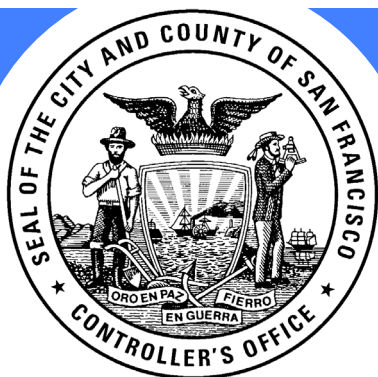


Nonprofit Wage Analysis

Summary of Findings and Recommendations

Budget & Appropriations Committee – June 8, 2022



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
City Performance Unit

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6.8.22

Framing the Problem

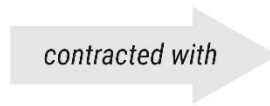
The City and County of San Francisco (City) partners with nonprofits to deliver critical social and safety net services to vulnerable residents across San Francisco



Framing the Problem

3

In Fiscal Year 2020-2021



*all other service areas include the remaining 34 departments with nonprofit contracts

Methodology

Departments and nonprofit contractors reported that low wages across the sector created staffing issues, impacting provider stability.

The Controller's Office used qualitative and quantitative methods to better understand the issue and develop potential solutions.





Interviews with Departments

- Human Services Agency
- Department of Homelessness and Supportive Housing
- Department of Public Health
- Mayor's Office of Housing and Community Development
- Department of Children, Youth, and Families
- Office of Economic and Workforce Development



Meetings with service providers

- Conard House
- Delivering Innovations in Supportive Housing (DISH)
- Homerise
- Swords to Plowshares
- Tenderloin Housing Clinic
- Tenderloin Neighborhood Development Corporation (TNDC)



Focus group with service providers

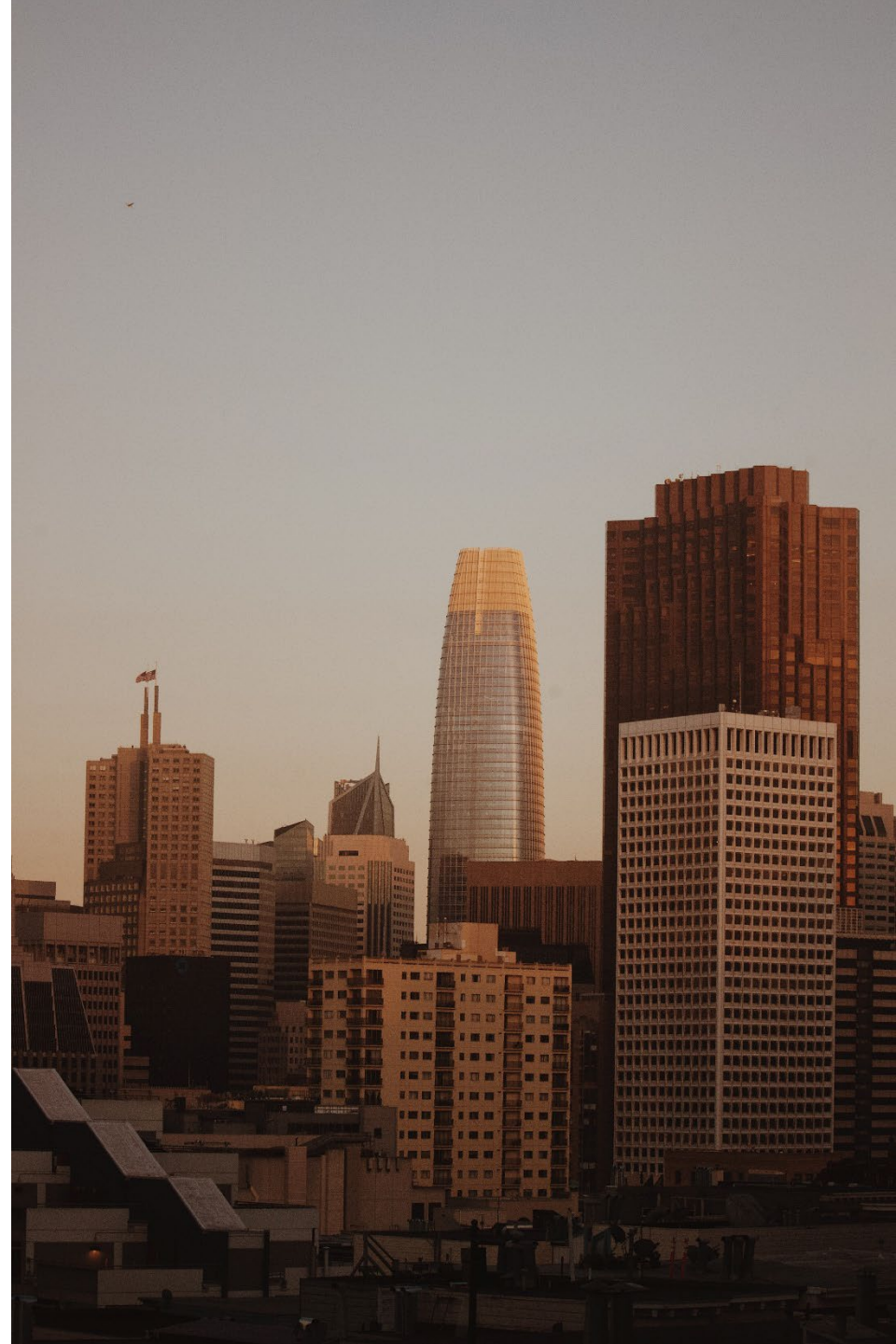
- AIDS Legal Resource Center
- Bayanihan Equity Center
- Catholic Charities
- Conard House
- Edgewood Children's Services
- Friends of the Children
- Homerise
- Huckleberry Youth Programs
- Mission Neighborhood Health Center
- North Beach Citizens
- Safe and Sound



