CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

The Differential Impact of Minimum Wage Increases

on Nonprofit vs. For-profit Organizations

A graduate project submitted in partial fulfillment of the requirements

For the degree of Master of Public Administration,

Non-profit Sector Management

By

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August 2018
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Acknowledgments

First and foremost, thank you to my lovely wife Barbara Hethcock, for pushing me to complete my Master’s degree. I would not have done this without you. A special thank you to my parents for all their love and support. Thank you to all my fellow cohort classmates, for all their push and support. Thank you to Esperance Center and Barbara Hasselquist for all your support and patience. Last, but not least, thank you to all the professors for their guidance, time, and effort in ensuring this successful completion.
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Abstract

The Differential Impact of Minimum Wage Increases on Nonprofit vs. For-profit Organizations

By

Stevan James Obradovic

Master of Public Administration,
Non-Profit Sector Management

This project proposes to study the impact of mandatory minimum wage increases on nonprofit organizations. Effects of minimum wage increases on for-profits will be used for comparison. A non-probability, purposive survey of 10 nonprofit and 10 for-profit CEO’s will be proposed to compare-and-contrast wage hike effects, specific to those sectors. Resource mobilization and human resource development theories have provided the framework for this study. The research indicates that minimum wage increases generally hurt nonprofits, as revenue streams are often fixed or limited, and do not cover wage increases, increases in taxes, and benefits. More research will need to be done in this area, as this is a relatively recent phenomenon. In the for-profit sector, the research is mixed on the effects of minimum wage hikes. The effects of minimum wage increases vary from region-to-region, as some areas have incorporated increases of funding into contracts to cover wage/cost of living increases, while many regions have not. Legislative policies on minimum wage also vary from region-to-region, leading to variable outcomes for nonprofits, depending on their specific region.
Introduction

This project will be looking at a lightly researched area of mandatory minimum wage increases affecting the nonprofit sector (Allard 2016; Segedin 2016; Steecker 2017). Comparisons with the for-profit sector will also be researched, to determine if there are significant differences in the way that these two sectors handle the wage increases (Aurora 2016; Aaronson, Agarwal, & French 2012).

Nonprofit organizations primarily acquire funding through grants, donations, fundraisers, and fixed contracts (Bell & Klein 2016; Bell, Masoka, & Zimmerman 2010; Allison & Kaye 2015). When new legislation is passed that affects wages, benefits, and taxes, nonprofits must be able to react fluidly and strategically to keep services at a premium (Bryson 2011; Bell & Cornelius 2013). They cannot simply pass the increased costs onto the consumers, implement automated machines, or cut services altogether like the for-profit industry. This leads many nonprofit organizations to have to do more with less resources (Maier, Meyer, & Steinbereithner 2014; Worth 2017; Bell & Schaffer 2005). Resource mobilization theory will be incorporated into this research project to address nonprofits doing more with less resources (McCarthy & Zald, 1977). Resource mobilization theory deals with a professional group of people dedicated to bringing awareness to an issue through media, supporters, alliances with those in power. This is done with the purpose of refining the organizational structure. Human resource development theory will also be introduced to focus on how nonprofits must use organizational development and training to improve performance (Swanson, 2001).

The effects of these minimum wage increases vary from region to region, depending on the laws (Segedin 2016; Sewell 2015; Clemens & Strain 2018). The effects
of minimum wage increases will be analyzed across different states and countries, to determine how different minimum wage rates affect the nonprofit industry.
Background of the Issue

An anonymous agency, faced with fixed government contracts and rising costs, must figure out how to strategically plan for the mandatory minimum wage increases that are being rolled out by the state of California. As of July 1st, 2018, the minimum wage in Santa Monica, Malibu, and Los Angeles went up to $13.25 an hour (City News Service, 2018). For organizations with less than 25 employees, the wage is set at $12.00 an hour (City News Service, 2018). For many nonprofits in the state, there has been no corresponding increases in the fixed contracts. The Burns & Associates (2018) DDS Rate Study is currently attempting to fix this in the developmentally disabled industry. Sponsored by the Department of Developmental Services, it is a 100-page survey given out to service providers working with individuals with developmental disabilities (Burns & Associates, 2018). This survey is intended for feedback in analyzing all the financials pertaining to service providers and their revenue vs. costs. The ultimate-goal of the survey is to decide if a rate increase to service providers is necessary. However, the data will not be input and discerned for at least another year, maybe two (Burns & Associates, 2018).

