National Co+op Grocers and CDS Consulting Co-op
Co-op Livable Wage and Benefits Model
Background Information, revised September 2015

This document is intended to explain the reasoning behind the Co-op Livable Wage and Benefits Model, so that co-op managers and boards can explain it to their staff, members and wider community. By understanding the thinking that went into developing this model, you will be able to choose among certain options that best fit the circumstances of your own co-op.

What is a Livable Wage Model?
Although there is no official definition and no agreed-upon methodology for arriving at it, a livable (or living) wage is understood to be one that allows workers to fully pay for their basic needs. The Northwest Job Gap Study defines it as "a wage that allows [people] to meet their basic needs without resorting to public assistance and provides them with some ability to deal with emergencies." While some livable wage models seek to provide compensation above the poverty line, the purpose is not to ensure that staff of employers using a model accrue significant wealth or even achieve a middle-class standard of living. Livable wage models include calculations for items which are essential for living, and do not typically include non-essential items that seem common but may be unaffordable such as meals out, electronics and vacations.

In a 2015 survey conducted by National Co+op Grocers, (NCG), co-op respondents were equally split on whether a livable wage should simply meet basic needs, or if it should allow for a quality of life above the poverty line. While it is impossible for a single definition of a livable wage to account for the needs of every individual, we have done our best to take the survey respondents' opinions into account and update the model in a manner that reflects the various perspectives.

Why a Livable Wage?
A movement has been building across the country to persuade—or compel—employers to pay a livable wage, by whatever definition. Your co-op may have already been approached by people in your community on this issue, or may have had an ordinance passed or pending raising the minimum wage. Many co-op managers and boards want to pay their employees enough to support themselves, as a matter of simple economic justice. Moreover, a livable wage could result in lower turnover, with reduced costs for recruitment and training, or increased productivity and could be a competitive advantage in a tight labor market. However, livable wage advocates are not always sensitive to the challenges that face co-ops in their attempt to be financially viable, nor do they recognize the financial value of the benefits that co-ops offer their employees.

The Co-op Livable Wage Project

To address the needs of co-ops, Cooperative Grocers' Information Network (CGN) was the original sponsor of the Cooperative Livable Wage project. The goal of this revision to the model is to update the formula based on changes to core assumptions behind the model and to accommodate changes in the way people live from when the model was last revised. The original version of the model debuted in the spring of 2003, followed by updates in 2006, 2011, and now in 2015.The most recent revision was completed in partnership between NCG and CDS Consulting Co-op.

How is the Co-op Livable Wage and Benefit Model Different from Others?
There are new livable wage calculations coming out all of the time. What the Co-op Livable Wage and Benefits Model does have in common with some of the other models:

1. Draws on recognized and publicly available sources of data in order to determine living costs.
2. Focuses on specific geographic areas, allowing for the great variations in costs between urban and rural life, and between some areas of the country and others.
3. Applies to full-time workers, i.e. those working 40 hours a week.
4. Applies to entry-level workers either upon hire, upon completion of a trial or introductory period, or up to 6 months.

However, we departed from other livable wage models where we felt necessary to reflect the unique nature of natural foods retail co-ops or where we felt other models were incomplete.

1. Our model provides a calculation that enables co-op staff to do more than just survive above the poverty line. By including items such as personal savings in the calculation, this model enables employees to plan for their future.
2. One of the most significant innovations is that our model is an equation, balancing the employee's living costs on one side, with the employer's contributions of wages and benefits on the other side. While some cities with livable wage ordinances allow differences in the wage rate based on whether or not the employer offers health insurance, we also considered other benefits that address basic costs of living. Many benefits offered by co-ops present real cost to co-ops, and tangible benefits that help employees meet their basic needs.

The Livable Wage and Benefits Equation
Living Costs = Benefits + Base (Livable) Wage

4. Our livable wage rate is pegged to the expenses of a single person, not a family.

5. Our model is a spreadsheet, available to NCG co-ops on ncg.coop, and available to non-NCG co-ops through CGN, with links to publicly available databases so users can calculate the livable wage for their own organization in varying regions of the country.

Benefits and the Livable Wage Equation

Our concept of the livable wage and benefits model is an equation with living costs on one side, income on the other. On the living cost side of the equation are the outlays required in a geographical area for identified basic needs, e.g. food, housing, transportation, health care, etc. On the income side of the equation co-ops need to add together the value of benefits provided by a co-op employer that help meet those basic needs, plus the livable wage needed to cover all the remaining living costs.

