

# The Challenge of Providing a Living Wage

## **Perpetuating Low Income and Poverty in the Nonprofit Sector**

Join the conversation!

June 2014

*The purpose of this paper, like others that will follow as part of an occasional series from Halton Nonprofit Network, is to encourage dialogue and provoke discussion around key issues confronted by the nonprofit sector in Halton.*

# **The Challenge of Providing a Living Wage: Perpetuating Low Income and Poverty in the Nonprofit Sector**

## **Introduction**

Nonprofit staff and volunteers demonstrate every day their deep commitment to helping the people they serve overcome the challenges posed by poverty and low income. However, this reflection paper discusses the practice of many nonprofit organizations paying wages and salaries that simply add to the number of families and individuals consigned to the ranks of the working poor. It doesn't make a lot of sense; the nonprofit sector could be the poster child for irony!

## **Context**

Nonprofit staff and volunteers understand only too well the impacts of poverty and its negative effect on health outcomes, social integration and the ability of people to participate day-to-day in the life of the community. We see, and often try to resolve, these impacts every day.

In fact, many nonprofits developed in response to the needs of people with low incomes. Food banks and breakfast programs, sliding scale recreation fees, and subsidized and affordable housing initiatives are just three examples of the broad patchwork of programs that have developed to respond to the challenges faced when families and individuals do not have enough income.

A range of income support programs, the product of public policy, assists families and individuals but tends to provide levels of support that often keep people in deep poverty. These programs are: Ontario Works, the Ontario Disability Support Program, Employment Insurance and, for seniors, the Guaranteed Annual Income Supplement. The same is true of minimum wage levels, despite Ontario's recent adjustment upwards in the minimum wage.

All this nonprofits see and experience every day. But – and here is the catch – when we pay our own staff, do we pay at a level that allows the very people we charge with coping with the impacts of poverty to escape the poverty trap? And the response to this is too often “no – we often compensate our staff at levels that force them to live in poverty or near-poverty.”

## **Poverty and the Living Wage**

The struggle for fairness in communities has, historically, focused on seeking ways of lifting people out of poverty, and this is still a laudable goal. However, we need to ask ourselves whether having an income that lifts someone above what we normally see as the poverty line (the Low Income Cutoff Point used by Statistics Canada) is enough. Would this change result in anything more than simply allowing people to survive? And, as a society, is survival enough? Do we want people to survive, or do we want people to thrive?

Since 2008, there has been a growing chorus of voices in Canada that have declared that survival is not enough. Instead, we want people – individuals and families – to thrive and communities that are vibrant. What does this mean? It means something more than incomes just above the poverty line; it means a living wage.

In 2008, the Canadian Centre for Policy Alternatives defined a “living wage” as follows:

A living wage is envisioned as a wage that allows working people not just to survive (in minimal physiological terms) but to enjoy a decent quality of life in which one can raise a family, be healthy and enjoy recreation, culture, entertainment and participate fully in social life. (Canadian Centre for Policy Alternatives, 2008)

Over 2012 -2013. Community Development Halton, in alignment with a number of communities across Canada, undertook the challenging task of determining what a living wage would be in Halton. The results are shown below in Table A and are compared to the most recent “poverty lines” (LICOs) determined by Statistics Canada:

Table A  
Living Wage (2013) and Low Income Cutoff Points (2011) Halton

Family Size	Living Wage (2012) <sup>1</sup>		Low Income Cutoff (2012) <sup>2</sup>	
	Hourly rate	Income after tax and transfers	Family size (Community Population 500,000 and over)	Income after tax <sup>3</sup>
Single individual	\$19.45/hour	\$30,878	One person	\$19,597
Single parent	\$18.69/hour	\$47,481	Two persons	\$23,850
Family of four	\$17.05/hour	\$58,525	Four persons	\$37,052

### **Consequences of NOT Paying a Living Wage**

Living Wage Halton has identified a number of the consequences of NOT paying employees a living wage:

- Low wages can lead to lower employee morale, decreased productivity and higher employee turnover, all of which affects the efficacy of nonprofits’ “bottom line”.
- Low wages prevent employees from fully participating in the community.
- Low wages contribute to illness among our employees and health disparities in our community.

<sup>1</sup> Community Development Halton, Calculating a Living Wage for Halton, A Discussion Paper, March 2013

<sup>2</sup> Statistics Canada. Low Income Lines, 2011-2012. Income Research Paper Series, Catalogue no. 75F0002M-No.002, 2013

<sup>3</sup> After-tax low income cut-offs (1992 base) were determined from an analysis of the 1992 Family Expenditure Survey data. These income limits were selected on the basis that families with incomes below these limits usually spent 63.6% or more of their income on food, shelter and clothing. Low income cut-offs were differentiated by community size of residence and family size.