This project will attempt to fill in gaps in the research concerning nonprofit organizations and the impact that minimum wage has on them. Impacts of minimum wage increases on for-profits will be used for comparison to ascertain differences in how these two sectors will react, in their efforts to deliver on services provided (Allison & Kaye 2015; Worth 2017; Stack 2014).
Literature Review

Introduction

There are pros and cons in the research regarding the impact that minimum wage increases have on the nonprofit and for-profit sectors. Some authors argue that changes in the legal minimum wage affect only those workers whose initial wage is closer to the minimum (20%) (Alaniz, Gindling, & Terrell, 2011, p. 46). This finding was determined through a broad approach studying the impact of changes in legal minimum wages on host labor market outcomes including: wages and employment; transition of workers across jobs, employment status, and transitions into and out of poverty. Many studies analyzing the effect of minimum wage on employment have focused specifically on business areas such as fast-food restaurants and retail establishments (Addison, Blackburn, & Cotti, 2009; Card, D. & Krueger, 1994; Schmitt, 2013). This project will examine these research findings as they relate to nonprofit and for-profit CEO’s minimum wage experiences, to see if there are differences in the effects of raising the minimum wage in these industries.

In the nonprofit sector, many organizations with fixed contracts are feeling the squeeze to continue appropriate services, while being in-compliance with rising minimum wage mandates (Allard 2016; Segedin 2016, Steecker 2017). Steecker (2017) argues that many community-based nonprofits are locked into federal, state, and local contracts that will not honor the increased employee costs that the wage increases bring. This will lead nonprofits (already running on a lean budget) to use or raise charitable dollars to subsidize the increase. The increase is also felt in the fringe benefits offered by nonprofits. Stack (2014) addresses the 20% increase employers pay per employee after
health-care insurance, overtime, and other insurance is calculated, noting that nonprofits must fundraise or receive grants to stay afloat. This is why doing more work with less resources is a reality for many organizations (Allard, 2016).

Fundraising for increased operating costs such as employee wages is generally not a good target (Segedin, 2016), as philanthropic support for the nonprofit may be a better solution, given the volatility of government budgets. Participation in policy advocacy by human service nonprofits has the potential to both strategically position organizations in their environment and promote client well-being (Mosley, 2010).

Resource mobilization theory (McCarthy and Zald, 1977) addresses this new reality for nonprofits, as it attempts to show how a professional group in a social movement organization works: bringing money, supporters, alliances with those in power, media, and refining the organizational structure of organizations. Reducing grievances or challenges for individuals and organizations is the common tenet to this social movement. Some researchers argue that nonprofit organizations should be engaged as stakeholders in debates around higher local minimum wages (Allard, 2016).

Human resources should be optimized in nonprofits, as accountability and transparency of funds has increased (Swanson, 2001). Human resource development is a process of developing and/or unleashing human expertise through organization development (OD) and personnel training and development (T&D), for the purpose of improving performance (Swanson, 2001). Swanson (2001) argues that sound HRD theory results in powerful and practical explanations, principles and models for professionals to carry out work in their organization.
In the for-profit industry, it appears as if the research is mixed on how wages impact employment (Meer & West, 2013). They argue that the minimum wage will impact employment over time, through changes in growth, rather than an immediate drop in relative employment levels. Belman and Wolfson (2014) argue that if negative effects on employment are present, they are too small to be statistically significant. The effects would be too modest to have meaningful consequences in the dynamically changing labor markets of the United States (Belman & Wolfson, 2014). There are also conflicting bodies of research in this area. Neumark and Wascher (2000) presented results that completely contradicted Card and Krueger’s (1994), using data that they had collected and claimed was more reliable.

