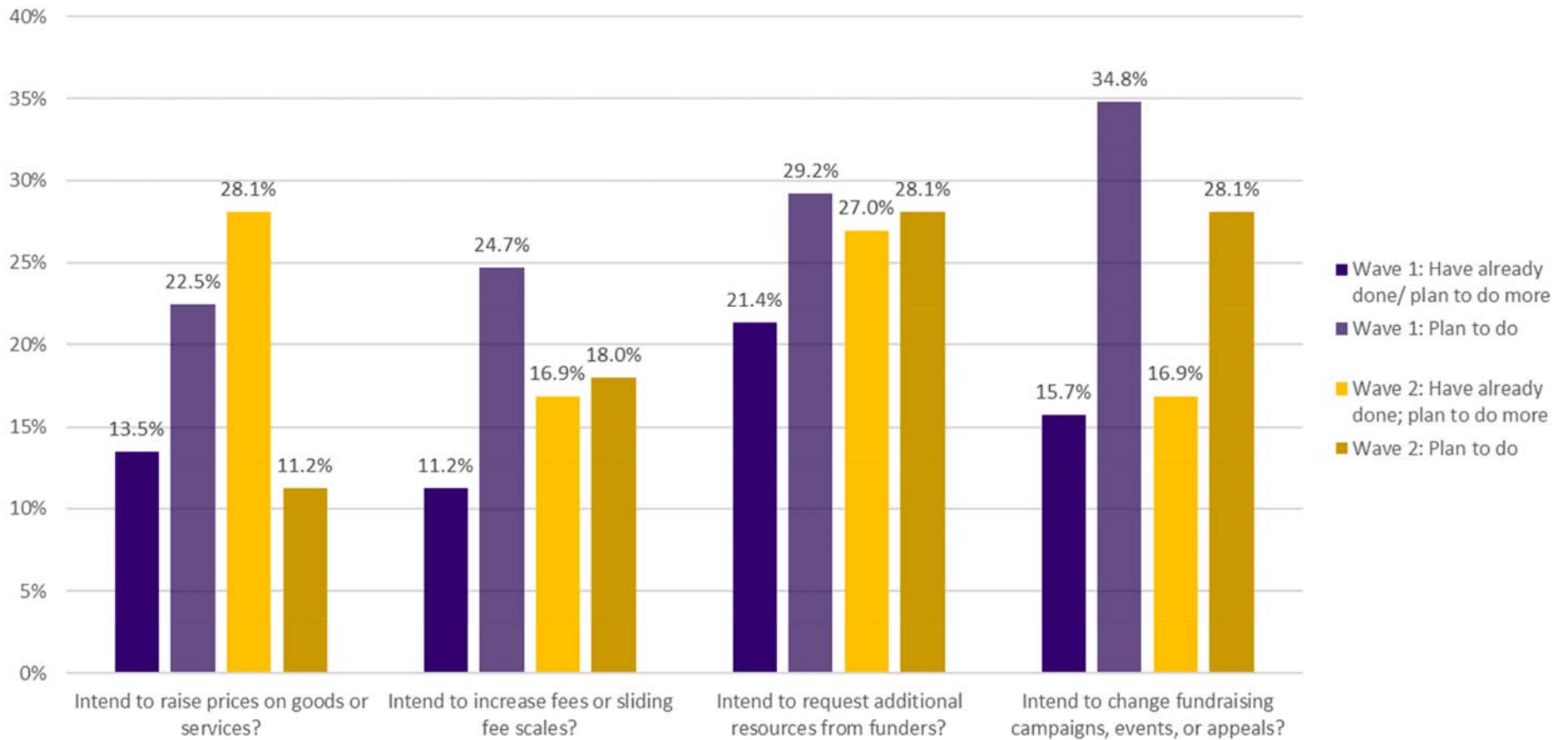
Figure 11: In the most recently completed fiscal year, did you receive any funding from any of the following sources?



Note: Wave 2 Unweighted N = 89.

Source: Survey of Seattle Non-Profits, 2016 (Wave 2)

Figure 12: Have you made or do you intend to make any of the following changes to accommodate this new policy?



Note: N=89. Percentages reflect responses for participants completing both the Wave 1 and Wave 2 surveys.
 Source: Seattle Employer Survey, 2015 (Wave 1) & Survey of Seattle Non-Profits, 2016 (Wave 2)

Table 1: Details of Wave 1 Nonprofit Survey Sample and In-Depth Interview Participants

NAICS Code for Wave 1 Nonprofit Organizations	Number in Survey Sample
Accommodation and Food Services	3
Arts, Entertainment and Recreation	3
Construction, Real Estate, Rental and Leasing	3
Educational Services	7
Health Care and Social Assistance	59
Professional, Scientific, and Technical Services	4
Public Administration	3
Retail/ Wholesale Trade	10
Other Services	27
Nonprofit Human Services (no NAICS code)	19
Total Wave 1 Survey Sample	138

Note: North American Industry Classification System (NAICS) codes reflect self-reported classification.
 Source: Project analysis of City of Seattle Business License database.

