

FLORIDA'S MINIMUM WAGE: IMPACT ON NONPROFITS

Nonprofits have never been more essential. From providing critical services such as access to food, housing, and health care, to serving children and families, to delivering innovative cultural and community experiences, Northeast Florida nonprofits have been a vital part of the region's recovery from the COVID-19 pandemic.

Compensation has emerged as both a key indicator of organizational values and an essential tool in attracting and retaining diverse talent. It has come to the fore since both the passage of new, higher minimum wage standards in Florida, as well as the tightening of the labor market amid economic recovery locally and nationally.

Together, these issues have many nonprofits in Northeast Florida thinking about how to restructure pay systems to adhere to the law, increase equity, and respond to market forces now and into the future. While CEO compensation in nonprofit organizations is sometimes the subject of intense public scrutiny, this moment demands that we focus on the lowest paid staff members of an organization — often frontline workers delivering essential services.

This report addresses some of the key issues and shares potential next steps for the nonprofit sector.

Highlights

- 39% of jobs in the nonprofit sector pay less than \$15 per hour.
- Median base pay for all non-executive employees is \$35,000, an inflation-adjusted decrease since 2016.
- Moving a full-time employee from the old minimum wage to \$10 per hour will cost \$2,808 annually, and an additional \$2,080 each year going forward until September 30, 2026.
- Current labor market forces are causing disruptions to nonprofits as much as other service industries with lower-wage jobs.

NOVEMBER
2021



NonprofitCenter
of Northeast Florida

Key Data

Source: 2020 Nonprofit Center Compensation and Benefits Survey

ABOUT THE SURVEY

The 2020 Nonprofit Center Compensation and Benefits Report, which surveyed 101 Northeast Florida nonprofits (excluding health and higher education institutions), was conducted in late 2019 and early 2020. Nonprofits were required to have at least one paid employee participate.

The report was made possible through generous support from JP Morgan Chase & Co.

More information is available at nonprofitctr.org. The full report is offered free of charge to all Nonprofit Center members.

SURVEY FINDINGS

39% of all jobs pay less than \$15 hourly

\$35,000

median annual pay for all non-executive workers



a functional hourly wage of

\$16.83

In November 2020, Florida voters approved a change to the minimum wage that will gradually raise it to \$15 per hour by 2026. It rose from \$8.65 to \$10 on September 30, 2021.

Across the state and throughout the country, many employers are coping with significant fluctuations and policy changes in the labor market, and nonprofits are no exception. This briefing attempts to share vital information about current trends as well as possible avenues for adjustments based on research and experiences in other communities, as well as the lived experiences of local organizations.

Following a voter-approved ballot initiative in November 2020, Florida's minimum wage will rise gradually until it reaches \$15 per hour on September 30, 2026. The biggest increase took place this fall, rising from \$8.65 to \$10 on September 30, 2021.

In the summer and fall of 2021, employers — including many nonprofit organizations, especially those providing human services — experienced challenges with a labor shortage and the recently coined “Great Resignation.” The causes, likely attributable to a variety of pandemic-related factors, are still subject to debate by researchers.

At the same time, August 2021 unemployment in the Jacksonville metro area was 4.3%, ranking 16th lowest of the nation's 51 largest metropolitan areas and the lowest of Florida's metros, according to the Bureau of Labor Statistics.¹

Regardless of the causes of this labor shortage, the result of it, in combination with Florida's rising minimum wage law, is driving higher wages for workers in a variety of segments of the economy — often in jobs that are essential. Many working these jobs, even if making more than minimum wage, still fall well below the United Way's ALICE (Asset Limited, Income Constrained, Employed) threshold for a variety of family sizes.²

Florida Minimum Wage Changes

January 1, 2021	\$8.65
September 30, 2021	\$10
September 30, 2022	\$11
September 30, 2023	\$12
September 30, 2024	\$13
September 30, 2025	\$14
September 30, 2026	\$15

Nonprofit Center research shows that while most sector jobs are not at minimum wage, many are just above it, and will soon be affected by either rising minimum wage or wage compression.