According to the Center on Budget and Policy Priorities, “increasing the minimum wage may also spur businesses to operate more efficiently and employees to work harder” (Aurora, 2016, p. 1). Reich, Jacobs, Bernhardt, and Perry (2015, p. 62) found that in LA, the proposal to increase the minimum wage to $13.25 by 2017 and $15.25 by 2019 would generate a series of benefits and costs for workers, residents, and businesses in Los Angeles City and in the remainder of the County. The reduction in consumer demand would be largely, not completely, offset within the city of Los Angeles by increased consumer spending by workers receiving wage increases. Immediately following a minimum wage hike, household income rises on average by about $250 per quarter and spending by roughly $700 per quarter for households with minimum wage workers (Aaronson, Agarwal, & French, 2012, p. 3111).

Worstall (2015) argues that the minimum wage increase acts like a sales tax in its effect on consumer prices, a tax that is even more regressive than a typical sales tax. As
many rich families gained as poor families, leading him to conclude that these income transfer properties of the minimum wage show its considerable inefficiency as an antipoverty policy (Worstall, 2015). The author also points out that for-profits will get around wage hikes by raising consumer prices and cutting services. This leads to another factor in the position on minimum wage increases: politics.

Calls to reduce the minimum wage as a way to prevent unintended consequences (job losses) are typically found on the political right (Lane, 2014), whereas supporters on the left take the stance that among other things, wage increases enhance the spending power of low-income individuals (Krugman, 2009). The determinants of policy introduction and bill adoptions for minimum wage increases was analyzed between 1997-2006 (Whitaker, Herian, Larimer, & Lang, 2012) to determine whether state-specific features and regional diffusion pressures relate to minimum wage legislative activity. Politics within the state was found to be a major contributor towards minimum wage policy debate.

Addison, Blackburn, and Cotti (2009) studied data from 1995-2005, and determined that the effects of minimum wage hikes varied from state to state, and industry to industry. Indeed, data on minimum wage increase impacts varied from country to country (Marginean & Chenic, 2013). This sentiment was echoed in a study (Dube, Lester, & Reich, 2010) comparing counties that straddled state lines, in which various local conditions was the cause of economic conditions, not the minimum wage increase. States’ designations for minimum wage will increasingly overlap in future years (Clemens & Strain, 2018), causing some states to account for variables like inflation.
This research project will examine these research findings, as they relate to nonprofit and for-profit organizations, throughout various regions.

Theories

Resource mobilization theory addresses how a professional group in a social movement organization works: bringing money, supporters, alliances with those in power, media, and refining the organizational structure of organizations (McCarthy and Zald, 1977). Reducing grievances or challenges for individuals and organizations is the common tenet to this social movement. This theory is crucial to the success of nonprofits, as Stack (2014) argues that nonprofits will continue to have to do more work with less resources. In resource mobilization, individuals share similar goals and beliefs. An increase in the extent or intensity of the grievance or situation, often leads to social movement phenomena. This is due to the individual believing in the power of the collective-as-a-whole. In an age of increasing minimum wages, more legislation, and possibly less revenue, resource mobilization theory should be looked at closely to keep production and efficiency high, while not burning out existing employees (McCarthy and Zald, 1977, p. 1213).

A modern theory pertaining to maximizing the performance of employees is the human resource development (Swanson, 2001). Human resource development (HRD) is a process of developing and/or unleashing human expertise through organization development (OD) and personnel training and development (T&D), for the purpose of improving performance (Swanson, 2001). Sound HRD theory results in powerful and practical explanations, principles and models for professionals to carry out work in their organization. Swanson (2001) asserts the importance of clearly specifying the underlying
theory of HRD, and challenges individuals who do not see HRD as essential to their profession. The author’s main argument is that HRD must continue to mature as a discipline, and that the integration of many prominent psychological, economic, and systems theories serve as a unique theoretical foundation (Swanson, 2001). This will translate into performance, as human performance technologists will work to assure high levels of human performance in organizations, by implementing performance systems and instructional systems (Brethower, 1995).

