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Work and Wages

Leading the way:

Greater Cleveland Food Bank raises wages

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Introduction

Across Ohio, nonprofit organizations that fight poverty increasingly recognize the critical need for a living wage, yet budget constraints present challenges to making this a reality in their own organizations. Years of underinvestment through the state budget in safety net programs and local government have put a squeeze on non-profit providers, and these organizations in turn rely on workers who are often forced to rely on public aid themselves. Organizations whose mission is to fight poverty increasingly see the role that our low-wage labor market plays in locking their clients – and sometimes their staff too – into cycles of poverty. The Greater Cleveland Food Bank has stepped up to meet the challenge. Its experience may serve as a model for other non-profits.

Implementing higher wages presents special challenges for nonprofits. Big-name retailers and fast-food establishments have been shown to withstand wage increases without difficulty through modest price adjustments or by absorbing the cost from profits. The challenge for non-profits is different because they operate on thin margins and they have limited ability to raise prices because the populations they serve often face poverty, and the bulk of their revenue stream often comes from third parties.

But when social service organizations pay low wages, their service provision comes at the expense of workers struggling against poverty themselves. Policy has to make it possible for organizations providing public services – especially those focused on fighting poverty like the Greater Cleveland Food Bank – to pay decent wages in their own organizations.

Recognizing the need to implement a living wage among its staff, the Greater Cleveland Food Bank pioneered a \$14 base wage in Fiscal Year 2017. Its experience can serve as a model for other nonprofits.

Key findings

The Greater Cleveland Food Bank leads the way

- The Greater Cleveland Food Bank is leading the way for nonprofits, by implementing a \$14 base wage for the workers who support its work fighting hunger
- Raising its base wage 21.7 percent increased operating costs by 0.5%.
- To make the raise possible, the Food bank had to raise new revenue, and streamline administration
- Food bank employees became more reliable, the Food bank was able to recruit more qualified workers for new positions, and the organization saved from reduced turnover

The Food bank's staff are fortunate to work for an organization willing to take the lead in implementing fair wages. Ohio needs to pass a living wage for all workers. And we must take steps to make the adjustment manageable for nonprofits.

- Ohio should pass a \$15 minimum wage, tied to the Consumer Price Index to prevent loss of value over time, with a phase-in window to enable employers to adjust.
- The legislature should increase budget allocations for Health and Human services to adequate levels. Spending the revenues on cuts for profitable businesses has not resulted in the creation of adequate good jobs to enable all working Ohioans to thrive.
- Philanthropic organizations should recognize that staffing costs are often the largest expense nonprofits face, and provide adequate support.
- State and local government contracts for services should account for living wages, and award points to organizations paying a higher wage to all of their staff.

Government falls short, nonprofits step in

Cleveland faces extreme food hardship

In Cleveland, the Greater Cleveland Food Bank fights hunger with the help of a team of 138 workers. Together, they've reduced hunger and food insecurity by serving over 300,000 people across six Northeast Ohio Counties. Much of their work is in Cleveland, where more than [one in three residents](#) (36 percent) lived in poverty over the five-year window ending in 2016, compared to 18.5 percent for Cuyahoga County and 15.4 percent for the state. This translates to just \$12,140 for a single person or [\\$25,100 for a family](#) of four in 2018. [Child poverty](#) in Cleveland is a staggering 49 percent. Cleveland ranks second among the nation's 51 largest cities, trailing only San Juan, Puerto Rico (58 percent).

This year, the Food Bank may have its work cut out for it: the ongoing federal budget standoff over President Trump's border wall could abruptly halt Supplemental Nutritional Assistance Program (SNAP) benefits this month, leaving 1.4 million Ohioans [scrambling to get enough food](#).

One in six residents from the Food Bank's six-county service area was food insecure in 2016 (16.6 percent): a total of 308,460 people. A [food insecure](#) household lacks consistent access to enough safe and nutritious food to keep all its members healthy. Cuyahoga County had 233,580 food insecure residents in 2016, the highest number in the state.

The Food Bank helps

Against this backdrop, the Food Bank serves a vital mission. When it started in [1979](#), the Food Bank distributed 400,000 pounds of food to over 100 local hunger relief organizations. By 2017, its donations of food and other essential products exceeded 45 million pounds per year, to more than 840 programs in Cuyahoga, Lake, Geauga, Ashtabula, Richland and Ashland counties.

