In January 2019, Pennsylvania’s Governor, Tom Wolf, called for the state’s minimum wage to be raised to $12 an hour by July 2019 and then progressively to $15 an hour by 2025. Although it was not passed by the legislature, he reissued his call to raise the minimum wage in February 2021. Governor Wolf’s push to raise the minimum wage follows many cities, counties, and states that have raised or are in the process of raising their minimum wage to $15 an hour. It also aligns with growing calls to raise the federal minimum wage to $15 an hour.

A growing body of evidence has shown that efforts to raise the minimum wage are linked to positive effects for employee wellbeing, with little to no effects on employment. Yet, some worry that raising the minimum wage to $15 an hour will hurt certain employers and groups of workers, and in particular, that raising the minimum wage will hurt non-profit Human Service Organizations (HSOs).

Concerns about the effects of increasing the minimum wage to $15 an hour on HSOs are driven by two issues.

- **First**, a number of HSOs pay a significant portion of their workforce less than or right around $15 an hour. A $15 minimum wage increase will require HSOs to consider not only raising wages for those below $15 but also those who are at and above $15.
- **Second**, funding streams are often insufficient to increase wages and maintain benefits for all workers. Whether receiving government contracts, foundation grants, or donor funds, HSOs are often forced to do more with less.

This research brief is based on in-depth interviews with 25 HSO leaders in the Pittsburgh area and focuses on their perceptions of increasing the minimum wage to $15 an hour and their capacity to respond to a higher minimum wage. Three key themes emerged from these interviews: (1) HSO leaders want to raise wages and are generally supportive of these efforts; (2) HSO leaders, however, face numerous barriers to raising wages; and (3) HSO leaders are utilizing a range of strategies to raise wages but broader reforms will be necessary. The brief concludes with recommendations for policy, funding, and organizational strategies to support HSOs as the push continues to raise the minimum wage to $15 an hour.
Raising the Minimum Wage to $15: Effects on Selected Pittsburgh Area Human Service Organizations

Attention to the struggles of low-wage workers has increased over the last decade. In response, many state and local jurisdictions have increased their minimum wage to as high as $15 an hour. Though Pennsylvania has kept the minimum wage at the federal level, $7.25 an hour, Governor Wolf has brought two proposals over the years aimed at raising the state minimum wage to $15 an hour. These proposals were supported by research indicating that minimum wage increases have few effects on employment and that wage increases improve the well-being of workers.

Despite these findings, there are concerns about the potential negative effects of raising the minimum wage on specific groups of lower-wage workers or types of employers. In particular, there are specific questions about how raising the minimum wage will impact Human Service Organizations (HSOs). Little research exists on this issue, and as states and local communities increasingly pass minimum wage increases, it is important to understand the potential effects wage increases will have on HSOs, their employees, and the people they serve. This study utilized in-depth interviews with 25 leaders of HSOs of varying budget sizes in the Pittsburgh Area to understand their perceptions of proposals to raise the minimum wage and capacity to do so.

Three major themes are highlighted in this report and are detailed below.

1. Motivations in support of a minimum wage increase.
   - HSO leaders cited several motivations for raising the minimum wage:
     - Recruitment and retention of staff
     - Worker well-being and fair compensation

2. Barriers to raising the minimum wage.
   - HSO leaders cited numerous barriers to raising wages:
     - Budget constraints
     - Limited reimbursements from government contracts
     - Restrictions on the use of funds
     - Service reductions
     - Benefits cliff - loss of public benefit due to higher wages
     - Layoffs and employee benefit cuts

3. Strategies that are or will be used to raise wages.
   - HSO leaders were already using certain strategies and recognized the need to consider additional strategies:
     - Diversify funding
     - Long-term planning and budget reprioritization
     - Hiring less staff
     - Budget cuts
     - Cutting specific programs
     - Staff support
     - Internal and external advocacy

EXECUTIVE SUMMARY
We presented the findings of this report to HSO leaders who had taken part in the study to elicit feedback and to brainstorm recommendations. This process led us to focus on three broad areas of recommendations: 1) organizational level strategies; 2) organizational and sector level education and advocacy; and, 3) local, state, and federal policy changes.

