

# HUMAN CARE ALLIANCE

## NONPROFIT WAGE EQUITY BRIEF



### Executive Summary

In 2016, the Human Care Alliance of Santa Cruz County (HCA) conducted a study to better understand the prevalence and impact of low wages in the local nonprofit social service sector. We also set out to learn more about the implications of the increasing minimum wage for our agencies and those we serve. The findings revealed pervasive wage inequity and alarming impacts on our staff and our organizations. In 2019, HCA commissioned a second wage study in partnership with Applied Survey Research (ASR) to gather updated data to help shape and advance a community-based campaign to build a more just and equitable community.

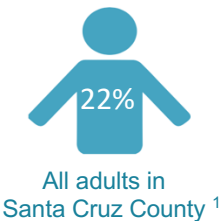
While many in our community struggle to make ends meet given current wages and the high cost of living, a comparison of data from nonprofit workers in this study and all workers in Santa Cruz County suggests that **nonprofit workers are far worse off than their peers in other fields** as revealed by the key indicators below:

#### Basic Needs

2X

Surveyed nonprofit workers are more likely than the general public to require the use of social services to survive.

More than half of survey respondents reported going without one or more basic needs in the past 12 months.



#### Median Household Income

Median household income for survey respondents is **37%** less than the Santa Cruz County median household income.



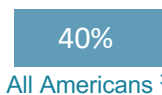
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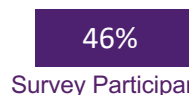
Santa Cruz County Median <sup>2</sup> Survey Participants

#### Emergency Savings

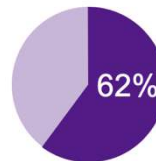
Survey respondents are less likely to have \$400 in emergency savings than all Americans.



VS



#### Employment



Reported working two jobs to make ends meet.

#### Education & Wages

Despite having achieved higher levels of education than the overall Santa Cruz County workforce, surveyed nonprofit workers are paid significantly less than the average employee.

74% reported making less than

\$54,517

vs

\$40,000

Santa Cruz County Average Annual Wage <sup>4</sup>

#### Housing Burden

Survey respondents are **three times** more likely to be "Severely Housing Cost Burdened" \* than Central Coast residents. <sup>5</sup>

73%

Survey Participants

29%

California

22%

Central Coast

\* Paying 50% or more of income for shelter

***We did not find a single economic indicator where nonprofit workers were not earning less than their peers and experiencing poverty at greater rates than their neighbors.***

Nonprofit workers in Santa Cruz County are trusted pillars in the community and they serve as the backbone for crucial service delivery. They dedicate their time, skills, and talents to improve the lives of others. They work tirelessly to end homelessness, address mental health, facilitate substance abuse recovery, sustain specialized transportation, support seniors and people with disabilities, promote health and wellness, cultivate positive youth development, and they assist working families through childcare, education, and basic needs support.

Wage inequities this severe are unsustainable for any business sector and pose a grave threat to our local health and human service community. A large body of research documents the profound personal, operational, and societal impacts associated with low-wage work. On a personal level, these include increased fear and anxiety due to the pressure of meeting financial obligations which in turn leads to elevated toxic stress rates and secondary traumatization. For an organization, these impacts include employee burnout, high turnover, and the retention of high-quality talent. Perpetuating wage inequity undermines our missions and erodes our ability to facilitate transformative collective impacts in our community.

The initial local data sets collected through both HCA wage and benefit studies shed light on the wage inequity in the nonprofit sector. Clearly, this situation was not intentional, yet this is where we are. Now that we know more about the prevalence and impact of wage inequity in the sector, we need to ensure that a commitment to public service does not equate to a life of poverty. ***As community members and leaders, we owe it to ourselves and our community to learn more and to take immediate action to advance wage equity.***

### **HCA Wage Equity Study: Contributing to a Growing Body of Information**

There is a growing interest nationwide about the role that nonprofit agencies play in community well-being and the economy. The recently released “*Causes Count – the Economic Power of California’s Nonprofit Sector*” report, published by the California Association of Nonprofits, paints a clear picture of the critical role nonprofits play in the state. As an economic driver, nonprofits are the 4<sup>th</sup> largest employer in California with almost 1.2 million workers.<sup>6</sup> Almost two-thirds of California’s nonprofit jobs are providing health and human services. The report also highlights the deep interdependence of the public and nonprofit sector’s work in the health and human service field. Thirty-two percent (32%) of all Medi-Cal services are provided by nonprofits and 30% of all funding to the nonprofit sector is from government grants and contracts.

***How does Santa Cruz County fit in this picture?*** This community takes pride in the decades-long history of deep collaboration across the nonprofit sector and between local governments and nonprofits. While this is a generous community, according to the *Causes Count* report, the **nonprofit revenue per capita** rate in Santa Cruz County ranks below the top 20% of counties in California. The Santa Cruz County nonprofit revenue per capita is significantly lower than other Bay Area counties including Alameda, San Francisco, Santa Clara, Marin, Napa, and Mendocino. We stand out among our neighbors for our relative lack of investment.

