



## **Issues Advisory on \$15 Minimum Wage and Impact for Human Services**

The Seattle Human Services Coalition recognizes the importance of a livable minimum wage in addressing poverty in our community. **SHSC fully supports raising the minimum wage for all human services workers (and others) to \$15/hr.**

We are also acutely aware that this call for raising the minimum wage must be done in such a way that does not result in a decrease in urgently needed services; any solution must take into account the impact on the vulnerable people we serve.

**We call upon elected leaders and other stakeholders to take all five of these actions:**

- **Include non-profit human service employees in any recommended increases to the minimum wage. We support a 3-year phase in for human service nonprofits in order to maximize the stability of the organizations, given their complicated funding structures and critical services.**
- **Ensure that wage standards and city contract requirements do not lead to a reduction of needed human services. We urge the City to do a comprehensive analysis of the total investment needed for cost offset funding and to provide that funding, as well as raising the income eligibility for City services such as the Child Care subsidy.**
- **Increase local investments in pay equity, including human services employees.**
- **Move the discussion beyond an hourly wage to examine the broader issue of income inequality in our region.**
- **Set a base wage that does not include other forms of compensation.**

We know that we cannot pit one low income group against another and still reach the goals shared by many in the community including human service providers, public officials, people in business, schools, labor, faith and social justice communities. Since nonprofits generally do not have the option of covering an increase in wages by "raising their prices or decreasing profits", resources would either have to be added to the agency or be shifted within the agency in order to raise wages. Without additional resources added, often the only option would be to decrease or cut services, meaning the impacts would be felt first by the most vulnerable members of the Seattle communities: the people who need these services. The impacts of decreased services would, of course, be felt across the community as well, as more people fall between the cracks, weakening our human infrastructure.

SHSC members can illustrate this dilemma using real-life information. At the end of January 2014 twenty nine SHSC members did a preliminary estimate of the costs to implement a \$15 minimum wage in their agency. They also did an analysis of what the organizations would

have to do in order to shift resources to wages without additional funding to offset those costs.

## Findings

- Most human services would be impacted by a wage increase to \$15/hr.
- Due to organizational scopes and structures, impacts will extend to employees outside of Seattle.
- While our data collection is limited, the cost impact in the 28 organizations included in this survey would exceed \$10.9 million and impact over 2,546 employees.
- Without additional revenue, service cuts are inevitable. The greatest impact would be on the most at-risk individuals in our community.

## Methodology

Members responded to four questions:

- 1) What will it cost to maintain current service levels in Seattle **while** bringing all workers who work in, or provide services to Seattle residents, up to a \$15/hr minimum wage across your agency? How many FTE's will be affected?
- 2) What will be the cost of equity adjustments for employees working in Seattle or providing services in Seattle who currently close to the \$15/hr threshold, the issue which you may have heard referred to as "compression?" How many additional FTE's will be affected?
- 3) Since this is a regional issue, having started in SeaTac, and is not just a Seattle issue, what will it cost to maintain current service levels across the county while bringing all workers, across the county, up to a \$15/hr minimum wage throughout your agency? How many FTE's will be affected?
- 4) What services would have to be reduced or eliminated if your agency implemented a \$15 minimum wage without any new revenue to offset the costs? Who are your program participants and what would the impact be on them if these services had to be reduced or eliminated?

There are many more organizations providing services to help people meet their basic human needs in Seattle, so these responses do not constitute a comprehensive answer, just a preliminary glimpse at the issues and impacts of implementing a \$15 minimum wage on our city's human services system. Responses also provide insight into the funding needed to offset the costs or, alternatively, the human costs of requiring implementation without providing funds to offset the costs. In addition, there is a wide variety of "readiness" for a higher minimum wage among human service providers, so across-the-board generalizations to all agencies are not possible.

**Costs to maintain current service levels in Seattle while bringing all workers who work in, or provide services to Seattle residents, up to a \$15/hr minimum wage and number of FTE's affected.**

Three of the twenty nine responses indicate that all employees are already paid at least \$15/hour, with six more having fewer than 9 FTE's paid less than \$15/hour.

At the same time, 11 of the 29 organizations report that there would be an annual cost of more than \$100,000, with the numbers of employees in these organizations affected ranging from dozens to hundreds.

One organization that provides critical mental health, shelter, day, and hygiene services as well as meals for hundreds of people in Seattle estimated a cost of \$1,000,000 annually to bring all employees up to a \$15/hour minimum wage and maintain current services. Another multi-service agency working across the city reports that 209 employees would be affected.

Early Childhood Education is one area worth noting both for how low the market has set wages and because even with those low wages, and a nonprofit model, the costs can be unaffordable for low income families. Johnny Otto of Small Faces Child Development Center reports that the Child Care Directors Association of Greater Seattle advocates for living wages for teachers. He says,

“In theory, the idea of a \$15 minimum wage meets this goal. However, if the minimum wage were raised as a mandate without any assistance, child care providers would be placed in a difficult space. Here's what our 2013 survey revealed:

We know that less than half of all centers currently pay an average teacher wage of \$15. 25% of centers in Seattle have NO teachers making \$15 an hour or more.