The Nonprofit Center's 2020 Compensation & Benefits Report shows that the median base pay for all non-executive employees is \$35,000. That means that half of jobs pay less, and half pay more. In fact, this amount has not gone up since our last report in 2016. When you adjust for inflation, that amounts to a \$3,000 per year decrease. And this is not unique to

our sector — wage stagnation outside of the executive level was a problem before COVID-19. With 39% of all jobs reported in the Nonprofit Center's 2020 Compensation & Benefits Survey paying less than \$15 per hour, many organizations are, or will soon be, affected by rising wages.

Rising wages are already a factor for organizations that compete with the public and private sectors for employees. Employees of the state saw their hourly minimum wage increased to \$13 this year, and Walgreens, Amazon, and Wayfair are among the many companies who have already raised or plan to soon raise their minimum hourly wage to at least \$15.

Yet a point-in-time look at the Nonprofit Center's job board shows that despite upward market pressure on wages, hourly offerings are not significantly different than pre-pandemic medians. Fall postings included:

- Driver positions for \$11 hourly;
- Janitorial positions for \$12 hourly;
- A food services assistant position for \$12 hourly;
- Program specialist positions for \$12 hourly;
- A teacher assistant for \$11.50-12.50 hourly.

2020 Median Wages at Northeast Florida Nonprofits

Position	Median Annual Wage	Median Hourly
Visitor Services Representative	\$20,800	\$10.00
Senior or Adult Program Assistant	\$22,360	\$10.75
Janitor	\$23,608	\$11.35
K-12 Teaching Assistant	\$24,960	\$12
Gift/Thrift Shop Retail Sales Clerk	\$21,580	\$10.38
Warehouse Worker	\$22,131	\$10.64

Source: Nonprofit Center 2020 Compensation & Benefits Survey

FIELD NOTES

Comparing state impacts

LOOKING TO OTHER REGIONS WITH A HIGHER MINIMUM WAGE

As with Florida, many states have raised their minimum wage via ballot initiatives rather than legislative action. In fact, 29 states and Washington, D.C., have minimum wages above the federal minimum wage of \$7.25 per hour. The impact in each state is different and, in some cases, not much research has been conducted on the impact of the measures.

In **Arkansas**, voters in November 2018 overwhelmingly approved a citizen initiative ballot measure, increasing the hourly minimum wage to **\$11 per hour by 2021**. Little is known about the impact on nonprofits.⁶

In **California**, the minimum wage rose to \$14 per hour for employers with 26 or more employees, and \$13 per hour for employers with 25 or fewer. This follows a ballot measure that first went into effect in 2017.⁷

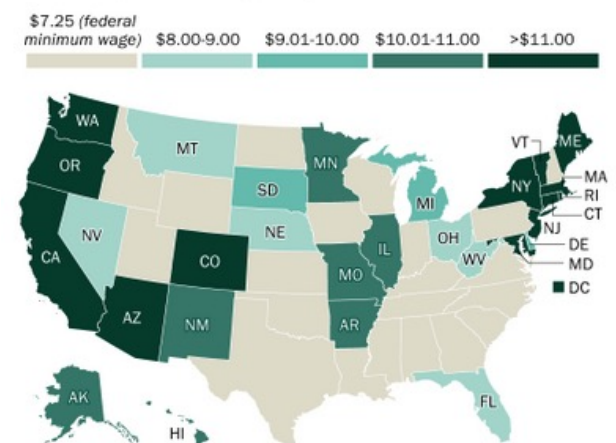
Minimum wage increases are a growing trend throughout the country over the last several years, an effort by localities to address the negative effects of stagnant and declining wages.

The United States' national minimum wage has not kept pace with inflation, and at \$7.25, it is the lowest minimum wage compared with typical or average wages of any country in the Organization for Economic Cooperation and Development. Because of this, there have been an increasing number of ballot initiatives in states and localities to set higher minimum wages. Across the country, significant minimum wage increases have happened at the state and municipal level.³ Florida is the only state in the Southeast to have enacted such policy change, but other states across the country have started down this path over the last several years.