**Organizational Level Strategies**
- Diversify funding streams
- Engage with funders
- Assess organizational capacity to deliver services
- Engage HSO workers in decisions about compensation packages
- Engage in long term budget planning
- Create organizational wellness practices, policies, and procedures

**Organizational and Sector Education and Advocacy**
- Internal organizational education and advocacy
- Sector level organization and advocacy

**Public Policy**
- Increase reimbursements for services
- Increase public benefit eligibility
This report is a descriptive qualitative study using in-depth interviews to gather data from leaders of Human Service Organizations (HSOs) in the Pittsburgh area. The sample included 25 HSO leaders. Organizations ranged from 5-124 years in operation, with annual budgets ranging from $165,000-$55,000,000.

Table 1. Current wages and estimated cost of raising wages

<table>
<thead>
<tr>
<th>Organization's Budget</th>
<th>N of orgs</th>
<th>Hourly wage range</th>
<th>N of orgs who need to raise wages to get to 12</th>
<th>Cost of raising to $12/hour</th>
<th>N of orgs who need to raise wages to get to 15</th>
<th>Cost of raising to $15/hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20 million &amp; above</td>
<td>3</td>
<td>$7.25 to $36.05</td>
<td>2</td>
<td>$1 million to $1,266,329</td>
<td>3</td>
<td>$2 million to $2,856,950</td>
</tr>
<tr>
<td>≥$8 to &lt;$20 million</td>
<td>5</td>
<td>$10.50 to $30</td>
<td>3</td>
<td>$3,800 to $20,600</td>
<td>4</td>
<td>$27,300 to $420,000</td>
</tr>
<tr>
<td>$1 to &lt;$8 million</td>
<td>12</td>
<td>$7.78 to $28.63</td>
<td>5</td>
<td>$10,500 to $42,000</td>
<td>8</td>
<td>$50,512 to $365,000</td>
</tr>
<tr>
<td>Under $1 million</td>
<td>5</td>
<td>$10 to $35.50</td>
<td>1</td>
<td>$3,120</td>
<td>1</td>
<td>$17,160</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>$7.25 to 36.05</td>
<td>11</td>
<td>$3,120 to 1,266,329</td>
<td>16</td>
<td>$17,160 to 2,856,950</td>
</tr>
</tbody>
</table>

Note. Many organizations mentioned that the calculated cost of raising wages to $12 and $15 underestimates the actual cost of raising wages at the bottom because it does NOT account for raising wages for higher-paid employees to avoid issues of wage compression.

Most organizations will have to significantly increase wages to reach $15 an hour (see Table 1). In fact, nearly half the HSOs pay some workers less than $12 an hour.

Table 2. Current benefits provided

<table>
<thead>
<tr>
<th>Organization's Budget</th>
<th>N of orgs</th>
<th>Health</th>
<th>Vacation/PTO</th>
<th>Bonuses</th>
<th>Paid sick days</th>
<th>Retirement</th>
<th>Education</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20 million &amp; above</td>
<td>3</td>
<td>100%</td>
<td>100%</td>
<td>66%</td>
<td>66%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>≥$8 to &lt;$20 million</td>
<td>5</td>
<td>100%</td>
<td>100%</td>
<td>80%</td>
<td>80%</td>
<td>100%</td>
<td>20%</td>
</tr>
<tr>
<td>$1 to &lt;$8 million</td>
<td>12</td>
<td>92%</td>
<td>92%</td>
<td>33%</td>
<td>75%</td>
<td>92%</td>
<td>33%</td>
</tr>
<tr>
<td>Under $1 million</td>
<td>5</td>
<td>80%</td>
<td>100%</td>
<td>60%</td>
<td>100%</td>
<td>80%</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>92%</td>
<td>96%</td>
<td>52%</td>
<td>80%</td>
<td>92%</td>
<td>36%</td>
</tr>
</tbody>
</table>