**Nonprofits and Minimum Wage Increases**

In the nonprofit sector, many businesses with fixed contracts are feeling the squeeze to continue appropriate services, while being in-compliance with rising minimum wage mandates. Steecker (2017) states that many community-based nonprofits are locked into federal, state, and local contracts that will not honor the increased employee costs that the wage increases bring, leading nonprofits (already running on a lean budget) to use or raise charitable dollars to subsidize the increase. The increase is also felt in the fringe benefits offered by nonprofits. Steecker (2017) states that because of under-compensation, nonprofits either lose money on state contracts, or find other sources to subsidize the services the government is contracting. Steecker (2017), on the impact of rising minimum wage, continues:

From nonprofits being a business that needs to be solvent, it threatens the viability and sustainability of many unless government, philanthropy and donors are willing to invest in the nonprofit workforce. Nonprofits already have a problem with recruiting and keeping qualified staff, who easily go to work for government, schools, and the private sector to better support themselves and their families (p. 1).
Stack (2014, p. 1) highlights the 20% increase employers pay per employee after health-care insurance, overtime, and other insurance is calculated, noting that nonprofits must fundraise or receive grants to survive. Often these fringe benefits and insurance are not calculated when calibrating rates. For nonprofits that are dependent on billable Medicaid hours, the task for paying these minimum wage rate hikes are daunting. Stack (2014) reiterates the need to fundraise, when running into a deficit. This is because many organizations are receiving antiquated Medicaid rates, while being required to increase rates for employees.

Community Actions is a national nonprofit organization that has spent 25 years, supporting thousands of individuals with developmental disabilities (Stack, 2014). The majority of the 2,045 direct caregivers make around $8 per hour (Stack, 2014, p. 1). When fringe benefits such as health-care insurance, overtime, and all other insurance are factored in, the cost becomes $9.80/employee (Stack, 2014, p. 1). Without a corresponding rate of increase in Medicaid rates, Community Action would have to close operations in every state paying employees $8/hour, due to an increase of $3.1 million in additional costs. States such as New York, Pennsylvania, and New Jersey will see services compromised, with caregivers now leaving for other industries, such as food and hotel (Stack, 2014, p. 1).

The California Association of Nonprofits (CalNonprofits) addressed this topic for nonprofits (Center for NonProfit Management, 2018). They came up with five things nonprofits can do about the increasing minimum wage. The first is for nonprofits to stay calm, because the raise is gradual. That leaves time for nonprofits to figure out a plan. Their second suggestion is to review the salary structure for exempt AND non-exempt
employees. It may not be just the minimum wage workers that need to be adjusted. The third suggestion is to identify deficits that might occur because of the changes. This might include changes in attitude, staffing, performance, and even the population being served by the nonprofit. The fourth suggestion is to honestly report to the funders, the ability to serve based on these changes. Transparency is always key, even when adversity arises. The fifth suggestion from the Center for Nonprofit Management, is to help people understand the story. There is a need to continue and understand the impact, so it is crucial for the nonprofit to craft their response and communicate it to others (Center for NonProfit Management, 2018, p. 3).

Participation in policy advocacy by human service nonprofits has the potential to both strategically position organizations in their environment and promote client well-being (Mosley, 2010). Despite this, many human service nonprofits do not engage in policy advocacy. Mosley (2010) indicates that advocacy is most common among organizations that have already achieved some success, as evidenced by having relatively large size, professional leadership, strong collaborative ties, use of email, and high levels of government funding. Nonprofit organizations should be engaged as stakeholders in debates around higher local minimum wages (Allard, 2016). In particular, nonprofits should work to compile more data that can compare staffing, service delivery, and program outcomes before and after wage laws phase-in (Allard, 2016, p. 1).

