SAN FRANCISCO HUMAN SERVICES NETWORK
MEMBER SURVEY ON COSTS-OF-DOING-BUSINESS
June 13, 2007

On Friday, June 8, HSN met with members of the San Francisco Board of Supervisors who requested data regarding our request for a 5% cost-of-doing-business increase. HSN sent a survey to approximately 100 nonprofit health and human service providers on June 11. Due to the short timeline, we gave them only about 24 hours to respond. This report summarizes the responses of 38 nonprofits that contract with the City and County to provide services.

(1) By what percent will your budget increase this year due to unavoidable cost increases?

22 nonprofits reported an average unavoidable cost increase of 8.2%. Of these, 2 reported an increase of 0-3%, 7 reported 4-6%, 9 reported 7-10%, and 4 reported 11-20%.

In comments, nonprofits mentioned the following factors: the need to raise employee salaries in order to limit staff turnover and fill vacancies, health care increases, rent, utilities, liability insurance, facility maintenance and repair, relocation costs, extending paid sick leave to temporary and on-call workers, safety and operational issues, client food, new software and computer equipment to centralize client charts, supplies, transportation and travel costs.

Most organizations highlighted personnel costs as a primary factor due to collective bargaining agreements, salaries below market-rate because of past years without raises, and the need for additional funds to retain professional staff such as psychiatrists and nurses.

(2) By what percent are your health care costs going up this year?

38 nonprofits reported an average increase of 18.3%. Of these, 3 reported less than 10%, 13 reported 10-14%, 7 reported 15-19%, 12 reported 20-29%, and 3 reported 38-45%.

Several organizations noted that they have faced double-digit increases for multiple years. Two mentioned that their costs are especially high because their staff tends to be older. One respondent noted that their health care costs went up 19%, forcing them to reduce benefits by increasing co-pays; as a result, they faced "only" an 11% increase at a cost of $120,000.

(3) How many positions do you have that are currently open?

31 nonprofits reported an average position vacancy rate of 7.0%. Of these, 9 have 0-4% of their position unfilled, 15 have 5-10% unfilled, 5 have 11-19% unfilled, and 2 have 20-25% unfilled.

Nonprofits that responded to the survey currently have 236 out of 3352 positions open.

(4) By what percent did your staff turn over in the past year?

33 nonprofits reported an average turnover rate of 20.6%. Of these 33, 11 reported a rate of 0-10%, 6 reported 11-20%, 9 reported 21-30%, 3 reported 31-40%, and 4 reported 41-50%.

The reason cited most often is the offer of better pay and benefits (including the opportunity for retirement benefits). Better training opportunities are also a factor. Many leave to work for the City and County. The loss of experienced staff is particularly acute with bilingual and bicultural counselors who are frequently recruited away. One agency reported the turnover of 161 positions, with an associated training cost of $107,000.

(5) What is the longest amount of time that you could not fill a key staff position in the past year? What type of position was this?

32 agencies reported that key positions were open for 2 to 16 months.

Some of the greatest challenges involve clinical/medical staff – especially for positions requiring management experience (6-12 months to hire nurses, nurse supervisors, clinical supervisors, licensed therapists, child psychologist). Nonprofits cannot compete with the city and hospitals. Other common unfilled positions were finance directors (6-12 months), data managers (4-9 months), case managers with experience in homelessness or substance abuse (6 months), social workers (8 months) and bilingual staff (8 months). One nonprofit has been seeking a facilities manager for 16 months, but cannot compete with private industry wages. Nonprofits also report increasing difficulty in filling positions that allow for less experience, such as receptionists (2-3 months) and outreach workers (4 months).

(6) How many key staff did you lose in the past year because you couldn't pay better wages? What type of positions were these?

22 agencies attributed the loss of key staff to inadequate salaries.

Responses mirrored those given in question 5 regarding hard-to-fill positions. A significant number of nonprofits reported loss of outreach workers, counselors, case managers and peer level staff. Agencies also lost clinical staff, therapists, program managers, and a broad range of other positions. One respondent noted the loss of 10 staff psychiatrists, clinical case managers and program managers – all to the City and County. Only 2 agencies felt that salary was not a significant factor in the departure of most staff.

(7) What percent pay increase, if any, do you plan to give your frontline staff this year if you receive only a 2.45% CODB on general fund contracts?

33 nonprofits reported an average salary increase of 2.9% (based on a 2.45% CODB). Of these, 3 reported that they would not be able to give an increase even with a 2.45% CODB, 5 plan to give 1-2%, 8 plan to match the CODB with a 2.45% increase, 11 plan to give 2.5-3%, 5 will give 4-5% raises, and 1 agency will give a 10% raise.