Cities with livable wage laws often use a two-tiered pay structure—one wage if health insurance in included, a higher figure if it is not. But so far other benefits are not accounted for in any models we know of. Co-ops tend to provide more benefits than is typical of retail employers in the US. We know from employee surveys that co-op employees tend to greatly appreciate their benefits, and consider them a significant factor in staying with their employer.

Our model includes only those benefits that cover the costs of living identified by our and other livable wage models. Thus the staff discount on food, medical and dental insurance, contributions to Health Savings Accounts, retirement contributions and transportation or parking subsidies are included, if available to employees at the time they become eligible for the livable wage. Beyond these more conventional benefits, your co-op may offer innovative benefits that could be added to the income side of the equation.
Our model does not include every possible form of benefit or compensation that a co-op might provide to staff. For example, gain-share or profit sharing are not included because they are not guaranteed to occur. When considering adding additional benefits into the model, consider whether they truly

accommodate an employee's basic needs to live and whether they apply to all staff who are eligible for the livable wage.
Please note: - If you advertise that you pay a livable wage, it is important to calculate what that is at least annually as costs change, sometimes significantly, on an annual basis.

Full-Time Entry-Level Workers

Like other livable wage models, this Model is based on the assumption that the employee earning the livable wage is working full-time at 40 hours a week, (2080 hours a year). Despite the fact that many co-ops have changed their definition of full-time to be in line with the Affordable Care Act definition of 30 hours for health insurance, we believe that to keep costs down in order to be able to afford a livable wage, co-ops continue to be best served by fully employing as many staff as possible at 40 hours per week, while retaining some part-time staff for staffing flexibility. We adopted this approach because we envision the livable wage for careers, not fill-in jobs. Our co-ops are not seasonal industries; they operate year-round.

Flexible Start Date for Livable Wage Eligibility

The model is constructed to give users a choice about when an employee becomes eligible for the livable wage. In the recent survey by NCG, the majority of co-ops stated that they implemented a livable wage either upon hire or after passing a training period. In addition, some co-ops were under pressure from activists in their communities to pay a livable wage. Waiting for more than 6 months to give employees a livable wage doesn't win over many hearts and minds in the community. Co-ops need to consider whether the length of time between hire and receiving a livable wage and benefits is reasonable to be able to say that they pay a livable wage. For example, a co-op whose staff is not eligible for a livable wage and benefits until 2 years from date of hire is not truly paying a livable wage, and thus should not communicate that they are.

Furthermore, for co-ops which base pay raises on performance instead of or in addition to length of service, it proved difficult to start out new employees at a lower wage than the livable wage, grant different amounts of pay increases to different employees based on individual performance, then at the one year anniversary ensure that all employees were making at least the livable wage.

Therefore, users can choose to implement the livable wage for all new hires in entry-level jobs, with the caveat that <u>if certain benefits aren't available to new hires, they cannot be factored into the equation that calculates the livable wage</u>.

Alternatively, users could choose to start paying the livable wage upon successful completion of the trial period--also called orientation period, introductory period or probation period—which lasts from 30 to 90 days to in most co-ops. Starting the livable wage at this point could allow the co-op to recoup the initial investment in training.

For an account of two different approaches to the starting point for livable wage eligibility, see the Case Study on La Montanita in the appendix.

Single Workers and Families

The Co-op Liveable Wage and Benefit model uses a calculation based on a household of one person. It is often assumed that single people are living in a transitional state and will end up in families. However, the 2012 US census report shows that the number of Americans living alone continues to surpass the number of married couples with children.
http://census.gov/content/dam/Census/library/publications/2013/demo/p20-570.pdf

While some co-op staff have families and may wish to provide a livable wage and benefits package to employees in a way that enables them to support a family, this would mean providing higher than livable wage and benefits amounts to single employees. Since we do not recommend co-ops provide differential compensation based on whether someone is supporting a family or not, we are using a single person in our calculations.

Can Your Co-op Afford to Pay a Livable Wage?
You may find once you go through the calculations in the Co-op Livable Wage and Benefits worksheet that the total comes to more than you are paying workers after 6 months, and more than you can currently afford to pay. Retail natural foods co-ops operate in an environment ruled by vast economic forces outside their control. Co-op managers cannot set wages at will.

Our livable wage model should be viewed as a means to set a goal to work toward, not necessarily as a prescription for what your individual co-op should pay your workers right now. For additional guidance on implementing a livable wage and benefits model, please see the end of this document.

For an account of how a co-op approached the impact of implementing a livable wage while ensuring affordability for the co-op, see Case Study on Weaver Street Market.