Participation in policy advocacy by human service nonprofits has the potential to both strategically position organizations in their environment and promote client well-being (Mosley, 2010). Nonprofit organizations should be engaged as stakeholders in debates around higher local minimum wages (Allard, 2016).
For-Profit and Minimum Wage Increases

Using data from 2005-2010, Addison (2013) shows that even in a deep recession, minimum wage increases do not appear to have a particularly strong effect in reducing employment within the sector of economy most likely to be affected by the minimum wage. A study by Schmitt (2013) focused on the reaction by employers to minimum wage increases. Reductions in labor turnover, improvements in organizational efficiency, reduction in wages of high earners, and small price increases were found to be important reactions (Schmitt, 2013). Reductions in hours worked, reductions in non-wage benefits, changes in employment composition, efficiency wage responses from workers, reduction in profits, reduction in training, and increases in demand were inconclusive (Schmitt, 2013).

In looking at the data, it becomes apparent that geographical regions and other countries experience different effects than the United States. In the United Kingdom, minimum wage was 46% from average salary (Marginean & Chenic, 2013, p. 97), which is slightly higher than in the United States. The negative effects were insignificant, and the primary benefit was the gap reduction among lower wages in the UK and an increase with 5% of the lowest revenues (Marginean & Chenic, 2013, p. 97). Their overall conclusion from the research is that the effects of raising minimum wage on employment are still disputed. They found three possible debates and ways to organize the review of recent literature on the effect of raising the minimum wage: employment and unemployment effects; geographical, demographic and sectoral specificities; and the relationship with business cycles. In Los Angeles, California, a lengthy study of the proposed minimum wage law for Los Angeles found that the proposal to increase the
minimum wage to $13.25 by 2017 and $15.25 by 2019, would generate a series of benefits and costs for workers, residents and businesses in Los Angeles City and in the remainder of the County (Reich, et al., 2015, p. 62).

The proposed policy would raise wages for 542,000 workers by 2017 and 609,000 workers by 2019 (Reich, et al., 2015, p. 62). The average annual earnings of affected workers would increase by $3200 by 2017 and $4800 by 2019 (Reich, et al., 2015, p. 62). Their model predicts that additional payroll costs would be partly offset by savings on turnover costs. The remaining costs would be passed on to consumers via prices in the short run, and partly absorbed through lower profits or commercial rents in the long run. The proposed minimum wage increases would result in a 0.5 percent increase in consumer prices by 2017 and a 0.9 percent increase by 2019 (Reich, et al., 2015, p. 62).

Reich (2015) argues that reduction in consumer demand would be largely offset within the city of Los Angeles by increased consumer spending, by workers receiving increasing wages. However, the proposed minimum wage increase would reduce employment by 0.1 percent in the city by 2017, and by 0.2 in 2019, but would increase employment overall by 0.1 percent in Los Angeles County (Reich, et al., 2015, p. 63). These net changes in employment can take the form of job losses, reduced hours worked, or a combination of both. In the city of Los Angeles, if all changes were a loss of jobs, the cumulative number of workers benefitting from the proposed minimum wage law would change from 542,000 to 540,000 in 2017, and from 609,000 to 606,000 in 2019 (Reich, et al., 2015, p. 63).

Politics in Los Angeles will play a part in how these losses are addressed. Political pressure from both Republicans and Democrats is a constant factor in discussing
minimum wage increases (Whitaker, et al., 2012, p. 2). Calls to reduce the minimum wage as a way to prevent unintended consequences (e.g., job loss) are perennially in fashion on the political right (Lane, 2010, p. 2). This is also true from the political left (Krugman, 2009, p. 1), as the author argues that supporters on the left believed that wage increases enhance the spending power of low-income individuals. Long intervals between federal minimum wage increases pushed the legislators into taking more action (Whitaker, et al., 2012, p. 1).