The vast majority of HSOs offered a mix of health, vacation/paid time off, paid sick days, retirement, and education benefits (see Table 2). As will be, HSO leaders discussed the trade-offs between offering higher wages and better benefits packages, especially health insurance, and many felt that it was important to assess the total compensation package offered to employees.
HSO leaders expressed motivation for raising the minimum wage because it would benefit both the organization and staff, as high turnover and difficulties around recruitment were a constant challenge. HSO leaders believed that increasing wages would provide a competitive edge among their peers and for recruitment of new staff. HSO leaders also mentioned the importance of their workers well-being and the importance of providing fair wages.

**Enhance Recruitment and Retention**

One key motivation among HSO leaders was to provide a competitive wage to aid in the recruitment of a qualified workforce.

“There's a lot of jobs out there, unemployment's really low. It's very hard to attract quality workers. It's low wage.”

“I think that aside from that, as other agencies are preparing for the wage increase, and we see that they're raising their rates, that affects our recruiting if we don't keep up with everyone else.”

“A kid that we might hire to do direct supports, attendant supports, they could go to Target and make $2 an hour more.”

As noted by the previous quotes, HSOs pay lower wages versus other nearby competitors. To add another complicated layer in HSO staff recruitment is that they typically do not pay enough to retain interested workers, thus resulting in high turnover.

“My general sense is that people enjoy working for (the organization), it's just that we don't pay enough. So, they leave after a short time and when they leave they say, I hate to leave but—"

HSO leaders emphasized that employees valued the work but that wages impacted their retention of quality staff.

“And the answer is that they generally like the work they're doing, but the wages get in the way of them being able to make a long-term commitment to the organization.”

“They want to have rewarding work with people they respect and trust. Particularly, they want to trust leadership. And they want to be appropriately compensated, rewarded, and appreciated.”

HSO leaders further linked issues of recruitment and retention to service delivery and quality. As reflected in the quote below, turnover leads to gaps in services that affect outcomes and the communities served.

“And turnover diminishes outcomes, and there are studies that prove that too. You have to hire a new staff member to serve these folks and they have to get acclimated, and there's a gap of service, and what that happens to the people being served? They're not getting as much service, and, therefore, the outcomes slump.”

**INDINGS 1: MOTIVATIONS**
Worker Well-Being and Fair Compensation

While it was clear that HSO leaders were motivated to pay competitive wages in order to recruit and retain workers, they also discussed the desire to improve the well-being of their workers by paying wages that reflected the difficulty and importance of the work. HSO leaders highlighted concern regarding the financial status of their employees and the fact that many faced similar financial situations as the people they serve.

"Here, we are helping others who are in the same financial condition as some of our own employees from what their wages are."

“We serve many people who are working but still fall under federal poverty guidelines in terms of being eligible for our program. So we feel as though we would like to be responsible to the people that we employ to pay at least $15 an hour.”

“Things like that and plus, then people wouldn't have to work two and three jobs. They wouldn't have these problems with child-care. They wouldn't be so tired.”

“So, our stance on that though is kind of what I was saying before which is, we support the higher wages because we know what a struggle it is for folks to live on lower wages.”

“And I don't believe we can scream about the injustice of corporate America when we're doing the same thing, when we're not paying people what they're worth or what they-- how do you pay somebody for what they're worth but give them a reasonable pay for what they're doing.”

“It's not because of my charming personality. It's because of those outcomes. Who got those outcomes? The staff. What's the greatest expense to the agency at 69.7%? The staff.”