Wage Compression
Another consideration in implementing a livable wage and benefits package is the impact on current employees who may be earning more than the livable wage, but not enough more to feel that their longevity at the co-op will be adequately recognized if the pay rate of newer workers suddenly increases and theirs does not. This impact, called "wage compression", can negatively affect employee morale, calling for some form of adjustment for the pay levels immediately above the livable wage, and clear communication from management.

For ideas on how to make adjustments for other employees when implementing a livable wage, see Case Study on La Montanita Co-op Food Market.

Local Livable Wage Ordinances and Organizations Offering Certification

In many cities, a business contracting with or receiving funding or tax credits from the city must pay a designated livable wage. At the time of this writing, there were at least 140 local ordinances requiring some form of a livable wage, and this number seems to be growing. For co-ops subject to a municipal livable wage ordinance, the law would supersede the Co-op Livable Wage or any other model you might have adopted.

In addition, there are many independent organizations who advocate for local businesses to pay a livable wage or a flat number wage (e.g. "Fight for $15"). Some of these organizations offer "certification" to local businesses who they determine to be paying a livable wage. While this may be appealing, we encourage co-ops to consider that the core interests of these organizations may or may not be aligned with the co-op's long term interests. Additionally, if the co-op becomes certified by one of these organizations and the organization later changes what it defines as a livable wage in a way that the co-op is not able to accommodate, the co-op may face decertification. We encourage co-ops to consider how this will be viewed by staff and their communities before attempting certification with an independent organization.

Where Do the Numbers Come From?

For most living costs we used numbers available from federal government databases available online: the USDA, HUD and the Bureau of Labor Statistics' Consumer Expenditure Survey. In a few cases we used other sources as explained in the item-by-item account in the spreadsheet. We attempted to save you time by plugging numbers into the spreadsheet from these databases. However, you may find other sources available for your city or state. For example, your local chamber of commerce or business school in a local university may have data from more locally focused studies.

Why Are the Numbers So High? So Low?

As you calculate the different living costs in the spreadsheet, you may react to a cost for an item as "too high" or "too low" based on your experience living in your community. One reason for this comes from the difference between prescriptive and descriptive methodologies. Prescriptive numbers reflect what expert studies claim people "should" spend, e.g. what they should spend on food in order to get adequate

nutrition. On the other hand, “descriptive” numbers come from an average of what people actually do spend.
There are several problems with using a descriptive method to determine a cost of living. What people actually do pay for something does not necessarily reflect what they really need. For example, what people pay for out-of-pocket medical expenses might not meet all their health care needs. They might put off buying a drug when they don’t have adequate insurance coverage, which could exacerbate a health problem, which could land them in the emergency room.

Similarly, descriptive costs are based on average expenditures and don’t take into account needs that not everyone has. For example, day care is not needed by non-parents. Therefore the average cost of day care spread over the general population doesn’t give us an idea what it really costs to put a child in day care.

Ideally, a livable wage and benefits model is calculated using a prescriptive approach to ensure that people can cover the basic necessities of existence. However, due to lack of quality prescriptive data sources, there is occasionally no choice except to estimate a cost based on what an “average” person pays.

You can substitute other figures in the spreadsheet, but we caution against doing so for two reasons:

1. Your data source needs to be credible. If you don’t want to use figures from the sources we provide, your substitute figure should come from an objective survey, not anecdotal evidence. Otherwise it will be hard to defend.
2. Using lower numbers than those provided in this model may open the co-op to criticism from members and others in your community who are demanding that your co-op pay a livable wage, and may not accurately reflect living costs in your area.

Disclaimer

Whichever numbers you choose, none will be so exact that you could say definitively what it costs to live in any particular community. There are so many geographical variations that numbers for as broad a scale as a metropolitan area or a county cannot be precise. With all the assumptions made in order to build the model, some of them will not apply exactly to a particular situation. The Co-op Livable Wage and Benefits Model gives you a methodology that we believe has integrity and makes sense, but we recognize that there is no way to arrive at a precise amount for the cost of living for every person in every place.

PART A: CALCULATIONS FOR THE LIVING COST SIDE OF THE EQUATION

What is a Basic Need?

One of the dilemmas in choosing the living costs is the sense that one is dictating how others should live. Can people afford to buy natural foods on the USDA food budget? That depends on which co-op products they buy. Should entertainment be covered? It’s not a necessity of existence but people spend money on it nevertheless. We will explain our rationale for each choice we made in determining basic needs, with the understanding that good arguments could be made for different choices. With the online resources we provide, you can find the data to make different choices for your co-op.