Information and data review

- Wage analyses from nonprofit advocacy groups
- Analysis from DCYF on wages by position type for FY21-22 contractors
- Past surveying, analysis, and implementation of MCO allocations
- Data on supplier payments for FY20-21

Key Findings



Nonprofit organizations providing essential services face the same inflation as other sectors, but struggle to match wages with government and private sector jobs.



\$2,310

monthly stable earnings in the social assistance sector

Nonprofit workers are among the lowest paid workforce in San Francisco, and have seen less wage growth than other low-wage sectors



2,697

low-wage FTEs impacted by prior efforts to raise wages

In the 2019 increase of the Minimum Compensation Ordinance (MCO), at least 2,697 full-time equivalent staff (FTEs) making under \$30/hour received wage adjustments



\$20-\$25

hourly wage of many nonprofit workers

Participants in a nonprofit focus group indicated that many hard-to-fill positions made \$20-\$25/hr. This is under what is considered "living wage" in San Francisco

Wage pressures impact workers, organizations, and clients



Lowest-wage workers provide **difficult front line services** necessary for program operations



Mid-level positions often make **below-market wages**, leading to high vacancy rates in key roles



Many workers in these roles are BIPOC, which raises **concerns about equitable pay**

Specific pain points differ between organizations; however, low wages lead to consistent staffing challenges across the sector