The HCA Wage Study was designed to gain a better understanding of the overall status of wages in community-based nonprofits; specifically, those in the health and human service sector given their infrastructure support across a wide range of critical community wellness issues. We conducted an initial wage survey in 2016 to collect preliminary data. In 2019 we collaborated with Applied Survey Research (ASR) to gather updated wage data with the intent to:

- Learn more about the current status of wages in the nonprofit sector and particularly within social service community-based nonprofits.
- Gain a better understanding of the implications of the minimum wage mandate on current services.
- Identify sound policy recommendations based on our findings to help address the looming sustainability issues including retention, service delivery cuts, and solutions for funding shortfalls.

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In partnership with ASR, we issued two wage surveys; one for employers and one for employees. We reached out to at least 100 health and human service nonprofit organizations in Santa Cruz County. Thirty nonprofit agency leaders responded to the survey and provided data representing 1,030 employees in Santa Cruz County. Individual employee surveys were submitted by 221 respondents. The survey shed further light on the stark differences between local community-based nonprofit employees and the general public.

Although the contributions of this effort are significant, the scope and depth of the project were limited by funding constraints. We recognize that this self-funded initiative is just the beginning.

## Causes and Unintended Consequences

The issue of low nonprofit wages is not unique to Santa Cruz County and Santa Cruz is not alone in the effort to address disparities in nonprofit wages. Seattle, New York City, San Francisco, and Contra Costa County have recently taken steps to address inequities.

Based on a growing body of research, conversations with state and national leaders, and our experience in the field, we have identified the following practices as key contributors to the rampant low wages in the nonprofit sector:

**Nonprofit Practices:** Nonprofit agencies are often faced with difficult decisions to qualify for or retain funding. These practices include reducing staff hours without reducing services, deferring raises or benefits, and accepting grants and contracts that are inadequately funded. These decisions are driven by the agency's commitment, or the funder's requirement, to preserve services in the community at all costs. Regardless of the reasons, over time, the costs of these adverse budget practices are transferred from the funders and agency leaders onto nonprofit workers.

**Flat & Multi-Year Funding:** Santa Cruz County was identified as one of the counties in the nation with the highest cost of living. The inflation rate in the last three years has been 5.65%. Additionally, the Bay Area Consumer Price Index (CPI) is expected to rise three percent (3%) next fiscal year. As fixed costs rise, nonprofit staff continues to be disproportionately impacted.

While multi-year funding is greatly appreciated, when it does not include cost escalators to offset some of the true costs of doing business, it creates an additional financial burden on already stretched nonprofits. Nonprofits are forced to absorb the increased costs each year often passing these onto staff in the form of deferred raises, reduction of hours, furloughs, and/or increased workloads.

**Minimum Wage Increases:** The incremental minimum wage increases in effect through 2022 pose an additional challenge for nonprofit organizations. The minimum wage went up 10% in 2018, nine percent (9%) this year, and it will go up another eight percent (8%) in 2020. It is estimated that upwards of \$5,871,000 in additional revenue will be needed for local social service nonprofits to comply with the pending state-mandated incremental wage increases. Alternatively, safety net services will be cut to accommodate the higher personnel costs.

**Funder and Donor Limitations & Expectations:** Funder caps on overhead, overly directive giving that excludes actual costs, and expectations to keep services high while keeping costs and overhead low forces nonprofits to make difficult decisions. Additionally, compliance or adherence to new funder requirements, without additional financial support to implement them, impacts stretched nonprofit agencies and employees. Funder and donor preferences towards new and innovative services also come at a cost to nonprofit agencies. Service innovation and expansion should not be pursued at the financial, physical or emotional expense of nonprofit workers.

***The compounding effect of these policies and practices means that the problem will continue to grow unless we commit to taking bold action together.***

## Recommendations: What can we do?

As nonprofit leaders and conveners, we are united by our individual and collective efforts to build an equitable community that provides pathways out of poverty. As part of that mission, we need to confront the policies and practices that perpetuate inequalities and trap our employees and their families in systemic poverty. We hope that this data will help stimulate conversation and widespread collaboration between local nonprofit partners, funders, government, donors, and stakeholders to address the drastic situation we all face.

The kindest and caring community members among us are the ones severely impacted on the front lines of this issue. They, and their families, are struggling because they have chosen to dedicate themselves to the wellbeing of our community. Now that we know the true extent of this issue, what can we do to address poverty wages in the nonprofit sector?

***This challenge is not unique to Santa Cruz County.*** We can learn about what works from other communities that are ahead of us on this issue and are investing more to preserve the quality and integrity of the nonprofit workforce.