The Food Bank made more than 55 million meals possible in 2017 through a network of partners who run food distribution programs, kitchens offering prepared meals, and other community partners such as schools and senior centers. They also enroll income-eligible clients in SNAP (Supplemental Nutrition Assistance Program, the current name for what some people still think of as food stamps) and other programs, and connect struggling Northeast Ohio residents to other resources to help them avoid hunger.

Food Bank clients are in severe economic distress: 75 percent live in poverty, and 62 percent have had to choose between paying for food or medicine. Among its clients, 28 percent are children, 16 percent are elderly, and 23 percent of households have at least one member in poor health.

Policy falls short

The Food Bank fills a vital role that should be more fully addressed through public policy. SNAP provides food aid to households earning below 130 percent of the poverty level. Most recipients are children, are elderly or have disabilities.

Last summer, Congress passed a SNAP renewal that substantially curtails eligibility and increases work requirements on older adults. Most adults receiving food aid already work.

Among working-age adults, three-quarters of recipients have held jobs within a year of receiving benefits, and [most work](#) while on SNAP. They qualify for food aid because so many jobs in our labor market provide too little to get by: six of Ohio's 10 [most common jobs](#) leave a typical worker eligible for food aid. The solution to reducing the number of people who need help purchasing food lies in repairing job quality that has eroded over more than a generation. Accounting for inflation, Ohio's \$8.30 minimum wage is worth 30 percent less than the effective minimum wage in 1968. That wage, \$1.60 back then, is worth \$11.87 in 2018 dollars. Passing a higher minimum wage would help immensely. Erratic and irregular scheduling mean that many poor working Ohioans struggle to meet the hours requirements to access or retain their SNAP benefits. Food aid is also essential for unemployed Ohioans looking to get back into the job market. Tightening requirements to qualify will increase hunger. Hunger goes hand in hand with poor job quality, which is common in Ohio. Meanwhile, the SNAP safety net must be preserved and strengthened to ensure that Ohioans don't go without meals.

The Food Bank's conundrum

In Fiscal Year 2016, wages for some hourly positions at the Greater Cleveland Food Bank started at \$11.50 an hour. The Food Bank sought to pay competitive wages, but ultimately realized that market wages for some positions, such as warehouse workers and cooks, were still too low to cover the cost of living. Some full-time Food Bank workers were themselves eligible for SNAP or other assistance. Food Bank leadership realized that, in keeping with its mission – to ensure that everyone in our community has the nutritious food they need every day – they needed to look inward. To give all staff a path to food security, it needed to increase pay.