◆ Difficulty Hiring

◆ High Staff Turnover



Reduced service capacity



Safety concerns among clients and staff

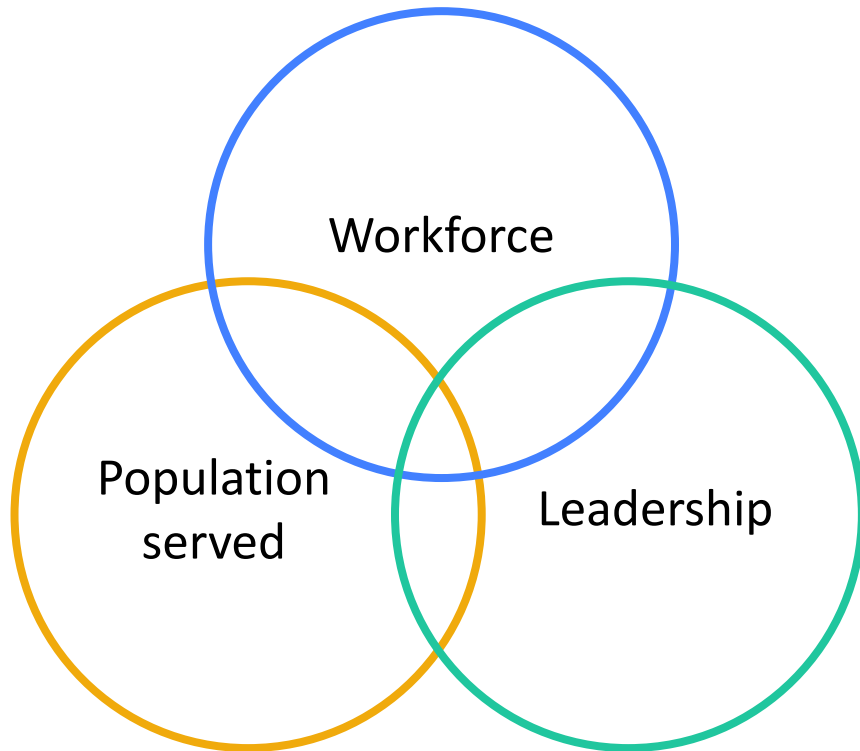


Impacts on provider stability



Increased burnout in remaining staff

Equity considerations: three overlapping lenses



Questions to inform equitable distribution of funds:

- What populations are served by the nonprofit, and do low wages impact services for those groups?
- What are the demographics of the workforce paid through City contracts?
- What are the demographics of leadership of nonprofits receiving City contracts?

More data is needed to answer these questions and create equitable policy and funding strategies.

Typical tools for addressing wage pressures are not sufficient meet to the current need

Cost of Doing Business (CODB) allocation

- **Easiest to implement**; across-the-board approach
- Often used to address **other inflationary pressures**
- Operational challenges often **delay roll-out of CODB funds**: can delay wage increases or reimbursement

Minimum Compensation Ordinance (MCO)

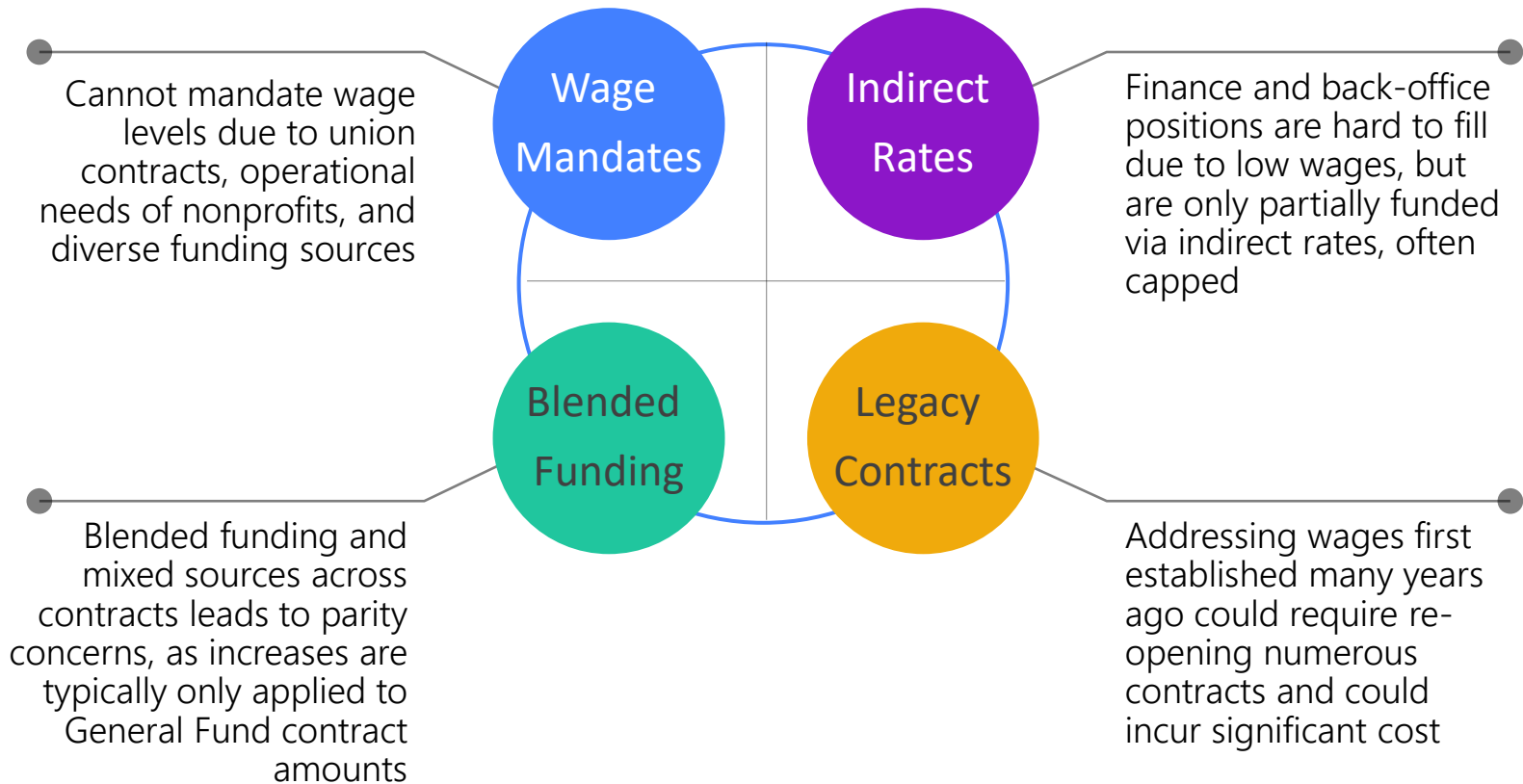
- Supports the **lowest wage workforce**
- **Difficult to implement**
- May not adequately address **wage issues in mid-level positions**.

