

MINIMUM WAGE INCREASE AND NONPROFIT EMPLOYMENT

When the minimum wage goes up, many companies adjust by increasing the price of their products. What happens to nonprofits, who cannot adopt this same strategy?

Plenty of researchers examine how minimum wage changes impact companies, but few look specifically at nonprofits. How does raising minimum wage impact employment at nonprofits, and are nonprofits finding ways to adapt when they have to increase employee wages?

Connie Mao and her coauthors use data from 21 state-level minimum wage increases between 2013 and 2015 to analyze the impact of raising the minimum wage on nonprofits. Mao finds that following minimum wage raises, nonprofits see a significant decrease in employment that is more severe than the decrease seen by for-profit companies.

Mao and her authors also find that nonprofits invest more in information technology following the minimum wage raise, which is a common strategy to replace human labor. However, they found no change in the amount of volunteers helping nonprofits following the minimum wage raise, and nonprofits are more likely going out of business.

While for-profit companies can adapt to minimum wage increases by raising the price of their products, no such recourse is available to nonprofits and many struggle to survive. When policymakers raise the minimum wage, they should consider other ways of supporting nonprofits, such as increasing funding and grants to those at risk of going out of business.

MAJOR TAKEAWAYS:

- Following minimum wage raises, nonprofits see a significant decrease in employment.
- Nonprofits invested more in information technology following the minimum wage raise.
- Nonprofits are more likely to go out of business following a minimum wage raise.

WHO NEEDS TO KNOW:

- Nonprofit leaders
- Policymakers
- Philanthropists and private donors
- Community members

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- The Effect of State Minimum Wage Increases on Nonprofit Organizations.
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