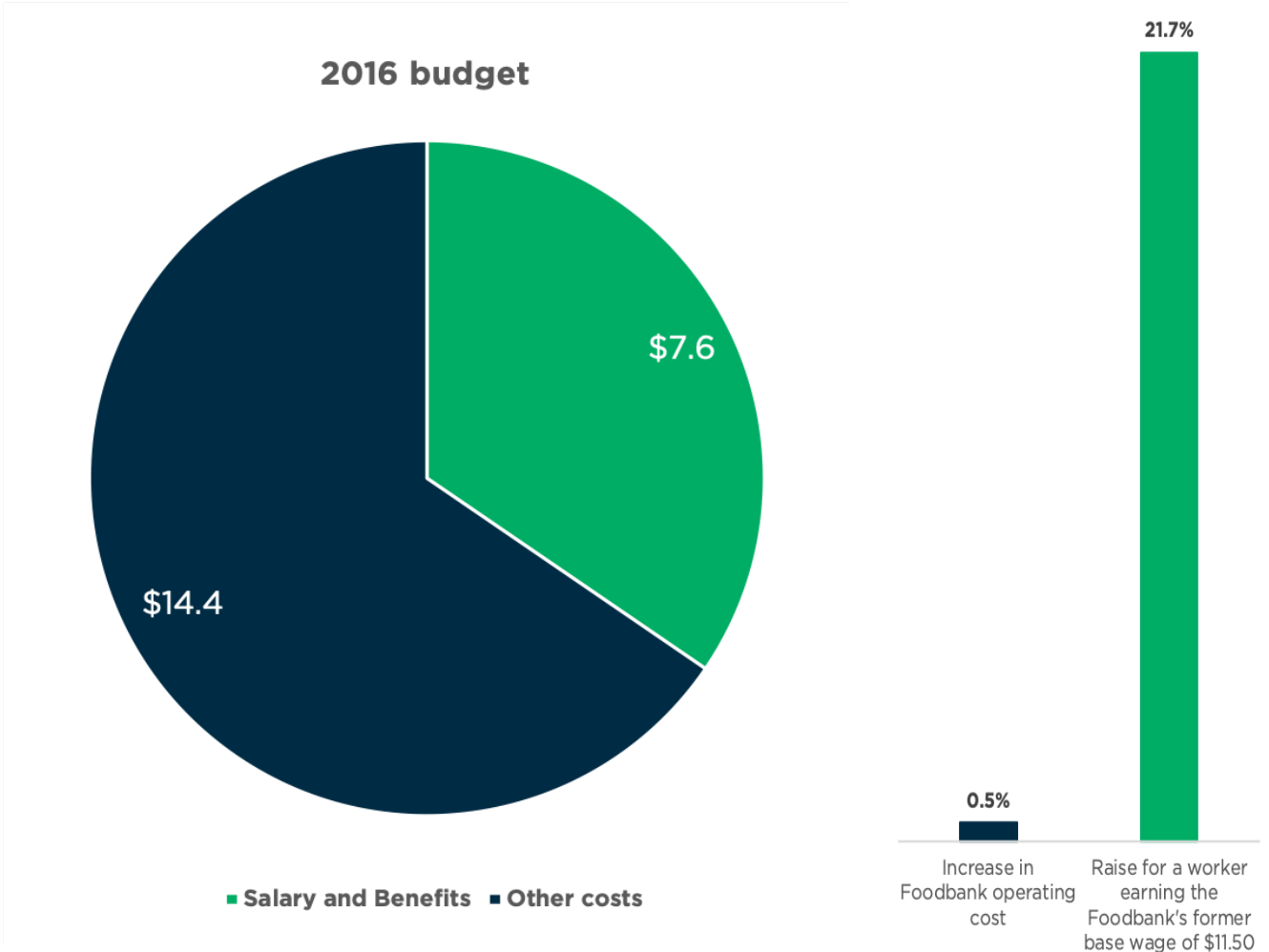
After months of careful study and numerous discussions with board members, the Greater Cleveland Food Bank ultimately decided to increase its minimum hourly wage to \$14.00.

In the planning to raise the wage, the entire wage structure was reorganized. The Food Bank took care to preserve distinct income tiers that reward more advanced and experienced workers. Leadership understood that this would strengthen morale and ensure that the full staff was enthusiastic about the change.

Another goal was to simplify the wage structure so that it would not only benefit workers, but reduce confusion and streamline administration as well. Management was able to trim the structure from 15 tiers to just 10. The Food Bank now enjoys better organization, clarity and reduced administrative workload.

The Food Bank is distinct from many nonprofits in that it primarily provides a good, not a service. That means that salaries account for a smaller portion of the Food Bank's operating costs than is true for service-oriented nonprofits. In 2016, the Food Bank spent 8.7 percent of its \$88 million budget on employee compensation, including benefits (\$7.6 million). By contrast, a service nonprofit, such as a child care center, may spend the majority of its revenue on salaries. Most of the Food Bank's receipts were not money revenue at all, but in-kind donations of food, from individuals and companies, (\$36 million - mostly grocery store overstock), and the US Department of Agriculture (\$31 million). Considering only cash receipts of \$22 million, the Food Bank's \$7.6 million salary bill accounts for 35.2 percent of its 2016 budget. Its raise added about 0.5 percent to the Food Bank's bottom line, but a worker earning the Food Bank's original \$11.50 wage would see an earnings boost of 21.7 percent.

Greater Cleveland Food Bank
A small increase in operating costs made big difference to workers



Source: Greater Cleveland Food Bank operating budget Fiscal Year 2017

To make the raise feasible, the Food Bank needed to work closely with its board to increase revenue. Other non-profits facing increased wages, through organizational initiative or law, will similarly need to deepen revenues or identify new sources. The Food Bank made the change possible through careful planning. The state should recognize the need for raises in its contracts with nonprofits. A network of childcare centers, many nonprofits, provides the bulk of Ohio’s childcare infrastructure. Its teachers, tasked with keeping our children safe and preparing them to start school, earn less than 97 percent of Ohio workers.