Department-specific initiatives

- **Can target funding allocations**
- **Create parity concerns** for nonprofits funded by multiple departments or a mix of City and non-City funders.

Limitations and challenges

There are limitations and challenges to the City's role in addressing wage pressures that may require significant policy intervention to tackle



Recommendations



1

Wage issues faced by the City's nonprofit contractors are of a magnitude that standard inflationary increases to contracts will not address them.

The City must identify strategies above a standard inflationary CODB.

2

Needed investments are likely to be significant, and it is unlikely that the City can afford to make investments that solve for these wage constraints in a single budget year.

The City should plan for this need as part of a multi-year strategy.

3

The current wage pressures experienced by nonprofit contractors represent a complex array of issues that will require long-term strategies to address.

However, to address immediate needs, the City should develop several short-term options to be delivered in the upcoming budget.

3a

Apply a **Cost-of-Living Adjustment (COLA)** above the Cost of Doing Business (CODB) allocation.

As an example for scale, a 3% COLA would cost an estimated \$12 million across General Fund contracts Citywide, in addition to the cost of a CODB.

3b

Develop **specific budget allocations** to address wage pressures in key service areas with planned expansion.

Includes: Our City, Our Home Fund, Mental Health San Francisco, and Proposition C ("Baby C")

4

To ensure nonprofit contractors have stable, planned funding increases to address inflationary pressures in contracts, including for wages,

the City should transition from an annual CODB allocation to a process where a planned increase (or “embedded escalator”) is budgeted for each year of multi-year contracts.

Embed annual planned increase in multi-year contracts

Contract amounts may still be subject to reductions

Escalators shouldn't preclude adding funding if needed

Remaining implementation questions need to be answered, including how the increase is determined

5

The City should develop a comprehensive plan to address the ongoing wage pressures faced by nonprofit contractors.

This should include structural overhauls where needed to ensure equitable wage levels for City-funded services.

Conduct a survey of nonprofits on wages, demographics, services, etc.