We also know that nearly 100% of centers employ some teachers who are making less than \$15, meaning that every childcare in the city would be affected.

Payroll is by far the most expensive line item on childcare budgets, so much so that I generally tell my board that there is a 1 to 1 relationship between wages and tuition. This means that there would be a ballpark 20% increase in payroll costs for the centers paying the lowest wages. Many of these programs are in low income areas and take in a considerable amount of their tuition dollars through state and city subsidies, making their bottom line inelastic.

There are 218 childcare centers in the city of Seattle currently. Every \$1 per hour raise in payroll costs \$2,000 annually. Let's say that the lowest paying 100 centers each employ 9 teachers making \$10 to \$12 per hour, 3 each at \$10, \$11, and \$12 per hour. It would cost \$7,200,000 to raise all of those employees to \$15 an hour. The real cost could be 10, 15, even 20 million more per year needed to raise teacher's pay. We could easily say that 1500 FTEs would be affected, 75% of the industry, although this is a low estimate.”

## **Cost of equity adjustments for employees working in Seattle or providing services in Seattle who are currently close to the \$15/hr threshold and number of FTE's affected.**

When the wages of employees making less than \$15/ hour are raised, there will be some employees with more experience or more challenging responsibilities whose wages may no longer be significantly higher than the lowest wage workers. If wages are a reflection of the value of an employee to an organization, then the wages of employees who are currently making just over \$15 will need to be adjusted to reflect this relative value in order for compensation to remain equitable within an organization. This issue is known as “compression” and must be remedied with “equity adjustments”.

Eight of the twenty nine organizations responding indicate no equity adjustments would be required or they would be able to absorb the cost with under 5 employees affected.

At the same time, 9 of the 29 organizations report that there would be an annual cost of more than \$100,000, with the numbers of employees in these organizations affected ranging from dozens to hundreds.

One organization which provides critical support to people with disabilities estimates a cost of \$490,000 for the necessary equity adjustments to relieve compression. Another multi-service agency working with Seattle residents across the city in areas like leadership development with at-risk youth, hunger relief, and help for people without homes, reports that 159 employees would be affected by the compression issue.

The Child Care Directors Association of Greater Seattle, citing their 2013 survey of early childhood education programs across the city, reports:

“The estimates of costs for equity adjustments related to wage compression from CDAGS are lower {than the costs to raise wages to \$15/hour}, due to the high rate of turnover in the child care field, with an estimate of \$3 million, and 500 FTEs affected.

**Cost to maintain current service levels across the county while bringing all human services workers, across the county, up to a \$15/hr minimum wage and number of FTE's affected.**

It is important to note that if the City of Seattle passes a \$15/hour minimum wage ordinance, the issue does not remain within the city limits. This is a positive in terms of increasing the living wage and, just as within the city limits, the possible negative consequences for vulnerable residents must be taken into consideration and mitigated.

Some human services providers operate only within the city limits, indeed, some only in one neighborhood. However, many are regional and help people in many cities or throughout the county. It would not be possible to raise the wages of only some employees to reach a \$15/hour wage and still maintain integrity within an organization. Indeed, some individual employees work *across* those political boundaries.

Another reason this issue does not end at the Seattle city limits is that other cities in the county are moving in this direction as well. In fact SeaTac has already enacted a measure.

For all of these reasons, agencies that serve communities both within and beyond the Seattle city limits must apply the mandatory increases and the equity adjustments across their agencies.

So what will the county-wide impact be for agencies responding? Twenty one of the twenty nine organizations indicate no wage adjustments would be required beyond those in Seattle, 3 because they already pay at least \$15/hour and 18 because they only work within Seattle.

At the same time, 7 of the 29 organizations report that there would be an annual cost of more than \$100,000, with the numbers of employees in each of these organizations affected ranging from dozens to hundreds.

One emergency shelter program, which also provides day and hygiene services, and works both within and outside the Seattle city limits estimates an additional cost to the agency, county-wide, of more than \$185,000 a year, affecting over 75 employees. Another program that provides critical services to youth and families across the county estimates an additional cost of over \$423,000, affecting 255 employees.

**Services that would have to be reduced or eliminated if agencies implemented a \$15 minimum wage without any new revenue to offset the costs.**

It is clear that the vast majority of nonprofit human services organizations do not have the funds on hand or the ability to generate dramatically increased revenue by passing the increased costs along to consumers that would be required to raise wages to meet a \$15/hour minimum wage. New revenue targeted to offset the costs of increasing wages would be one solution allowing Seattle residents to continue to receive urgently needed services.

**A mandate to raise minimum wages *without* cost offset funds paired with the mandate, would force many organizations to cut services, as that would be the only remaining factor in this equation they could control. For others they simply would no longer be able to operate and would have to eliminate their programs altogether.**

First the good news, the 3 out of 29 agencies reporting that no employee currently makes less than \$15/hour also report no cuts in service would be required. Five more organizations report that they feel the impact would be minimal enough that they would be able to make up the revenue in increased donor or funder contributions.