Housing: We used the US Department of Housing and Urban Development’s (HUD’s) 50th percentile rent estimates to come up with a housing amount. The rents listed in the database include all utilities except telephone. The Co-op Livable Wage and Benefits Model equates housing costs with rent, rather than a mortgage. Property taxes are assumed to be passed on in rent.

Over its history, this model has based housing on several different options. In its latest revision, we have changed the assumption around housing to be based on a one bedroom apartment. Much of this decision is based on the interest in providing a livable wage and benefits package that is slightly above the minimum of what is needed to exist and based on user feedback that the housing amounts needed to be

increased.. You may change this assumption using data found here, (http://www.huduser.org/datasets/50per.html), if you believe a different assumption is more relevant for your workforce.

For an innovative approach to meeting staff housing needs, see the Case Study on Weaver Street Market.

Food: Previous research by other livable wage models revealed that food costs are relatively consistent from one part of the country to another, with the exception of Alaska and Hawaii.

The US Department of Agriculture (USDA) has food plans at four different cost levels: thrifty, low-cost, moderate-cost and liberal. The plans are calculated for adult men and women and children of different age groups. All plans are supposed to deliver adequate nutrition at each level and assume that all meals and snacks are purchased at stores and prepared at home. The USDA plans reflect a conventional view of nutrition but none contain junk food. On the other hand, none of them mention organically grown or processed foods. While organic foods are typically priced higher than conventional foods, it is possible to keep costs down for a healthy diet based on bulk foods and in-season produce.

This model uses the USDA moderate-cost food plan. Since we are businesses promoting healthy natural and organic foods, and we expect that most co-op employees will buy most of their food where they work, we wanted to allow for more money to be spent on higher-quality food.

Note that the calculation in the model spreadsheet multiplies the amount by 20%. This is done per the guidance of the USDA, in the footnote of the document used to provide the amounts.

If your co-op is located in Alaska or Hawaii, you must use the separate tables provided for those states at the USDA web site, http://www.cnpp.usda.gov/USDAFoodPlansCostofFood/reports.

Health Care: Now that every person is required to have insurance under the Affordable Care Act, there is a better resource for getting a quote for insurance premiums by using the health care marketplace (www.healthcare.gov) if you are not providing insurance to staff.

In addition to health and dental insurance premiums, our model accounts for out-of-pocket expenditures for medical services, medical supplies and prescription drugs. For out-of-pocket medical expenses, we used the Bureau of Labor Statistics' national average for un-reimbursed medical expenses for the average age of your staff.

Transportation: Where public transportation is available and reliable, you may want to encourage people to use it instead of cars. If it is a realistic possibility for employees in your area to do without a car and to use public transportation for all of their transportation needs, (not just getting to work), an option is provided to determine costs of using public transportation.

However in many places a car is necessary for an employee to get to work. According to the 2010 National Household Transportation Survey, the average length of the commute for workers to earn a living is about 12.85 miles each way. For a full time worker driving to work 255 days a year, that comes to 6554 miles a year which we have rounded up to 7000 and multiplied by the mileage allowance used by the IRS for the current year. Your city or state may have more specific data on transportation that you may want to substitute instead. If you wish to add more miles per year for other "necessary trips"--shopping trips, visits to medical care providers, visits to nearby family, etc.--you can change the mileage in the formula.

Also, if the IRS changes its mileage allowance mid-year to account for higher gas prices, and you are calculating your livable wage after such an adjustment, you can go into the cell in the spreadsheet and change the multiplier.

For an account of how one co-op adapted the model to the reality of a living in a remote location, see the Case Study on Silver City Food Co-op.

Telephone: This is the one utility not covered in the HUD Fair Market Rent. The latest CDC report on the trend of wireless phones replacing landlines, stated that 66% of adults aged 25– 29 lived in households with only wireless telephones, along with 60% of 30–34 year olds. Combined with the fact that there are enough examples of "basic" cell phone plans including voice, text, and data, so we could provide a credible resource for determining the cost of a basic cell phone vs landline plan, we have made this switch in the model.

Note that Telephone does not include internet or wi-fi service. Given the availability of free wi-fi in public places, this service was not included in the model.

Miscellaneous: This category includes clothing, household furnishings and equipment, personal care products and services, household products, and some entertainment costs such as fees and admissions. It is hard to come up with a realistic figure because the available data on expenditures on these items is all based on averages, across all income levels.

We used BLS data for the above expenses. Major appliances and misc. household equipment have been subtracted from the totals because these are renter households. We then came up with a percentage of 12.5% of other living expenses. Using a percentage reflects the fact that all costs tend to be higher in an area with high cost of living.