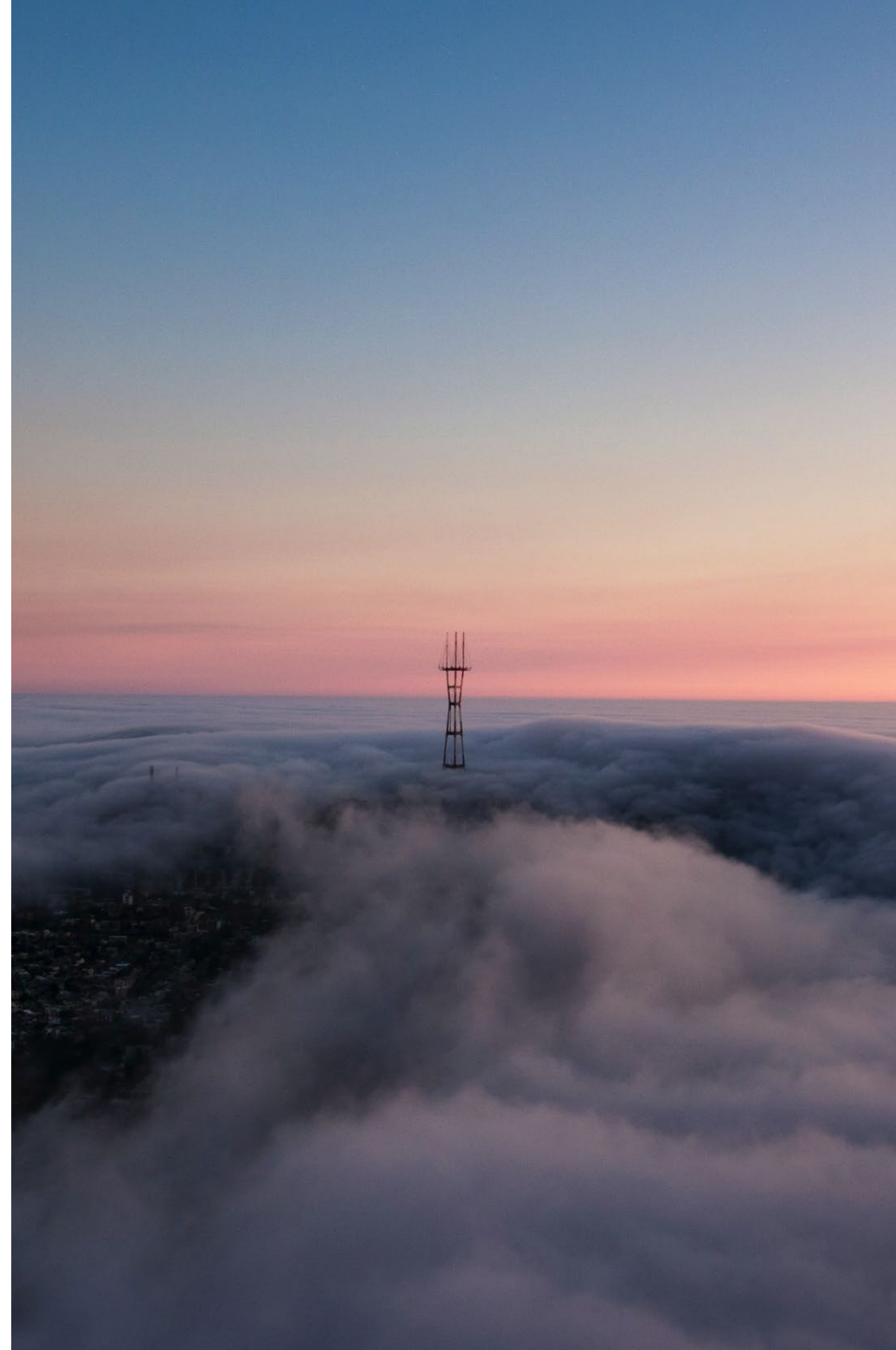
Explore new policy proposals, e.g., wage floors in solicitations, cross-departmental alignment on wage rates, analysis of legacy programs, and pay equity solutions

Address other nonprofit sustainability considerations, e.g., indirect rates, workforce pipelines, and non-wage strategies

Next Steps

The Controller's Office will continue this work into next fiscal year, including:

- Conducting a survey and equity analysis of nonprofit contractor wages
- Supporting implementation of embedded escalators in multi-year contracts
- Establishing collaborative nonprofit/City policy group



Thank you!

Any questions?

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Visit www.sfcontroller.org and click “Find a Report” to find and download the [Nonprofit Wage Analysis](#) memo published May 4, 2022.