These quotes reflect HSO leaders’ commitment to HSO workers and their well-being, as well as a focus on the fairness of paying wages that are commensurate with the work that HSO employees do. As will be discussed in the next section, while this commitment to well-being and fairness evokes support for the minimum wage increase, it is in tension with the organizational and financial realities these HSO leaders face.
HSO leaders expressed several different reasons for supporting a minimum wage increase. One set of reasons focused on organizational interests. Specifically, HSO leaders expressed a belief that the ability to pay competitive wages would improve their efforts to recruit and retain workers and deliver effective services. However, it is unclear whether a minimum wage increase will help HSOs recruit and retain workers. A broad law mandating higher wages would affect all employers across the state and might not improve the competitive position of HSOs in the broader market. However, this mandate could help HSO leaders support people wanting to stay in the human service sector but not making enough money. If the minimum wage increases to $15, human service jobs might pay enough to entice interested workers to seek out or remain in these jobs despite the ability to make more elsewhere.

HSO leaders feel that recruiting and retaining workers is essential in maintaining organizational stability and providing effective services. HSO leaders spoke to the reality that human service workers drive program outcomes. These are important jobs and recruiting skilled and qualified workers is essential. Further, given the costs associated with turnover and new worker recruitment and training, paying higher wages might reduce these expenditures. Additional consideration of the role of a minimum wage increase in recruitment, retention, organizational stability, and program effectiveness is necessary. It is also likely that a minimum wage increase alone will not accomplish these goals and other changes are also necessary.

Equally, if not more important, HSO leaders also reflected substantial discomfort with the fact that many of their employees did not make enough to make ends meet. Several raised the point that the wage levels of many workers would make them eligible for the same programs and services they deliver. The moral imperative to pay HSO workers a fair living wage was consistently mentioned by HSO leaders. This is an extremely important part of the conversation around minimum wage increases and especially important with HSO workers who are asked to do difficult and emotionally draining care work but are not valued enough to be paid a fair or living wage. HSO workers are caregivers and providers who contribute a substantial amount to society. Paying a living wage that both enables them to make ends meet and values the contributions they make is clearly a motivation to raise the minimum wage for HSO leaders.
This section introduces the major barriers and challenges to overcome those barriers HSOs may face implementing a minimum wage increase. Without an increase in funding, HSO leaders across all budget levels noted challenges that an increase in the minimum wage would cause the organization. For example, HSO leaders understood that they would be forced to take other actions to ensure sustainability if the minimum wage was raised to $15 an hour, potentially without additional funding. Barriers to raising wages include budget constraints, limits of government funding, restrictions of donor funds, reductions in service delivery, the benefits cliff, and the reality of layoffs and/or benefits cuts.

### Budget Constraints

The HSO leaders consistently noted that their operating budgets are insufficient for the work they are doing and outcomes and impact they want to achieve. Raising wages immediately to $12 an hour and then gradually to $15 an hour would provide additional challenges.

An executive whose organization had a budget of over $20 million stated:

> “I think the challenge is that you wind up with the shock value. I think we tried to quantify what that would look like. I think it was $2.5 million. That could put us out of business, just the shock value of that.”

As the leader of an organization with a smaller budget stated:

> “We could probably make it a couple of years.”

Debt was also an issue raised by HSO leaders. In particular, HSO executives with budgets ranging from $1 to 8 million spoke frequently about the lingering debt that has to be taken into account when determining the feasibility of increasing their minimum wage.

> “I'm barely breaking even every year, so. And we have debts. So, I have to balance paying the debt. If I could get rid of the debt, it would certainly give me a big bump in extra revenue that I could then play with.”

### Limits of Government Funding

Another significant driver of budget constraint was the low reimbursement rates from the government. HSO leaders consistently stated that government funding was too low. This low funding would not be able to support both a higher minimum wage and allow the organization to maintain quality service delivery.

> “If the government is making this mandate that you need to pay a minimum wage, then the government should adjust their reimbursements for the organization so that the organizations can in turn pay that minimum wage.”