Savings: While all the other models specifically exclude savings, we feel the way out of poverty is to build assets. Most savings models recommend having at least 10% of gross income go into retirement. Because most co-ops surveyed by NCG provide for retirement matching, we are suggesting 5% be set aside for savings, and that co-ops *do not* enter any matching amounts in the bottom half of the equation.

Sales Taxes: Sales tax should be calculated along with other living costs before considering income taxes. The model includes three lines, one for sales tax on food, one for sales tax on out-of-pocket medical and one for miscellaneous expenses. These are broken out into three lines because some states impose sales taxes on different items.

Income Taxes: By adding up all the above living expenses, we can come up with the post-tax income needed to pay for them. But taxes themselves are a significant cost of living, so we need a way to calculate what the taxes would be without knowing the pre-tax income. A "divisor" by which the post-tax income can be divided to find the pre-tax income is needed.

Federal taxes of a single person are easy enough to calculate since we know the standard deduction and personal exemption, and we know the rate for FICA. However, with many different approaches toward taxes in each of the 50 states, we could not come up with a simple, one-size-fits-all formula.

We are using a formula developed by Bruce Mayer of Wegner CPAs, to estimate federal taxes and those state taxes that are based on federal taxable income. If your state's income tax works by applying a percentage rate to federal taxable income, you enter your state rate for the tax bracket of the annual average salary for all entry level wage earners at the co-op, and the formula will yield reasonably accurate results. For information on your state's tax practices, check http://www.bankrate.com/brm/itax/state/state_tax_home.asp. Users report that you must use Internet Explorer to successfully open "asp" files.

PART B. CALCULATIONS FOR NON-WAGE INCOME PROVIDED BY THE EMPLOYER

The living costs on the other side of the equation will be balanced by the following benefits, plus the hourly wage, which will be the livable wage itself. Only benefits that directly address the costs on the other side of the equation should be included.

A note on Employer contributions to retirement plans
Though many co-ops contribute to employee retirement plans, those contributions are ***intentionally not included in this calculation***. Most financial advisors recommend that people save 10% of their earnings. When the team who created this model had savings at 10%, feedback from co-ops was that the resulting wage was unaffordable. Consequently, the team choose to back savings down to 5%, and not include employer retirement savings. Since many co-ops do contribute, it's likely that may users of the model will actually be saving more than 5%.

If your co-op does not contribute to retirement savings or if you add the co-op's retirement contribution to the calculation, be prepared to speak to stakeholder concerns about savings of less than 5% in the end calculation.

Employer-paid portion of medical insurance premiums: If your co-op does not pay the full premium, and if the percentage of the premium paid by the co-op increases with seniority, use the percentage of the premium paid for employees at the point where they become eligible for the livable wage. For example, if your livable wage starts upon the date of hire, and medical insurance is not available to newly hired employees, you cannot include the co-op's contribution toward medical insurance in this model.

Employer-paid portion of dental insurance premiums
Again, if your co-op does not pay the full premium, use the percentage of the premium paid for employees at the point where they become eligible for the livable wage. If your livable wage starts upon the date of hire, and dental insurance is not available to newly hired employees, you cannot include the co-op's contribution toward dental insurance in this model.

Contributions to a Health Savings Account or Flexible Savings Account
Several surveyed co-ops reported making contributions to HSAs or FSAs. The dollar value for these contributions made at the time the livable wage is in effect can be included here.

Staff discount
Since we planned for the moderate-cost food plan on the living cost side of the equation rather than the low-cost plan, the staff discount can be applied to the income side of the equation. If you have a different amount of discount that you offer to member-owner staff or some other variation, use discount rate that the majority of staff have.

A few users of the Cooperative Livable Wage Mode disagreed with the idea that employees would buy all their food at the co-op. The affordability of natural foods is an issue that co-ops have contended with over the years. Some co-ops have worked to educate their membership on the superior value of natural foods dollar for dollar, and on ways of eating well on a low budget. The same education could be given to staff. For example, employees could be given information on how to prepare foods from the bulk section or fresh produce.

At the same time, a small co-op with an incomplete product line might not offer all the types of food (for example, meat and seafood) that employees feel they need as part of their diet. Co-ops in this situation might compensate for the inability of the staff discount to cover all food costs by choosing the liberal-cost food plan, or by foregoing using the staff discount as a benefit in the livable wage equation.

On-shift meal subsidies
New in 2015 is the recognition that many co-ops offer free or reduced-cost meals for working staff. Enter the average dollar value contributed by the co-op (cost to the co-op, not retail value to the employee) to an on-shift meal, and the formula will multiply that by 5 days a week for the first 52 weeks (assuming there is no vacation taken in the first year), and then divide to calculate the monthly amount. If vacation or other paid time-off is given to employees within their first year, users will need to adjust the number of weeks accounted for in the formula.