The Results

The Food Bank implemented its \$14.00 minimum beginning in December 2016. The total cost to the organization was \$106,820 in salary increases over the next year, about 0.5 %. Turnover is a major characteristic of the low wage labor market, where struggling earners will take new jobs to be even a little better off. Since implementation, the Greater Cleveland Food

Bank has seen a reduction in turnover as high as 30 percent in some departments. Prior to the wage change, the Food Bank lost a valued worker who reluctantly left to take a 25 cent per hour raise. One of the Food Bank's most valued success stories was when that worker returned to the Food Bank after it implemented the new wage scale. Since the wage increase, there has also been an increase in qualified job candidates for new positions.

The Food Bank's experience underlines a key facet of the low-wage labor market: improving the quality of the job often improves the productivity of the worker. Good wages and work conditions enable workers to focus on the task at hand, not fret over a financial crisis; they grow the pool of workers interested in the position, and provide workers the resources they need to get to work on time and ready. One of the biggest difficulties for workers is finding reliable transportation to work. The challenge is especially acute in Ohio, which underinvests in public transit: in Fiscal Year 2016, Ohio spent just \$.63 per resident on public transit: half the rate of West Virginia.¹ The Food Bank identified transit as a barrier for its own staff. Lack of access to reliable transportation meant that some workers were routinely late to work. The Food Bank requested a bus stop in front of their building, but that request was denied. Lisa DiCapua, Director of Human Resources, said that with the higher wage, some staff have reported having an easier time affording transportation to work.

The raise was part of a comprehensive strategy to value and partner with the employees on the front lines of the Food Bank's mission. Those efforts have won the Food Bank recognition as a leader. Last year the Food Bank received the North Coast 99 Special Award in Compensation and Lisa was chosen as a Leadership and Diversity finalist by Crain's Cleveland Business.

Since the Food bank's change, another major nonprofit, The Cleveland Clinic, announced plans to raise the minimum wage paid to its caregiving staff to \$14 per hour this month, and then up to \$15 next year.² Those raises will affect 1900 and 2900 workers. The Cleveland Clinic is the state's second largest employer: its raises since 2015 have impacted around 15,000 caregivers.

A statewide problem

Not all Ohioans work for an employer willing to take up this challenge. In Ohio's economy, some employers have instead grown so accustomed to a low-wage labor market that they are now beginning to voice concerns that they cannot find the skilled workers they need.

On many indicators, Ohio is slipping backward on wages, especially for those at the bottom of the earnings scale. In 2017, six of Ohio's 10 largest jobs by employees paid too little to keep a family off food aid - up from four in 10 in 2000. The low wages dominating the state may be hamstringing the economy. Ohio job growth trailed the nations in the recovery for 66 months straight until July 2018. Layoffs and low wages can create cycles of stagnation when consumers lack the resources to drive robust growth. In Ohio, state investment has also been dampened in recent years in favor of tax giveaways that have hollowed out billions in public revenues.

A strengthening labor market means that finding a job and landing a raise are in closer reach for Ohioans since the Recession. Yet low and middle-income earners have been sidelined for so long that recovering lost ground will take policy solutions as well.

¹ American Association of State Highway and Transportation Officials (AASHTO), Survey of State Funding for Public Transportation - Final Report 2018, Based on FY 2016 Data

² <https://bit.ly/2SjW8D7>

Conclusion

Policy solutions are needed

Ohio should start with a carefully phased-in \$15 minimum wage. Bills introduced in the Ohio House and Senate would raise the minimum wage to \$15 in seven steps by 2025, giving employers plenty of time to adjust. Since they were introduced, the economy has strengthened, and we have learned that large percentage increases in the minimum wage do not reduce hiring and retention.³ These should be reintroduced in 2019, and with the phase in period shortened so Ohioans get more of a boost, sooner.

Raising the minimum wage would mean all Ohio employers play by the same rules. Those that want to invest in workers would not face destructive competition from competitors that undercut prices by pushing down wages, especially for women and people of color who occupy more than their share of the bottom rungs. Increasing profits by reducing costs has become a very common business practice. The down side is that it means the new wealth created in our economy is increasingly captured at the top and not broadly shared with the workers who help to create it. That's a market out of whack, and a key reason Ohio needs to pass a statewide living wage.