> “I think government has an obligation to provide reimbursement to the nonprofits that's commensurate with the work that's being done and with the financial realities of living today in this country.”
“But the government is going to need to figure out how to step up the funding for the contracts that nonprofits are paid to implement if they would like us to be passing on-- being able to cover the increased expense.”

“But if the reimbursement doesn't go up but our requirements pay people more do, you're more likely to be in a deficit.”

**Donor funds are Restricted**

Although government contracts and subsequent reimbursements were a clear barrier to raising wages, HSO leaders also discussed how foundation grants, corporate giving, and individual donations are essential to the organization. Yet, HSO leaders noted a number of constraints on and limitations to these funding streams.

“So, there are funding streams that we've chosen not to participate in because it won't support the $12 an hour way.”

“More donor's money would be going to paying staff instead of our programming, and they don't like that.”

“Most of our funders are not going to make the same flip, and they're not going to go, ”Okay. So we'd like to have 7% administrative costs now. We're going to let you have 12%.” We don't tend to see those changes happen with funders.”

“It's challenging, there are some revenue streams we just can't get more revenue from.”

These quotes reveal that funder preferences and requirements affect decisions to pursue certain funding streams or the ability to increase wages for their workers. Decisions to limit administrative costs or the amount of money that can go to paying staff affect what HSOs can pay. These leaders expressed concern that increasing the minimum wage without changes in donor funds would create substantial challenges to HSOs.

**Reduction in Services**

One of the main concerns that HSO executives have with increasing the minimum wage is the effect it will have on services. Having to pay higher wages and not having sufficient funding, many HSO leaders expressed their worry about how they would have to possibly reduce services and how that would affect participants.

“And finding a way to comply might end up with substandard services or services that are not as viable, maybe more institutional in nature rather than individualized”

“So, in our case, you could see a potential unraveling of the service. Now, all of a sudden, we don't get a--we were full all the time with 100 people. Now we get 50 people. Funders don't want to give us money for 100 people, which is okay if there's no need for the service.”

“I've been hearing from other organizations who have clients that are being served, they won't be able to serve as many clients or provide as many services.”
Many HSO leaders were concerned that increasing wages would lead to a loss in public benefits for both the people they serve and their staff. Often referred to as the “benefits cliff,” the idea is that as wages increase, people lose public benefits limiting income gains from wage increases. Thus, they are no better, if not worse, off after the wage increase.

“There's also the cliff of benefits where we see somebody who then makes wage, it goes up, they lose all these other benefits. They're no longer eligible for some of our services that they still need, but they can't get.”

“Our bigger concern is it would seem like a short-term win for people just if the Affordable Care Act seemed like it, then it would actually end up being, "Oh my God. I no longer have this, or I'm only getting this much in SNAP benefit.”

“I could tell you if there's a two-person household and these folks work full-time, and they're making between 7.25 and 15 dollars an hour right now, if they make $15 an hour, many of them would now not be eligible for our after-school program.”

While retention is a challenge given that organizations do not pay enough, wage increases without additional revenue could lead to layoffs leaving HSO leaders grappling with the following question:

“Would I rather be fully staffed, but have that staff be paid at the lowest level of the range? Or would I rather have fewer people than we really need to get our job done, but have everybody making it a more appropriate range?”

Further, a wage increase could lead to cuts in employee benefits leaving workers no better off.

“One of the agencies in the room yesterday eliminated their health insurance completely already because they didn't have enough money to pay for it. So, they basically said, "We don't offer health insurance anymore.”

“And same thing with changing the overtime rule, which, again, I think is great. But where's the public policy about how are we going to be able to render the same level of service by trimming back these hours?”
Despite the motivations to raise wages, HSO leaders discussed numerous barriers and challenges that a broad minimum wage increase would cause to their organizations. Many HSO leaders mentioned existing budget constraints as a significant barrier. These budget constraints are caused by several factors such as existing debt, low government reimbursements, and corporate, foundation, and individual donor funding restrictions. As described above, low government reimbursement rates were already a significant challenge, but a minimum wage increase without a parallel rise in reimbursements would have substantial consequences. Similarly, HSO leaders asserted that they would need donors, such as foundations, to allow more funding to be allocated to employee costs.