Transportation or parking subsidies
If your co-op provides bus passes or other subsidies for public transportation, that cost should be accounted for here. If your co-op pays for employee parking and there is no viable free parking alternative for staff, that cost should go here, too. For parking, use the figure that staff would have to pay if they had to purchase parking for themselves.

Livable Hourly Wage: By subtracting the total hourly benefits on this side of the equation from the hourly income needed from the living costs side of the equation, you will get the hourly wage needed by a full-time employee at one year, to cover basic living expenses for your community.

IMPLEMENTING THE LIVABLE WAGE FOR YOUR CO-OP
If your calculations result in a number that is significantly above your current hourly wage, don't panic. Think of the wage as a goal to move toward by increasing productivity.

1. Set the livable wage as a target to motivate your staff to help identify ways of increasing productivity.
2. Look at these key productivity measures: Labor as a percent of sales, sales per labor hour, and margin minus labor. Compare your co-op to other co-ops in the CoCoFiSt or CoCoGap programs.
3. Most co-ops will not be able to move from their current pay scale to a livable wage overnight. Build incrementally, don't try to implement a big wage hike all at once if it will put the co-op in financial jeopardy.
4. Factor in some increase of productivity from decrease in turnover. If you don't have to hire and train as often because you retain more employees, you will save some labor dollars in the process. An economist analyzing possible impacts on the city of Santa Monica of a livable wage ordinance estimated that 25% of the shortfall in earnings for employers could be made up by increased productivity due to lower turnover.
5. One of the best ways to afford a livable wage is to gain increased efficiencies from current staff – consider reviewing your organizational structure for efficiencies, and set clear performance expectations for your staff and then follow through with accountability to those expectations.
6. Reduce headcount through attrition where possible.
7. If not already doing so, consider moving full time staff scheduling up to 40 hours.
8. Include an adjustment for those who are currently making just above the livable wage, or whatever new wage you implement for entry-level staff to avoid wage compression. Consider adjusting wages for existing staff based on tenure.
9. Communicate clearly and repeatedly to the staff the benefits of the livable wage for the lowest paid employees, and the rationale for adjustments for those making more than the livable wage.
10. Once you've calculated a livable wage, be sure to compare that to the pay in your market. It's possible that your competitors could already be paying more than the co-op. Your city may also be issuing guidance about what a livable wage should be. All of these resources should be considered in ultimately determining your starting pay rates.
11. Whatever rationale you use to determine your starting pay, remember that you may not always be able to meet whichever standard you choose. For that reason, be cautious when considering livable wage certification by outside parties.
12. Educate staff about the value of their total compensation each year. You may be offering more benefits after 6 months, and staff should be made aware of where the limited personnel dollars are going.
13. For accounts of how two co-ops implemented a livable wage, see the Case Studies on Weaver Street Market and La Montanita.

Help with Calculations
If you run into questions or problems in using the spreadsheet or instructions, please contact Sarah Dahl at sarahdahl@cdsconsulting.coop or Lauren Olson at lauren.olson@ncg.coop.

Request for Feedback

While the creators of this model strove to think of all the various ramifications and permutations on each element of the livable wage equation, we knew that there would be questions we did not anticipate, choices that could be challenged, and improvements that could be implemented once people start to use the model. We used the feedback of co-ops in creating this updated model. We continue to welcome questions and comments and suggestions sent to Sarah Dahl at sarahdahl@cdsconsulting.coop or Lauren Olson at lauren.olson@ncg.coop.

Future Updates

As the sponsors of the Co-op Livable Wage and Benefits Model, NCG and CDS will continue to arrange for updates of the model, incorporating new data released by the government and suggestions from users of the model. We consider our model a work in progress and recognize that data sources will need to be updated periodically. We also look forward to continuing to incorporate improvements and suggestions from users.

Case Studies

Determining the amount of the livable wage is only the first step. Next a co-op has to find a way of implementing the livable wage that is affordable for the co-op and equitable for all employees. Three case studies show how different co-ops approach this challenge:

- La Montanita Co-op Food Market
- Weaver Street Market
- People's Food Co-op, (Ann Arbor, MI)

With all the assumptions that went into the creation of the Cooperative Livable Wage Model, we knew some of them would not apply exactly to a particular co-op's situation. Two case studies, one longer, one short, show how two co-ops adapted the model to meet their specific needs:

- Brattleboro Food Co-op
- Silver City Food Co-op

La Montanita Co-op Food Market—New Mexico

At the beginning of 2005, when La Montanita first implemented its livable wage, the co-op had two stores, both located in Albuquerque, NM. Of the 127 staff members, a little more than half worked full-time, defined as 35 hours a week. For Albuquerque at that time, the Cooperative Livable Wage Model yielded a rate of $8.13 per hour. To be eligible for the livable wage, employees had to complete six months of employment and a program of interdepartmental training and orientation sessions.