## **Nonprofits and Staff Wages**

In Community Development Halton's groundbreaking 2008 study, *Pushing the Limits: Challenges of Halton's Nonprofit and Voluntary Sector Labour Force*, of 81 participating nonprofits from the human services sector, the most frequently mentioned employee issue with which agencies were dealing was "adequacy of competitive compensation packages (49%)" (Community Development Halton, 2013, p. 19) The study went on further to note that while the median income in the nonprofit human services sector fell within the \$30,000-\$40,000 range, the average income was lower, meaning that a significant number of people were being paid below \$30,000 a year:

In terms of salaries and wages, employment incomes in the nonprofit sector do not compare favourably with other sectors. Halton's average annual employment income for all industries in 2000 was \$46,200.<sup>29</sup> The average employment income for workers in the human services (HS) nonprofit sector in Halton, however, was about \$26,400 in 2000, just over half of the average income for all workers. (Community Development Halton, 2013, p. 46)

This is not to say all nonprofit agencies pay their staff less than a living wage; indeed, the same CDH study noted that senior and middle managers, while paid less than their colleagues in larger service operations, were still making what would be considered a living wage.

Given funding trends over the last decade or so, with cuts to some (periodic cuts in United Way funding are notable here) and flat-line or minimal growth in others, the situation overall is unlikely to have changed.

## **Why do Nonprofits Pay Some Employees Less than a Living Wage?**

There are a variety of reasons that less-than-living-wages are paid to some staff in many nonprofit organizations.

a) *Emergence of Nonprofits as a "Charitable" Response to Community Needs*

In the human service field, and elsewhere, nonprofits often began as a charitable response or a community response to perceived needs. They were often run and staffed by volunteers. As they became more 'professional' and hired staff, a charitable mentality often remained and, in many cases, the work itself was touted as part of the reward that employees might expect. Doing good work – doing charitable work – was seen as a reward in and of itself, even it didn't pay the bills. While one may not hear this as often today, this mentality can sometimes still be seen kicking around.

b) *Women form the Backbone of the Nonprofit Sector*

Women make up the vast majority of the workforce in the nonprofit sector (in the CDH study of 2008, almost 90%.) Feminism and equal pay for work of equal value notwithstanding, women still are paid less than men. It is not surprising then to see an entire sector, dominated

by women (particularly in direct service), pay a proportion of its employees less than a living wage. This is by no means a new experience for women.

c) *Pressure from Donors*

Donors are often advised to check out the administration costs of charities prior to giving, and we periodically hear donors indicate that they want to see their donations go directly to individuals and families in need. Donors forget that to get dollars to service recipients takes staff, whether in direct service roles or in supporting administration functions. The overall impact is to encourage organizations to keep their costs down and, since the greatest costs are associated with staff salaries (often about 80% or even more of budget), the downward pressure on salaries can be dramatic.

d) *Pressure of Market Forces*

Over the last decade and more, nonprofits that serve essentially as service providers on behalf of governments through purchase-of-service agreements have felt the not-so-hidden hand of the market. Having to compete more aggressively with the for-profit sector (e.g., the proposal processes used by CCAC's comes to mind) for limited purchase of service dollars puts enormous downward pressure on wages in order to provide a competitive edge. In unionized workplaces, this pressure may not be as acute.

e) *Funders*

Funders as a group are not immune to the influence of the above factors and they hold the purse strings. Pressures to contain costs are felt everywhere throughout the sector and, as noted above, the easiest way, after downsizing or eliminating entire budget lines such as professional development, evaluation or volunteer management, is to keep wages and salaries low.

### **Breaking Out of the Nonprofit Sector's Cycle of Poverty**

Living Wage Halton is currently working together to encourage Halton employers to declare their commitment to becoming a living wage employer. To assist in this, they have identified levels of commitment along the way:

- **Friend:** We have not determined how many employees currently earn a living wage, but are committed to doing so within one year as a first step toward increasing the number of living wage employees in our organization.
- **Supporter:** We have determined what it would cost to pay all our full-time and part-time employees a living wage, and we commit to paying them a living wage within a 3 year period.
- **Partner:** All our full-time and part-time employees earn a living wage.
- **Leader:** All our full-time and part-time employees earn a living wage. We are committed to encouraging all our external service contractors that do not currently pay a living wage to work toward this goal over a 3-year period.

- **Champion:** All our full-time and part-time employees earn a living wage, and all our external service contractors pay a living wage.

Despite the challenges of becoming living wage employers, HNN invites all nonprofits to consider making this commitment.

It is possible to break the cycle of poverty to which low wages in the nonprofit sector contribute. If we are brave enough to do so, we can model for the rest of the community the value and benefits of paying living wages. We no longer need to be the poster child for irony; we can become the poster child for fairness!