Without changes to government reimbursements or restrictions on donor funds, HSO leaders noted some of the potential results of a minimum wage increase. Specifically, they mentioned reducing or cutting programs, staff layoffs, and cuts in employee benefits as potential ramifications. HSO leaders spoke to the fact that without sufficient funding and staffing, they would not be able to provide the same level of services to those they serve. Whether certain government contracts or foundation grants are not viable to pursue or whether staffing cuts cause service reductions, these leaders were concerned about a minimum wage increase leading to service cuts without funding increases. HSO leaders also talked about the potential of cuts in employee benefits. All the organizations interviewed offered some package of benefits. HSO leaders discussed the “total compensation package” their employees received and the idea that without funding increases, a minimum wage increase might lead to a rise in wages but a decrease in benefits.

A final concern HSO leaders expressed regarding a minimum wage increase was what is referred to as the “benefits cliff.” The benefits cliff is used to refer to situations where wages increase, but workers become ineligible for public benefits, or their public benefits are cut, producing little to no benefit of the wage increase for them. This concern involved two components. The first is the idea that a minimum wage increase would lead to a loss of eligibility for the programs their employees are receiving and the loss of other public benefits. The second concern is the loss of benefits or benefit eligibility for their employees. Notably, most people who are receiving public benefits are not fully cut off as wages increase but see gradual decreases in the amount of the benefit. While some of the impacts of the wage increase are lost as benefits decrease, most people are still better off as wages rise. Additionally, the concern surrounding the benefits cliff raises questions of whether, through public benefits, the government should be subsidizing low wages paid by corporations, businesses, and non-profit organizations. Given research showing positive effects on well-being from minimum and other wage increases, the focus should be on paying people fairly and sufficiently to meet their needs instead of financing their employers through subsidies.
This section introduces the strategies HSO leaders are currently using to increase wages and would need to do if the minimum wage was increased to $15 an hour. The strategies include diversifying funding, financial planning, and organizational discourse. Without sufficient funding to carry out their missions, HSO leaders have to engage in strategic management to ensure the sustainability and growth of their organizations. While making internal changes, HSO’s are also engaging in conversations to bring awareness and initiate action that will allow them to pay fair wages and fulfill their mission.

**Diversifying Funding**

Many of the respondent’s organizations are dependent upon government funding. However, it was commonly reported that having a diversified funding stream ensures organizational stability. One HSO leader averred that:

“I think one of the things that makes us, I think, strong as an organization is that our funding is diversified, so we're not really dependent on any single-payer to bring in revenue for the organization.”

HSO leaders also discussed the importance of seeking funding from a variety of sources, including individual and foundation funds.

“We are working to grow our base of individual donors. So that's a priority.”

“We're increasing the foundation-funded portion we have. We're trying to transition some events out and replace them with new ones.”

**Long-Term Planning and Reprioritizing Budget**

Some HSOs have begun or are beginning financial planning to ensure its organization’s stability in the future. One of the main strategies was to reprioritize the organization’s budget to cover the wage increase.

“We got a motion at the executive committee meeting yesterday that we need a long-term plan that's going to have to include salaries.”

“All I've done is re-prioritize." And guess what, we made it work. So, we cut and trimmed in other places and moved other things not at the expense of these people.”

“The only thing I could say is they'd have to--the thing is if you dip into your endowment funding, how do you maintain that for any period of time? You deplete that.”
Non-profit organizations discussed various staffing strategies to respond the potential of a minimum wage increase including reducing their workforce and/or reducing employee benefits.

“I would rather have people at the appropriate level, even if we can't afford everyone that we need right now. So that's kind of what we're doing as an organization.”

“We could just have in-place employees pay more for benefits.”