Type of Nonprofit Organization – In-Depth Interviews	Number Completing In-Depth Interview
Arts and Culture	3
Health Care Services, Eldercare Services, or Services for the Disabled	7
Human Services (Employment Services and Food Assistance, Housing Assistance, Services for Immigrants)	19
Total In-Depth Interview Sample	29

Note: Categories are collapsed to maintain the confidentiality and anonymity of in-depth interview respondents.
 Source: In-Depth Interviews of Seattle Nonprofit Organizations

Appendix A: Schedule of Seattle Minimum Wage Increases

Seattle's Minimum Wage

	Small Employers (500 or Fewer Employees)		Large Employers (501 or More Employees)	
	Does the employer pay towards the individual employee's medical benefits and/or does the employee earn tips?		Does the employer pay towards the individual employee's medical benefits?	
	YES	NO	YES	NO
2015	\$10.00	\$11.00	\$11.00	\$11.00
2016	\$10.50	\$12.00	\$12.50	\$13.00
2017	\$11.00	\$13.00	\$13.50	\$15.00
2018	\$11.50	\$14.00	\$15.00	
2019	\$12.00	\$15.00		
2020	\$13.50			
2021	\$15.00			

* After the minimum wage reaches \$15.00/hour, it will be adjusted each year on January 1, based on the Consumer Price Index for the Seattle Tacoma Bremerton Area

Source: City of Seattle Office of Labor Standards

Appendix B: Guide for Semi-Structured In-depth Interviews

Thank you for participating in this research project conducted by Professor Scott W. Allard from the University of Washington designed to understand the impact of the Seattle minimum wage ordinance on nonprofits. Today I want to ask you a few questions about how the ordinance may be affecting your organization and clients. We will not be discussing sensitive matters relating to clients or business practice, and we will not be asking for your opinion or evaluation of the ordinance as law. You may decline to answer any question or end the interview at any time. The interview will last approximately 30 minutes.

Notes will be taken during the interview. A digital audio recording of the interview and subsequent dialogue will be made. Responses will be kept confidential and your identity will not be disclosed at any time.

I'd like to start with a few basic questions at the outset (Follow-up probes for detail):

- First, please confirm that your organization is a nonprofit with 501c3 status.
- Please describe the services you provide and your core client populations.
 - Do you place clients in jobs in Seattle?
- Describe the types of placements or outcomes your organization seeks to accomplish with clients.
- How long has your organization been operating programs in Seattle?
- Does your organization provide other services?
- How many sites? If multiple site - how do the sites vary?
- How many FTEs do you employ?
- Do you have employees that are paid hourly? What share of your staff are hourly workers?
- What is the range of hourly earnings for staff that are paid hourly?
- Do you offer employees health care insurance coverage? What share take it up?
 - Probe for how many employees earn under \$15 an hour today and how many are under \$12

As you know the City of Seattle has enacted a minimum wage ordinance that will increase the minimum hourly wage for workers in Seattle to \$15 by 2019 for many employers. The first step-up to \$11 an hour went into effect April 1st. (Follow-up probes for detail)

- How familiar are you with the ordinance?
- Do you have any minimum wage employees at your organization?
- Have you reached out to the city for clarification or assistance?
 - If so, was the response helpful?
- Have you received assistance from other sources?

Next, I'd like to learn more about your work with clients and how that work may be changing. (Follow-up probes for detail)

- Has the change in minimum wage affected your clients' ability to find and keep a job? Explain.
- Are clients earning more? How much more?
- Are the clients aware of the changes in the minimum wage? Do they mention it to you or other staff? What kinds of conversations do you have with clients about the minimum wage?
- Are employers (or potential employers) aware of the changes in minimum wage? Have they expressed any concerns to you or other staff?
- Are you considering any changes to your work with clients or services in response to these noted shifts in the labor market opportunities for clients?

- Are you aware if the ordinance has had an effect on the firms hiring your clients?
 - Less hiring?
 - Fewer hours?
 - Different skill set?

(If they have staff subject to the ordinance) What impact has the ordinance had on your organization?

(Follow-up probes for detail)

- Administrative systems?
- Morale of clients or staff?
- Changes in fundraising?
- Have you been working with your board to address issues that are emerging?

Finally, thinking ahead to January 1st, the next scheduled step-up in the local minimum wage – going up to \$12 an hour for most organizations and firms. (Follow-up probes for detail)

- Are you anticipating that higher step-up to affect your clients' earnings or placements?
- Are you discussing any programmatic changes to adjust to future step-ups in the minimum wage?