Among the 33 nonprofits were 7 with union MOUs under which they will give increases of 2% (2 respondents), 3% (2), 4% (1) or 5% (2). Two agencies reported lower salary increases for nonunion staff (1.5-2%) than union staff (4-5%).

One agency has committed to increasing staff salaries by 10% whether they get a CODB or not because of recruitment and retention challenges. They will use government funding when possible, reduce units of service when necessary, and use unrestricted funds to cover any gaps. Another agency reported a 3% raise, but need to give case managers a 10% raise to be competitive. In addition to a COLA, some employees will receive staff and/or merit increases.

One respondent noted that their 3% staff COLA will mean that none of the 2.45% CODB will be available to cover increases in operational costs. They also noted that they have set aside funds to raise their lowest tier salaries, but are still nowhere near competitive enough to hire the quality of staff they need for particular positions.

Salaries are especially difficult for small agencies. One nonprofit in the Bayview said their staff has never received a COLA, and that last year's increase was enough only to give employees making $10/hour a raise to $10.50.

(8) Have you been forced to reduce employee benefits in the past year or coming year? If so, what reductions are you making?

9 nonprofits have made or are considering benefit reductions this year.

Of these 9, 4 reported higher employee co-pays, 3 reported higher employee share of premiums for some plans, and 2 reported reducing employee's choices of health insurance carriers. Three reduced or eliminated other benefits such as vision, flex plans, chiropractic, long-term disability, and tuition reimbursements (which impacts their ability to compete for qualified staff). Two additional nonprofits already cut benefits in prior years, including increased co-pays, increased employee share of dental insurance premiums, and cutting out vision, EAP and life insurance.

Several gave reasons why they had not cut benefits: union contracts, unfunded mandates to increase benefits (health insurance, sick leave), and the need to provide full benefits to encourage retention given their low wages. One respondent said that they need to raise salaries, but the only place they could cut is benefits, and the increased co-pays would cancel out the increased wages.

Nonprofits also expressed frustration that double-digit increases have prevented them from improving their benefit packages to offer wellness services and dependent coverage. They also point out that nonprofits cannot compete for qualified staff without offering retirement benefits.

(9) Please briefly describe any service reductions or program closures you have been forced to make because of inadequate funding increases:

18 nonprofits have reduced services, and at least 3 are facing significant reductions in the coming year if funding needs are not met.

Examples of service reductions due to inadequate funding include:

- Closed a post-detox residential treatment program
- Reduced support services at 7 hotels because no funds for raises or indirect costs
- Reduced beds in supported living case management programs because couldn't pay for higher rent and utilities
- Reduced the service capacity of substance abuse and case management programs
- HIV/AIDS providers have cut staff and services due to declining CARE funds and the lack of a COLA
- Reduced an eviction prevention program
- Stopped providing moving grants to homeless families moving into market-rate apartments
- Youth program is cutting one of three neighborhood programs
- Reduced a domestic violence program and plan to close it if there's no increase in funding
- Will serve fewer students in partnership with a school wellness center
- Closed social services on weekends
- Unable to provide job continuity in school-based programs during the off months, leading to loss of trained and experienced staff
- Staff reductions have led to limited outreach capacity and referrals
- Many nonprofits reduced staff and/or staff hours, some with commensurate reductions in service units
- Froze or reduced administrative staff, and increased responsibilities of other staff, including direct care staff and supervisors
- Cut facility maintenance and janitorial staff to bare bones
- Reduced quality assurance staff, research, communications and advocacy budgets

(10) Additional comments:

- Parity with the City and County of San Francisco remains an ongoing challenge for staff recruitment and retention, and flat contract funding does not compensate for the increasing costs of health benefits, not to mention salary increases and operating cost increases.
- Starting salaries for many entry-level positions such as counselors still leave many employees below a livable wage level for the Bay Area.
- Our staff is amazing… We are service providers working with the hardest population in San Francisco, homeless people in Bayview Hunters Point. It really breaks my heart. My staff work every day, 365 days a year. Many have worked for us since we opened and are still working at the same rate of pay they received when they were hired.
- Nonprofits are still scrambling to get even, with budgets tighter and tighter in the last 5-10 years.
- Even modest increases from the City have helped increase private fund development.
- Without sufficient increases in contracts, we will need to make severe cuts and hard choices in reduction of programs and infrastructure.