“We're just sort of reinforcing this idea of just think about what's right in front of you at the moment and don't worry about the future. And 20, 30 years down the road, they may feel like, "Wow, I wish my employer had given me other benefits and not just the salary, so.”-

With the motivation to fairly compensate employees and the need to manage budget limitations, some HSO leaders are considering prioritizing service delivery over growing their executive team.

“So, the other thing that we're trying to do is to figure out, if we didn't have to expand our executive team, which is where the big salaries are, if we could expand the number of units of services provided, but didn't have to expand the management team, would that help us pay better for the rank and file?”

One way to ensure a fair and equitable pay structure is for HSO leaders to become acquainted with the Bayer Study. Frequently mentioned by the HSO budget group of $1-8 million, the Bayer Study could be used as tool to help HSOs maintain a living wage pay structure, which will in turn enhance recruitment and retention.

“So, we do that every year (assess the Bayer study) because we think it's important for the field and it's important to us. We use it to bench-- to set salary ranges.”

Some HSO leaders discussed that in order to cover the increase in employee wages, they might need to make cuts to programs. The following quote shows the value of cohesiveness in decision making:

“If the pie isn't getting as big as we need it to be, we will live within our means." And that may mean understanding the connectedness of decisions on, "Well, it could be this program or that program."

The following strategy includes changes to grant applications to include wage increases:

“But because we're constantly going after new grants, now when we put in a new grant application, we put in what our expenses are going to be for the proposal. And now they're a little bit higher than they were before.”
Recognizing the responsibilities of HSOs not only to serve its clients but support their employees, HSO leaders identified strategies to save money in some areas that can be then used elsewhere. Often discussed by HSOs with budgets between $8 to 20 million was the practice of reprioritization to increase cost efficiency. Specific strategies mentioned included: outsourcing, bulk purchases, and remote work.

“We've become more efficient with facilities. We use less space. We get people to work remotely. We constantly rework everything.”

“We outsource IT initially, not to save money, but to get a higher level of service and we end up saving a lot of money.”

**Advocacy**

HSO leaders pointed to the need for internal and external advocacy to support higher wages for staff and several reported that they have begun conversations within their organization and with their executive team to elevate this discussion and initiate action.

“I have put out stuff in the newsletter, my section's a newsletter that says, "There's a reason for this. This is how people live. $7.25 an hour. This is how it changes when you bring it up to 8.50. And how it changes if you bring it up to 10."

“I wrote articles, little essays for the newsletter I send out. I brought it up at every board meeting.”

An executive also discussed the importance of working with the county to increase service rates as a strategy to afford higher wages:

“I guess the other thing we've been doing internally is really working on getting rates, being much more aggressive with counties about, ‘No. We're not going to provide services if you don't give us a 12% increase.’”
Given the motivations and barriers in support of raising the minimum wage discussed among HSO leaders, these leaders also explored a variety of existing strategies and new ways to manage and support their staff if the minimum wage increased. They emphasized that fundraising and strategic budgeting would be necessary to raise wages to $15 an hour. Methods for budgeting to cover wage increases included making bulk purchases, cutting space through remote work, outsourcing departments like IT, and reducing inventory and purchases. While not the full solution, these leaders were already taking or identifying actions they could take to respond to a minimum wage increase.

HSO leaders also noted the importance of advocacy and education within all levels of the agency to gain support for wage increases. Advocacy within the organization included spreading awareness of the importance of a living wage through the company newsletters. Other methods of advocacy within an organization included providing education to the executive board regarding the differences that relatively small increases in wages have for low-wage workers. Consistent with ideas expressed in previous sections, additional strategies included cutting staff or cutting benefits offered to staff. Some leaders mentioned asking staff for input about what specific benefit cuts they might prefer if wages must increase.