Clemens and Strain (2018, p. 1) analyzed the employment effects of the state minimum wage increases enacted between January 2013 and January 2015. As of 2015, their estimate was that relatively large minimum wage increases (defined as those more than $1/hr.) reduced employment among low-skilled population groups by just over 1 percentage point (Clemens & Strain, 2018, p. 1). They found that smaller minimum wage increases, as well as increases linked to inflation indexation provisions, appear to have had much smaller effects (possibly positive) on employment over their sample period (Clemens & Strain, 2018, p. 1).

**Different Regions and Minimum Wage Increases**

Addison, Blackburn, & Cotti (2009) studied data from 1995-2005, and determined that the effects of minimum wage hikes varied from state to state, and industry to industry. Their data show that the general impact of the minimum wage in the retail sector is not consistent with the reductions in employment suggested in previous research, examining the retail trade sector in its’ entirety (Addison, et al., 2009, p. 397).
In 2015, living wage advocates in New York City managed to bump the minimum wage for 80,000 nonprofit workers in public-service fields operating under city contracts to $11.50 an hour (Segedin, 2016, p. 1). This situation differed from Los Angeles, as the local LA study was a proposal based on projection. For New York City, a cost of living adjustment of 2.5 percent was implemented across the board as well. This increase was from reworked city contracts, and will cost an estimated $55 million the first year (Segedin, 2016, p. 1). New York’s Fiscal Policy Institute (FPI) planned to advocate for a hike to $13.50/hr. in 2016, and $15/hr. in 2017, with a cost of living adjustment sliding scale given to the lowest-paid worker (Segedin, 2016, p. 1).

Similarly, Life Challenge of Michigan (2012-2015) operated a restaurant that sought to assist individuals with drug, alcohol, or mental health issues. Mandatory minimum wage increases for tipped and non-tipped employees, combined with rising beef prices and a small-town population, caused the restaurant to close (Saltsman, 2015, p. 1). They had planned to turn to a more expensive menu, but too many people on fixed incomes were not supportive. Fundraising events to keep the restaurant alive were not consistent enough to cover increased costs (Saltsman, 2015, p. 1).

In Maine, roughly 10 percent of the employees affected by the proposed $12/hr. minimum wage, work in the nonprofit sector (Macpherson & Even, 2016, p. 1). The impact of this minimum wage hike was estimated to cost Maine 330 nonprofit jobs (Macpherson & Even, 2016, p. 2). The increased labor costs for organizations dependent on public or grant funding, has lead to higher labor costs, and a reduction of staffing and services (Macpherson & Even, 2016, p. 1).
In regards to minimum wage increases, a reduction in poverty was not found, primarily because the increases were not well-targeted to families in poverty (Sabia & Burkhauser, 2010). This is in contrast to the study by Neumark and Adams (2003), which indicated that living wage ordinances boost wages of low wage workers, with a moderate employment effect. They do add in the conclusion that more research must be done, in more cities, with this legislation in place for longer (Neumark & Adams, 2003, p. 520).

Homeboy Industries in Los Angeles helps individuals regain employment, and received an exemption for their 200 transitional workers to minimum wage hikes. They indicated that the transitional work force would have been cut by 43 percent, if the exemption was not received (Segedin, 2016, p. 3). In September of 2015, the Los Angeles County supervisors rejected a push to exempt nonprofits and job-training programs from a plan to increase the minimum wage for workers in county-controlled areas to $15/hr. by 2021 (Sewell, 2015, p. 1). Organizations such as Homeboy Industries, were given an exemption for a year and a half for the transitional employees, before the wage would be bumped. Concern for services being reduced or eliminated, have arisen. Fundraising for increased operating costs such as employee wages is generally not a good target, as philanthropic support for the nonprofit may be a better solution, given the volatility of government budgets (Segedin, 2016, p. 2).