Research shows that, when the minimum wage is raised, even substantially, businesses continue to thrive, by absorbing the cost out of profits – near record highs last year⁴– or by passing the costs on in small consumer price increases. When San Jose passed its 25 percent minimum wage increase in 2016, restaurant prices rose by about 1.5 percent.

While businesses are generally well positioned to meet a higher minimum wage, nonprofits face unique challenges. Reckoning with a salary scale that doesn't lift its workforce out of poverty may be difficult in the nonprofit community, where tight margins mean it can feel like every dollar spent is one not available for the mission. Human service nonprofits must recognize that relying on workers who struggle with low wages undermines their mission. Many nonprofits are paying good wages already, but all must embrace the intersection between their mission of improving lives, and the need to make adequate investments in the people who make their work possible.

Nonprofit workers sometimes face low earnings due to tight budgets and mission-focused work, but nonprofit workers are not the face of the low wage labor market in Ohio. Low wages pervade industries and firms that are profitable and handily able to support living wages within their own workforce, but choose not to. Advocates from the nonprofit sector who are concerned with poverty must work in solidarity with low-wage earners to pass wage policies that recognize the dignity of work and ensure that everyone who works for a living in Ohio is able to make it.

To make this feasible, the state must adequately fund health and human services. The legislature failed in 2018 to provide a \$10 million revenue increase sought by the Ohio

³ <http://irle.berkeley.edu/the-new-wave-of-local-minimum-wage-policies-evidence-from-six-cities/>

⁴ Nationally, corporate profits rose 659 percent, adjusted for inflation, between 1947 and 2017. Data from U.S. Bureau of Economic Analysis, Corporate Profits After Tax (without IVA and CCAdj) [CP], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CP>, May 10, 2018, deflated by Policy Matters using <https://fred.stlouisfed.org/series/CPIAUCSL/#0>.

Association of Food Banks to address growing need.⁵ Hunger in Ohio remains above pre-recession levels: a problem the United Way situates with the prevalence of low wages, faster rising living costs, lack of proximity to resources in some counties, and the reallocation of safety net spending to healthcare.⁶ The legislature should take this up in the upcoming budget cycle.

Other nonprofits are similarly in need of adequate funding resources to fulfill their missions and to help Ohio overcome poverty wages by lifting up their own staff. From preserving Medicaid expansion to allocating enough General Revenue Funding to childcare to restore eligibility to families below 200 percent of the poverty level and cover most childcare centers, the state should use the budget and other policies to ensure that all Ohio families are able to thrive.

Recommendations

To make living wages a reality in their own organizations, nonprofits may need to raise more money. Ohio is home to some 60 thousand nonprofits doing vital good work on often tight budgets. We must find a way to ensure that those who do the work earn enough to thrive.

- Ohio should pass a \$15 minimum wage, tied to the Consumer Price Index to prevent loss of value over time, with a phase-in window to enable employers to adjust.
- The legislature should increase budget allocations for Health and Human services to adequate levels. Spending the revenues on cuts for profitable businesses has not resulted in the creation of adequate good jobs to enable all working Ohioans to thrive.
- Philanthropic organizations should recognize that staffing costs are often the largest expense nonprofits face, and provide adequate support.
- State and local government contracts for services should account for living wages, and award points to organizations paying a higher wage to all of their staff. Ohio child care teachers, for example, are 97 percent female, and earn less than 97 percent of all workers in the state. State child care funding should be increased to account for adequate teacher salaries.

Nonprofits – especially those focused on eradication of poverty – must not pursue their mission on the backs of low-wage workers. Instead, nonprofits must step up as advocates for a comprehensive solution to poverty that includes policies that enable workers to keep more of the wealth that that create – even though it affects their own bottom lines. Today, the Greater Cleveland Food Bank is showing the way.

We're grateful to the Greater Cleveland Food Bank for participating in interviews for this project and to the George Gund and Saint Luke's Foundations for funding that enables us to examine poverty in Cleveland.

⁵ <https://bit.ly/2SIWGJe>

⁶ http://ouw.org/wp-content/uploads/2018/11/18UW_ALICE_Report_COUNTY_OH_8.29.18.pdf