Despite the potential for staff and program cuts, several HSO leaders stated that staff and program cuts were a last resort, and there was some sentiment that the focus would be on finding ways to be creative prior to cuts. In larger organizations, leaders mentioned increasing wages for direct care workers while not expanding the executive team. Again, these leaders expressed the idea that they would think about the total compensation package and cut benefits before cutting staff or programs. Further, they mentioned advocacy for their workers and finding unique ways for their agencies to increase capital through entrepreneurship.
We presented the findings of this report to HSO leaders who had taken part in the study to elicit feedback and to brainstorm recommendations. This process led us to focus on three broad areas of recommendations: 1) organizational level strategies; 2) organizational and sector level education and advocacy; and, 3) local, state, and federal policy changes.

Organizational Level Strategies

- **Diversify funding streams**: HSO leaders mentioned that some funding streams constrain their ability to pay higher wages. One strategy suggested by HSO leaders to address this constraint was the need to diversifying funding streams. This was particularly true when they considered the potential impact of a minimum wage increase. HSOs should work to develop diverse fundraising strategies that provide more flexibility to increase wages.

- **Engage with funders**: HSO leaders should be prepared to have clear conversations with funders regarding employee compensation as they develop budget proposals. One theme was being asked to do more with less by funders and HSO leaders discussed the need to push back on these requests and be clear about the need to fairly and adequately compensate workers.

- **Assess organizational capacity to deliver services**: HSO boards should focus on frank discussions regarding their ability to continue to provide services to their community while also supporting their employees’ well-being by providing a living wage. This includes an assessment of whether trying to do more with less is beneficial to the community, organization, and workers.

- **Engage HSO workers in decisions about compensation packages**: HSO leaders noted the tension between their mission and the reality that they were not paying many of their workers a living wage. At the same time, they noted the realities of budget constraints and the fact that they paid a significant amount in benefits. One suggestion offered by HSO leaders was to engage in discussions with workers about wages, benefits packages, and budgets in order to allow workers to participate in the decision making process.

- **Engage in long term budget planning**: Long-term budget planning should focus on the need to raise workers’ wages. Decisions about hiring more executive or management staff, whether certain organizational functions can be eliminated or handled externally, whether supplies could be bought in bulk, as well as a range of other budget decisions, need to be made within the context of the need to raise wages.

- **Create organizational wellness practices, policies, and procedures**: As it was acknowledged that providing a living wage is just one aspect of employee well-being, HSOs should develop organizational self-care practices. HSO leaders acknowledge that their employees have difficult and emotionally draining occupations and are not typically validated enough to be paid a fair or living wage or given support to help deal with everyday challenges.
Organizational and Sector Education and Advocacy

- **Internal organizational education and advocacy:** HSO leaders discussed the work they must do to educate their boards and others in the organization about the need to pay their workers higher wages. Internal education and advocacy is important to making sure that the organization is on the same page regarding the need to raise wages and steps they need to take to do so. These efforts are important with the potential of a minimum wage increase that will require the organization to raise wages.

- **Sector level organization and advocacy:** HSO leaders expressed the need to work together as a sector to educate policy-makers, funders, donors and others about the need to increase funding so they can pay living wages. Individual efforts are useful but having broader conversations as a sector can improve leverage and make advocacy more successful.

Public Policy

- **Increase reimbursements for services:** Raising the minimum wage without a parallel or even greater increase in reimbursements provided to HSOs through federal, state, or local contracts will substantially constrain HSO budgets and these reimbursements need to be increased. Even without a federal or state minimum wage increase reimbursements should be increased so HSOs can pay their employees a fair living wage.

- **Increase public benefit eligibility:** Concern was expressed by HSO leaders that a minimum wage increase would make their workers ineligible for public benefits. This is a complex issue and research shows that wage increases improve well-being and do not lead to a benefits cliff. Yet, expanding eligibility for public benefits such as SNAP, childcare assistance, energy programs, and tax credits such as the Earned Income Tax Credit (EITC) can help alleviate concerns about the benefits cliff and improve the well-being of workers more broadly.

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