States’ designations for minimum wage will increasingly overlap in future years (Clemens & Strain, 2018), causing some states to account for variables like inflation. Minimum wage changes were quite modest in their study, and were concentrated primarily among states with inflation indexing provisions (Clemens & Strain, 2018).
Data on minimum wage increase impacts varied from country to country (Marginean & Chenic, 2013). The United Kingdom experience with minimum wage was 46% from average salary, slightly higher than in the United States (Marginean & Chenic, 2013, p. 97). The negative effects were insignificant, with the main benefit being a gap reduction among lower wages in the UK, and an increase with 5% of the lowest revenues (Marginean & Chenic, 2013). This sentiment was echoed in a study comparing counties that straddled state lines, in which various local conditions was the cause of economic conditions, not the minimum wage increase (Dube, Lester, & Reich, 2010, p. 945).

Conclusion

The research on mandatory increases to the minimum wage, indicates that several themes are important to understanding the effects these increases will have on both the nonprofit and for-profit sectors. These variables include nonprofit organizations, for-profit businesses as a comparison data set, and geographical locations. Specific expectations for relationships between these factors will be used as the basis of this research project, include the following:

Research questions:

One: Minimum wage increases will affect nonprofit organizations differently than for-profit organizations.

Two: Minimum wage increases will lead to different outcomes between nonprofit and for-profit organizations, going forward.
Three: The overall impact of minimum wage increases on nonprofit organizations will vary from region-to-region.
Research Design

Introduction

The purpose of this research project is to explore differences in how raising the minimum wage affects organizations in nonprofit and for-profit. Mandatory raises to the minimum wage are happening all over the country, to various degrees, in varying regions (Sewell 2015; Stack 2014; Segedin 2016). Specific effects on organizations in both public and private sectors, and responses to these effects will be explored. This research project will be conducted in fulfillment of one of the requirements for a Master’s degree in Public Administration.

Details

The unit of analysis for this study are the individuals in position of decision-making in the nonprofit and for-profit sectors. The qualitative study is cross sectional, with the organization’s financial and procedural reactions to the minimum wage increases, as the primary levels of measurement. Examples of measured reactions would be laying off employees, raising consumer prices, holding additional fundraisers to supplement lost income, or moving to a different location (Worth, 2017). A non-probability, purposive sample will be used. Ten chief executive officers from the nonprofit sector and 10 chief executive officers from the for-profit sector will be interviewed face-to-face, with qualitative questions used to elicit responses. Conclusions will be drawn about the differences in effects on nonprofit vs. for-profit sectors from this research.
Research Questions

As discussed in the literature review above, the first research question will be examining how minimum wage increases affect nonprofit organizations differently than for-profit. The first question will be: How will minimum wage increases affect nonprofit organizations differently than for-profit? This was looked at because nonprofits often receive their income from fixed contracts or fundraisers, while for-profit organizations typically sell a service or product to a customer base (Allison & Kaye, 2015, p. 141). It would then stand to reason that the public and private sectors would react differently to minimum wage increases, to continue to operate functionally and serve their consumer/customer base.

The second research question will be examining how minimum wage increases will affect the outcome of nonprofit and for-profit organizations, going forward. The second question will be: How will minimum wage increases will lead to different outcomes between nonprofit and for-profit organizations, going forward? Organizations that find ways to adapt to the increases will continue to move forward, and possibly still thrive. Inversely, some organizations may not be able to adapt and will fold (Allison & Kaye, 2015, p. 111).

The third research question will be examining the role that different regions (and their economic policies) will have in handling minimum wage increases. The last question will be: How will the overall impact of minimum wage increases vary from region-to-region? Different regions are experiencing different results with the minimum wage increases, as some regions may have a lower cost of living, or different mandated
hourly rates (Sewell 2015; Segedin 2016; Macpherson & Even 2016). No composite measures were used for this project, only interview schedules in a face-to-face format.

**Concerns/Issues**

To reiterate: A qualitative-based study will be used to collect nonnumerical data. A survey (interview schedule) will be administered to CEO’s of nonprofit organizations and CEO’s of for-profit organizations. Data will be gathered from these interviews, then analyzed and categorized depending on the patterns or themes that emerge.