Because the minimum wage has not kept pace with either inflation or poverty, researchers are finding new ways to describe the impact of lower wages. The United Way's ALICE report describes a family that earns above the Federal Poverty Level, but does not earn enough to afford a bare-bones household budget of housing, child care, food, transportation, health care, and necessary technology. Locally, the United Way of Northeast Florida found that with ALICE and poverty populations combined, 38.6% of people in Northeast Florida struggle to make ends meet.

Throughout the country, minimum wage measures have been met with mixed reactions in the nonprofit sector. Nonprofits are enthusiastic about the predicted benefits for lower-wage workers (both clients and employees): The Congressional Budget Office found a federal minimum wage of \$15 per hour would reduce poverty by significant levels.⁴ And research has linked higher minimum wage rates with better health and decreased suicide.⁵

State hourly minimum wage as of Jan. 1, 2021



Note: States are grouped based on most broadly applicable minimum wage rate; different minimums may apply to different regions, employer classes or occupations. Rate shown for New York State is that for New York City, which accounts for nearly half of all payroll jobs in the state. Rate shown for Oregon is that for the Portland metro area, which accounts for about half of all payroll jobs in the state. Sources: U.S. Labor Department; National Conference of State Legislatures; Economic Policy Institute; state employment departments.

PEW RESEARCH CENTER

Source: Pew Research Center

**Case Study:
Connecticut**

ADDRESSING HIGHER WAGES THROUGH ADVOCACY

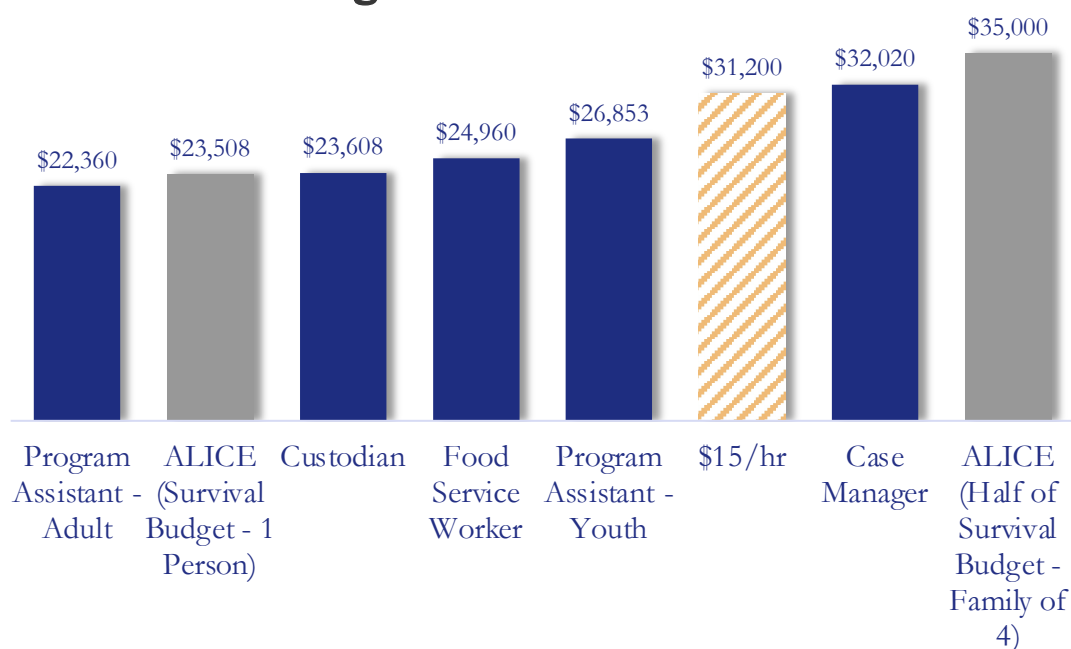
In 2019, the Connecticut State Legislature enacted legislation to increase the minimum wage to \$15 per hour in 2023 (currently standing at \$13). The Connecticut Nonprofit Alliance has been tracking the impact on nonprofits and advocating for better reimbursement rates from the state for services, hearing from its members that wage compression has been the number one challenge. Ben Shaiken, Director of Government Relations, said that in addition to minimum wage changes, organizations have been affected by rising wages in the private sector, while reimbursement rates from the government have not kept pace. “Our position here has always been that we’re not opposed to minimum wage increases, but that the state has to back those policies up with funding,” Shaiken said. **The Alliance has not seen nonprofits lay off staff, but it is seeing many of its members struggle with hiring, retention and even looking at reducing or changing services offered.**

Significantly raising wage structures can be extremely challenging for organizations, particularly those with many lower wage workers. Research, however, is limited.