- Santa Clara County, along with the cities of New York, Seattle and San Francisco passed legislation requiring annual increases for all multi-year grants and contracts to nonprofits.
- San Francisco created a special \$5.8 million “Low Wage Adjustment Grant Fund” to help nonprofits they contract with to raise wages.
- Santa Clara County announced a Children’s Budget that includes funds to raise childcare worker wages.
- Contra Costa County is in negotiations with mental health contractors who are asking for a 10% wage investment adjustment.

We can also learn from local nonprofits who are engaging in creative remedies.

- In 2016 Monarch Services implemented a three-year plan to restructure compensation and bring all staff over the MIT poverty threshold for Santa Cruz County.
- Community Bridges, one of the largest local nonprofit employers, adopted an internal wage equity ratio which establishes that no one can earn more than five times what the lowest paid employee earns.
- The Volunteer Center just adopted a three-year plan to bring all regular employees over the California poverty level, and half of all employees over the sustainability wage index for Santa Cruz County by 2022.

***We invite you to engage in this critical conversation with the Human Care Alliance and to consider the following recommendations to begin to turn the tide on this issue:***

### Nonprofit Agencies

- Do not transfer unfunded agency costs to staff to preserve services. This unintentional transfer happens when freezing wages, cutting positions but not services, and transferring benefits costs to staff.
- Always include staffing cost escalators into proposed budgets, even if that means reducing services. Ensure that your budgets accurately reflect the true cost of delivering proposed services.
- Engage Board members and foundation partners in wage equity conversations.
- Consider adopting a wage equity ratio of 1:5 between the lowest and highest paid workers.
- Endorse and participate in the HCA Nonprofit Wage Equity Campaign.

### Institutional Funders (Government Funders and Foundations)

- Commit to adding a minimum of 5% per year to the baseline for multi-year funding for the next three years to help advance equity in wages and benefits.
- Incorporate annual cost of living increases into all multi-year contracts joining the cities of Seattle, San Francisco, and New York who have recently passed similar policies.

- Fully fund administrative costs. Begin by adopting a 20% administrative rate as instituted by the Ford Foundation in 2016.
- Endorse the HCA Nonprofit Wage Equity Campaign.
- Contribute to and participate in future campaign activities.

### Individual Donors

- Ask private donors to increase their contributions by a minimum of 5% per year through 2022 to help establish a path out of poverty for staff dedicated to community service.
- Do not exclude funding for salaries and reasonable overhead from gifts.
- If you have a donor-advised fund, consider increasing gifts to at least the California State average of 8% of your fund's total value each year.
- Plan to give your gift within your lifetime.
- Endorse the HCA Nonprofit Wage Equity Campaign.

To learn more about HCA and/or to endorse the campaign, please visit [www.humancarealliance.org](http://www.humancarealliance.org).

#### **About the Human Care Alliance**

**HCA Overview:** *The Human Care Alliance (HCA) is membership-based coalition of nonprofit agencies that provide health and human services throughout Santa Cruz County. HCA engages with local government and other stakeholders to help shape policy, create systems, and design quality programming to create an inclusive and equitable community.*

*HCA's vision is to be the place where local nonprofits come together to learn, advocate and create positive change in our community. HCA's mission is to:*

- *Educate the public and advocate for health and human services.*
- *Ensure effective and efficient services by promoting diversity, communication, collaboration and mutual assistance among nonprofit providers.*
- *Maintain service through cooperative cultivation of public and private funding and support.*

#### Notes

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1. Applied Survey Research, "Year 23 Santa Cruz County Community Assessment Project" (2017), p. 22  
<https://online.flowpaper.com/73630724/CAP23ReportFINAL/#page=22>
2. Santa Cruz County: United States Census Bureau, American Community Survey 1-Year Estimates (2017)  
[https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS\\_17\\_1YR\\_S1901&prodType=table](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_17_1YR_S1901&prodType=table)
3. United States Federal Reserve, "Report on the Economic Well-Being of U.S. Households in 2017" (2018), p. 29  
<https://www.federalreserve.gov/publications/files/2017-report-economic-well-being-us-households-201805.pdf>
4. United States Bureau of Labor Statistics, "Occupational Employment and Wages in Santa Cruz-Watsonville" (2018)  
[https://www.bls.gov/regions/west/news-release/occupationalemploymentandwages\\_santacruz.htm](https://www.bls.gov/regions/west/news-release/occupationalemploymentandwages_santacruz.htm)
5. California Budget and Policy Center, "Californians in All Parts of the State Pay More Than They Can Afford for Housing" (2017)  
<https://calbudgetcenter.org/resources/californians-parts-state-pay-can-afford-housing/>
6. California Association of Nonprofits, "Causes Count – The Economic Power of California's Nonprofit Sector" (2019)  
<https://calnonprofits.org/publications/causes-count>