There appears to be factors that will introduce error into the design (O’Sullivan, Rassel, & Berner, 2010). There is a gap in the research investigating nonprofits and minimum wage impacts, so more research must be done (O’Sullivan, et al., 2010). A lack of a bigger sampling size, makes it harder to affirmatively state that those interviewed represent the larger population. It is much easier to draw conclusions when the sample size is much bigger, because it is more likely to represent the population targeted (O’Sullivan, et al., 2010). To get a more accurate picture, many more CEO’s from nonprofit and for-profit organizations should be interviewed. This would take a tremendous amount of time and money to collect and analyze (O’Sullivan, et al., 2010). The lack of a proper budget and time to carry out more research will introduce error into the design, although it is unclear exactly how much will occur (O’Sullivan, et al., 2010).

The danger of social desirability in the survey responses is very low, because there is no social consensus about what will be a favorable response (Edwards, 1957). Responses are more likely to then be valid, as the respondents will be much more likely to be truthful, since there is no pressure for a “correct” response.
The qualitative interview questions may work well for this project. Respondents will potentially be able to answer a wide variety of questions based on their professional background, years working with minimum wage guidelines, and experiences in nonprofit and for-profit sectors. As mentioned previously, the interview schedule would be more effective with a much larger sample size.

Triangulation would make the research project much more valid, as there would be multiple data sources to pull information from. Different quantitative instruments could be added to collect and categorize information. A better understanding of the potential quantitative issues and concepts surrounding minimum wage increases in the nonprofit and for-profit sectors would emerge (O’Sullivan, et al., 2010). Triangulating quantitative data with qualitative data, would lead to a much more robust understanding of the scope of impact minimum wage increases have on the nonprofit and for-profit sectors.
Project Conclusion

This project proposes to study the impact of minimum wage increases on nonprofit organizations, and compare to the impact of minimum wage hikes in the for-profit sector (Bryson 2011; Maier, et al. 2014; Reich, et al. 2015). Resource mobilization and human resource development theories provided the framework for this study (McCarthy & Zald 1977; Swanson 2001). Nonprofit organizations have been struggling to keep up with the mandatory wage hikes, as many are locked into fixed grants or contracts that do not account for cost of living increases and legislative minimum wage hikes (Stack 2014; Segedin 2016; Saltsman 2015). Nonprofits cannot raise prices, lay off employees, and automate work in the manner that many for-profit organizations can (Segedin, 2016). Nonprofits must try to negotiate cost of living and wage increases into their contracts and grants with their funders, so that these mandated increases do not stop them from covering their salary, tax, and benefit costs for their organization (Sewell 2015; Segedin 2016). Some regions, such as New York City, have provided across the board increases in wages for nonprofit and public-sector employees (Segedin, 2016, p. 1). Minimum wage hikes must be included in nonprofits’ environmental scan going forward, ensuring that the strategic plan is grounded in this reality facing them (Allison & Kaye, 2015, p. 99).
References


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Appendix A: CEO Survey on Minimum Wage

This survey is being submitted in requirement for the Master of Public Administration degree from California State University of Northridge. Your answers will be kept confidential and we thank you for your participation.

· Have you ever worked as a CEO or Director in a nonprofit organization? If so, for how many years?

· Have you ever worked as a CEO or Director in a for-profit organization? If so, for how many years?

· Have you ever worked as a CEO or Director of a nonprofit organization in a different state? Different country? If so, how did your experience differ in each state or country?

· Have you ever worked as a CEO or Director of a for-profit organization in a different state? Different country? If so, how did your experience differ in each state or country?

· Are you familiar with current and future minimum wage requirements? If so, how many years?

· What is your primary source of revenue (contracts, fundraising, selling of product/customers, etc.) Other?

· What are your professional experiences with rising minimum wage mandates? Positive or negative?

· How does your organization respond to minimum wage increases (find other ways to increase revenue, lay off employees, shift budgets around, etc.)? Please explain in detail.

· How old are you?
· What is your gender?

· What is the highest level of education you have completed?