Knowing that economic mobility is one key to creating sustainable communities is one thing — figuring out *how to adjust* to big changes in expense and revenue sources at a time of great uncertainty and stress is quite another.

These changes come at a time when nonprofits — and, in many cases, the people they serve — are experiencing unprecedented challenges due to the COVID-19 pandemic. These challenges, while widespread, do not come with easy answers. Early research and experience in other states suggested that advocacy, particularly with government funders, will play an important role.⁸ While nonprofits seek to lift the economy and their own workers into thriving opportunity by examining and adjusting compensation practices, it cannot happen in isolation. Education and advocacy with government and philanthropic funders and donors starts by addressing the matter of equitable compensation with frank and open discussion.

Median nonprofit sector wages compared with ALICE and minimum wage



Source: Nonprofit Center 2020 Compensation & Benefits Survey and United Way ALICE Report

Nonprofits may seek different ways of adjusting to changes in the labor market and minimum wage based on their mission and business model.

Unlike for-profit companies, the channels of adjustment for nonprofit organizations are different and more complex than merely raising prices.

With 39% of all nonprofit sector jobs paying less than \$15 per hour, adjustment for the sector will be significant. And because many of these state-level changes are so new, research about the impact on nonprofits is limited. However, a 2020 study in the journal *Social Services Review* examined the near-term impact on nonprofits in Seattle, one of the first localities to enact a \$15 per hour minimum wage (it was passed in 2015 and started going into effect in 2016 with a gradual rise).⁹

What is Wage Compression?

When organizations significantly raise wages for employees at the lower end of the salary scale, wage compression can occur if it results in little difference in pay regardless of variation in employees' knowledge, skills, or experience. Avoiding wage compression will require nonprofits to raise compensation for workers in adjacent pay bands. Consider a very simplified example of a nonprofit with 50 employees:

			Total Annual Increase	
10 employees	\$10/hr wage (\$20,800 annually)	→	\$15/hr wage (\$31,200 annually)	\$104,000
10 employees	\$13/hr wage (\$27,040 annually)	→	\$18/hr wage (\$37,440 annually)	\$104,000
10 employees	\$16/hr wage (\$33,280 annually)	→	\$20/hr wage (\$41,600 annually)	\$83,200
10 employees	\$20/hr wage (\$41,600 annually)	→	\$24/hr wage (\$49,920 annually)	\$83,200
5 employees	\$25/hr wage (\$52,000 annually)	→	\$28/hr wage (\$58,240 annually)	\$31,200
5 employees	\$35/hr wage (\$72,800 annually)	→	\$38/hr wage (\$76,960 annually)	\$20,800
			Total Annual Cost Increase	\$426,400

It found that:

“Although most nonprofits with low-wage workers do not report substantial programmatic changes in response to the minimum wage, we do find evidence nonprofits are pursuing several avenues to raise revenue to cover higher anticipated labor costs.”

The study found a few major categories of adjustments that nonprofits made to adapt to rising wages in the first year of the law (2016):

- ❑ **Shifting internal wage ladders.** Organizations reported complexity in raising wages to avoid wage compression.
- ❑ **Staffing and hiring changes.** A year after the change, fewer than 5% of nonprofits reduced the number of employees. Turnover did not change.
- ❑ **Modifying programs or services.** Few nonprofits reported changing or reducing programs or services or planned to do so because of the minimum wage.
- ❑ **Raising prices for goods and services.** A significant proportion (40%) said they had or were planning to increase prices for services.
- ❑ **Requesting additional funds.** Half of nonprofits said they had or were planning to ask current funders for more resources. Proportions of revenue (earned, government, charitable) remained the same.

Next Step Considerations for Nonprofit Organizations and Funding Partners

What can nonprofit organizations and their funding partners do with this information? Here are some conversation-starters for organizations to have both internally and externally.