One of the challenges of implementing a livable wage is the impact on staff who have been making more than the base wage. There is a risk of staff dissatisfaction when those who have earned raises through seniority and performance suddenly find themselves making very little more than complete newcomers. In the staff newsletter, the "Co-opera," general manager C.E. Pugh explained how wages of staff making above the livable wage would be adjusted:

We have looked carefully at what changes we can afford to make for staff members making more than the living wage and have determined that all staff members making less than $10.00 per hour will receive an increase of $0.02 per hour for every month of employment, but this increase is capped at $10.00 per hour.

A couple of examples are 1) someone currently earning $8.50 per hour who has worked here for 24 months will receive an increase of $0.48 per hour to $8.98 and 2) someone currently earning $9.50 per hour who has worked here for 48 months would receive an increase of $0.50 per hour to $10.00.

I know that this may not seem fair to those of you who will hit the $10.00 cap and to those of you currently earning more than $10.00 per hour. But please understand that this is not a wage grid/across-

the-board increase. This is our implementation of a living wage for our lowest paid staff members and I hope you will celebrate our ability to provide this and see it as a positive step for us.

Human resources coordinator Sharret Rose recalls, "We spoke with staff often about the purpose of using the livable wage as a way to assure that the lowest paid workers were brought up to a certain level, and about how not everyone would get a wage adjustment. Staff seemed to understand and appreciate this."

This communication appears to have paid off. In an employee survey conducted in the spring of 2005, satisfaction with pay generally increased since a previous survey in 2003, and several employees expressed pride in working for a company that paid a livable wage, even though they did not personally get an increase.

A new approach to eligibility
In January 2006, when La Montanita next updated its livable wage, the co-op had four stores, including one in Gallup and one in Santa Fe, and 200 employees. For Albuquerque, the livable wage rate was now $8.56, and for Gallup it was $7.54. In Santa Fe, with its higher cost of living, a municipal ordinance mandated a rate of $9.50 starting immediately.

In response to staff feedback, management changed the rules for eligibility so that new employees could receive the livable wage sooner. Now it starts upon attainment of regular employee status, which could occur anywhere between 60 and 120 days after hire. This rite of passage is marked by finishing mandated orientation sessions, meeting training expectations and getting voted onto a team by the new employee's coworkers. Along with the livable wage, medical and dental insurance and vacation accrual also become available at this point for part timers who had previously had to wait one year.

A new approach to pay scale adjustment
In 2006 La Montanita also changed its approach to adjusting the wages of employees at higher pay levels. The new formula for staff making more than the livable wage but less than the cap for their pay range is as follows:

In Albuquerque:
Those earning $8.57 to $9.00 received .20/hr
Those earning $9.01 to $10.00 received .15/hr
Those earning $10.01 to $11.00 received .10/hr

In Santa Fe:
Those earning $9.51to $10.00 received .20/hr
Those earning $10.01to $11.00 received .15/hr
Those earning $11.01 to $12.00 received .10/hr

Rose explains, "We did all of this so we would not find ourselves in a situation where newly hired staff were making more than someone working over a year. We also needed to assure that staff at a higher wage level because of their responsibility maintained their differential."

Weaver Street Market -- Carrboro, NC

This case study was written in May of 2004 and some of the information may not be current. However, Weaver Street Market's approach to implementing the livable wage remains relevant.

"We never use the term 'livable wage'," says Operations Manager James Watts. "Every employee has a right to a fair and reasonable portion of the revenue of this co-op, but there's no entitlement. Instead, we told the staff we wanted to raise non-manager pay. We told them this is an experiment, and the increased pay had to be offset by an increased sense of accountability."

Weaver Street Market employs a little over 200 people in operating two stores, a restaurant and administrative offices. About three quarters of them work 40 hours a week. Weaver Street Market

management considers “an empowering workplace” as part of its “second bottom-line,” and tracks quarterly indicators of performance. Indicators include: average non-management wage, longevity, and how many employees own their own homes.