However, 21 out of 29 organizations report that *without cost offset funds* they would be forced to reduce services or close their doors. Here are some of the reports from those organizations.

Eliminate shelter beds and daytime services for mentally homeless individuals

Eliminate most meal service and other auxiliary support in supportive housing for disabled formerly homeless individuals

Cease to house people with significant disabilities and other challenges; move to take a higher-functioning, more independent resident population.

Eliminate intensive services to adults with developmental disabilities and their families living in the community, putting them at risk of institutionalization.

Increase tuition to low-income families currently receiving state or city subsidies for childcare/preschool

Cut services to youth and families.

Decrease availability of Head Start for low income families. Eliminate at least one classroom serving 20 children

Cut service hours in Parent Child Home Program

Cut WIC Breastfeeding peer counselor services to low-income new mothers

Reduce intergenerational program for high school youth & elders, including offering fewer ESL practice groups, and having fewer high school youth earning service hours.

Decrease housing services/rental assistance programs to clients who are homeless, formerly homeless and at-risk of homelessness, including many who are limited English speaking and immigrants and/or refugees.

Our early learning program would not be able to continue to operate. Staff reductions needed to offset wage increases would make our operating model unsustainable.

Close food banks one or more days per week. Some might close entirely.

Eliminate winter shelter to homeless people.

Close or restrict the days our after school programs are open.

Close senior lunch programs.

Close one or more residential programs, due to challenges presented by incremental cuts.

Stop providing housing and services to the neediest people seeking shelter, and re-orient housing and services to much more independent adults. This dramatic change would leave the most at-risk homeless adults on the streets and without support – including those with little or no income living, disabilities, mental illness, addiction, and histories of trauma and oppression.

The programs most vulnerable to cuts in this case are serving the poorest people.

Reduce food program, childcare, youth services and social justice work.

Eliminate housing programs that serve the homeless with wrap around services such as food, transportation, life skills and client assistance.

Another issue brought up by one early childhood education provider is the need to increase revenue also to offset potential loss in childcare subsidy through Working Connections Childcare as parents whose incomes are raised may then not be eligible for the subsidy. Since we don't charge parents a co-pay, we would need to consider the loss of subsidy for that family as a loss of revenue. This is a larger unintended consequence in the community since parents who are on the margin may receive enough added income to make them ineligible for childcare subsidies, but not enough of an increase to offset the increased co-pays for childcare they might face. We are very concerned about this issue for poor and low-income families across the child-care spectrum and worry that children will be left without access to adequate, let alone quality, child care.

Johnny Otto of the Child Care Directors Association of Greater Seattle, provides some perspective from the early learning sector citing their 2013 survey of early childhood education programs across the city, reporting:

The final question about reducing services if no additional revenue was introduced is telling. Many centers would be unable to cut staff and still stay in legal ratios, they would be unable to raise rates enough to meet new costs, especially if they serve families who are accessing city and state childcare subsidies. 50% of centers would be forced to significantly raise tuition rates and/or consider no longer accepting families using city and state subsidies. Several centers would have no choice but to simply shut down: these would be centers that serve low income communities, adding to the shortage of quality, affordable early childhood education centers available to communities that already suffer from disproportional health and education outcomes.

### **Summary**

Income inequality and stagnant wages on the lower end of the wage ladder are a major factor in unmet basic human needs. SHSC members support many approaches to help people meet their basic human needs, including raising the minimum wage closer to a living wage. At the same time the method of implementing these solutions must be done in a thoughtful manner to prevent unintended consequences such as denying access to critical services to vulnerable, low income people.

The members of the Seattle Human Services Coalition present this issues advisory in the hope that we can work with other leaders in the community to move forward on solutions that benefit everyone. Everybody does better when everybody does better!

### **Member Coalitions**

- \* Advocacy, Organizing & Capacity Building \* Child Care Directors Association of Greater Seattle \*
- \* Community Health Council of Seattle King County \* Disability Services Committee \*
- \* SOAR/Youth Development Executives of King Co \* King County Coalition Against Domestic Violence \*
- \* Meals Partnership Coalition \* Non-Profit Anti-Racism Coalition \* Seattle Food Committee \*
- \* Seattle King County Coalition on Homelessness \* Seattle King County Employment Council \*
- \* Services for Seniors \* King County Sexual Assault Services \*

A variety of agencies, of different sizes, types of services, geographic locations, and communities served, provided the information used to compile this report, including:

Alliance of People with Disabilities  
API Chaya  
Arc of King County  
Catholic Community Services  
Child Care Directors Assoc of Greater Seattle  
Child Care Resources  
Chinese Information and Service Center  
Compass Housing Alliance  
Crisis Clinic  
Downtown Emergency Services Center (DESC)  
El Centro De La Raza  
Gay City  
Hopelink  
InterIm Community Development Assoc  
Learning Way School and Day Care  
Low Income Housing Institute  
Neighborhood House  
Northwest Hospital Childcare Center  
Plymouth Housing  
Primm ABC Child Care and Preschool  
ROOTS  
Salvation Army  
SOAR  
Solid Ground  
TIPS  
Valley Cities  
Wellspring Family Services  
YMCA  
YWCA