1

Does our organization's compensation plan need updating?

Now is the time to not only understand the impact or potential impact of these changes on your organization, but also to make plans that will ensure equity and reduce disruption. Members of the Nonprofit Center can get access to the 2020 Compensation & Benefits Report and recordings of past trainings on compensation practices.

2

Regardless of our current salary structure, what conversations are needed now to address future expenses?

Even nonprofits that do not have employees paid \$10-\$15 per hour are likely to be affected down the road. If an organization has workers making \$15 per hour or just above that amount, now is the time to start planning on both the expense side and the revenue side. What information is needed? What will discussions look like with staff, board, and funding partners? What is the timeline?

3

How do we leverage non-monetary compensation?

Many local nonprofits report that non-monetary compensation such as scheduling flexibility, paid time off and holidays, remote work, and other quality of life measures were helping with recruitment. They can also help with retention strategy, something that 80% of organizations do not have, according to a recent survey from Nonprofit HR.¹⁰ What is your organization's benefits package? Culture? Flexibility? Professional development and growth opportunities? Diversity, equity, and inclusion measures? Leave policies? An employee survey can help understand organizational culture and which benefits are most valuable.

4

How can an equity lens be integrated into our next steps?

Decades of compensation research across sectors shows that perceived inequalities in compensation can lead to high turnover rates or employee dissatisfaction rates. As nonprofits and funders grapple with how to respond, they might consider questions such as:

- Which organizations and employees are most likely to be affected?
- Are people with diverse identities represented equitably at all levels of my organization?
- Which types of positions are staffed primarily by workers of color? By white workers?
- Which contracts or funding agreements have locked certain job roles into low base wages?

5

What is the role of advocacy and partnership in our strategy?

When it comes to contracts, prices, or other earned revenue, what influence does your nonprofit have on the terms? What government and philanthropic funders need to know what the impact will be on your organization? What are the ideal solutions? Nonprofit CEOs are also reporting success in partnering with workforce development programs. What partners might be a good fit?

Footnotes

1 - *Unemployment Rates for Large Metropolitan Areas, August 2021*. Bureau of Labor Statistics. <https://www.bls.gov/web/metro/laulrgma.htm>

2 - "ALICE in Duval County." United Way of Northeast Florida. March 2020. <https://unitedwaynefl.org/get-involved/take-action/alice/>

3 - "When it comes to raising the minimum wage, most of the action is in cities and states, not Congress." Pew Research Center, March 12, 2021. <https://www.pewresearch.org/fact-tank/2021/03/12/when-it-comes-to-raising-the-minimum-wage-most-of-the-action-is-in-cities-and-states-not-congress/>

4 - "CBO report finds \$15 minimum wage would cost jobs but lower poverty levels." *Washington Post*, February 8, 2021. <https://www.washingtonpost.com/business/2021/02/08/minimum-wage-hike-15-an-hour-by-2025-would-result-14-million-unemployed-nonpartisan-congressional-budget-office-says/>

5, 9 - Allard, Scott; Romich, Jennifer; Buszkiewicz, James; Althaus, Anne; and Obara, Emmi. "The Initial Nonprofit Exposure and Response to Seattle's Minimum Wage Ordinance." *Social Service Review*. June 2020.

6 - "Last of Arkansas Minimum Wage Increases Takes Place Jan. 1, 2021." University of Arkansas Cooperative Extension Service, December 16, 2020. <https://www.uaex.edu/business-communities/ced-blog/posts/2020/December/Last-Arkansas-Minimum-Wage-Increases-Takes-Place-January-2021.aspx>

7 - "Big Gains on Minimum Wage in 2018." *Nonprofit Quarterly*, January 8, 2019. <https://nonprofitquarterly.org/big-gains-on-minimum-wage-in-2018/>

8 - "Nonprofit Wage Ghettos and What We Should Do about Them." *Nonprofit Quarterly*, November 18, 2016. <https://nonprofitquarterly.org/nonprofit-wage-ghettos/>

10 - Nonprofit HR 2021 Talent Retention Survey Results. October 2021. <https://www.nonprofithr.com/2021talentretentionsurvey/>

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