Before implementing the pay increase in 2003, clerks at Weaver Street Market started somewhere between $6.75 and 7.25 per hour. At one year the average wage was close to $8.00. Now all clerks start at $9.00.

When Watts and General Manager Ruffin Slater filled out the Cooperative Livable Wage Model worksheet, “the numbers were lower than what our gut told us,” Watts explained. Management surveyed area employers, especially the co-op’s competitors, to find out what they were paying. “Then we tweaked the numbers in the model to a level we could achieve and survive, and brought it up to a round number.”

The employer of choice

Higher starting wages paid off in increased productivity in the Customer Service (front end) Department. After the livable wage was implemented, department labor costs decreased from 3% of total store sales to 2.6%, while sales per labor hour improved by over $100 dollars.

With median pay of $9.65 for clerks and $11.45 for lead clerks, Weaver Street Market now pays its non-managers more than Whole Foods and most of the chain stores in the area. This has made the co-op the employer of choice in the community. Now supervisors can exercise more choice, too. The screening process has become more exacting to ensure the co-op hires only those who have the skills to be successful. One of those skills is critical thinking. As Watts puts it, “Our co-ops are systems-poor so we have to be intelligence-rich.”

Weaver Street Market also offers a full benefits package including these that address the living costs recognized in the Cooperative Livable Wage Model:

- 20% discount for staff purchases.
- 40% meal discount during work shifts.
- Medical and dental insurance for which a single, full-time employee contributes $35.23 per pay period per month.
- Flexible Spending Account which the co-op “seeds” with $100 per year.
- 401(k) plan, which the co-op matches 50 cents for each dollar the employee contributes.

In addition, the co-op offers other benefits:

- Paid time off of one week per year of seniority, up to 4 weeks total.
- Life insurance (included with medical and dental insurance).
- Gym or yoga club membership.
- Employee Assistance Plan.
- Short-term disability for which a single, FTE contributes $2.46 per pay period.
- Long-term disability for which a single, full-time employee contributes $5 per pay period.
- Worker ownership with an annual dividend based on co-op profitability and hours worked.

Dealing with Wage Compression

Another challenge co-op management faces is wage compression. As Watts describes it, “People are making good money but we’ve flattened the differential we used to have between new and seasoned employees.” For example, in the coffee bar, highly motivated clerks are excelling in their jobs but if they were all to get raises, it would make the coffee bar unprofitable. This is not a problem yet, but the next management team retreat will address the issue.

<u>People’s Food Co-op -- Ann Arbor, MI</u>

People’s Food Co-op has 70 employees, 27 full-time and 43 part-time. As of the 2005, the livable wage rate was $8.60. As part of the livable wage calculation, the co-op pays $286 per month toward the medical insurance premium and $42 for dental, and offers a 10% discount on employee purchases and

monthly transportation subsidy of $26. In addition, it provides life insurance and short-term disability insurance.

To be eligible for the livable wage, staff members need to work 450 hours for three out of four quarters, or 1800 hours total in one year. The co-op sees the livable wage as a tool for employee retention and morale building. But it expects a commitment in return from employees working toward the wage. Since eligibility rides on the employee's ability to work the requisite number of hours, employees are encouraged to be flexible and available for scheduling, and to take on duties outside of their job descriptions.
The Manager Handbook advises:

- Encourage your employees to be flexible with hours – the co-op is really relying on the livable wage employee to be available for scheduling.
- Position level may not change, but an employee may be asked to add on additional responsibilities with the livable wage rate.

In return, managers are expected to take the employee needs into account when scheduling, and employee hours are posted quarterly.

Silver City Food Co-op -- Silver City, NM

This case study was written in May of 2004 and some of the figures cited may not be current.

In using the Cooperative Livable Wage Model, Financial Manager Catrina Helbock found the vehicle expense to be too low for Silver City, a small town in a remote area. "We're such an isolated community," Helbock says. "We do have a bus service but it's sparse at best. Also, even if you could walk to work or use the bus, in order to buy any specialty items (any place other than Wal-Mart) or to see a doctor (not to mention a specialist--we don't even have a local gynecologist) you have to travel about two hours."

In addition, electricity costs tend to be not included in rents in Silver City, and it seemed that the HUD Fair Market Rent rate for a studio apartment in Grant County, NM, $345, would not be enough to cover electric bills.

Using the model in its original form, Helbock came up with a livable wage of $7.44. When she added $50 a month to cover additional utilities and increased vehicle costs by 10%, she came up with $7.93. If your co-op is in a remote area where extensive driving is required for "necessary trips" as well commuting to work, you might want to follow Silver City Food Co-op's example and increase the mileage for calculating transportation costs.