

“Socially Just Compensation: Helping Our Working Poor Caregivers”

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We read about poverty guidelines and poverty thresholds as defined by the U.S. government. Every discussion of an increase in the minimum wage sets off a heated debate between members of Congress and business leaders. But at the end of the day, the real issue is whether employers have a responsibility above and beyond what is required by law.

It's become clear that some full-time employees of healthcare organizations frequently live at or below the subsistence level. What's more, they often cannot afford health insurance for themselves and their families, making them unable to take advantage of services at the very hospitals and healthcare systems in which they work. To make matters worse, these employees generally have limited access to the support and development opportunities that would help them improve their skills and raise their standard of living.

Isn't it our responsibility to help our own employees break the cycle of poverty?

This is a question that Catholic healthcare systems have been grappling with for some time – working to align Catholic social teachings of a "socially just wage" with broader mission goals, including profitability. It's important to note that a socially just wage is more than direct pay, but rather a strategic menu of pay, benefits and access to skills training that allows each employee to develop and progress in the organization. Today, the issue is coming to the fore throughout the industry, with human resources departments, line managers and board members evaluating ways to provide a fair living wage and benefits to their employees.

The Importance of Socially Just Compensation

Many healthcare organizations state that their mission is to benefit the community they serve. One might argue that the mission begins at home, benefiting full-time staff members and their families. Certainly most employees in the organization receive subsidies to help make their lives easier. A socially just compensation approach helps those benefits trickle down to the lowest compensation grades by removing barriers that prevent their legitimate use.

As part of a comprehensive human-capital strategy, socially just compensation makes good business sense. Employees can choose to take advantage of a helping hand that will aid them in improving their own lives, as well as those of future generations. These opportunities build loyalty, reduce absenteeism, and improve productivity. And, while it may look out of place on a business plan, properly caring for employees is simply the right thing to do.

Evaluating the Poverty Line

Many observers believe the government poverty definitions understate basic income needs. For example, the 2003 poverty guidelines for the 48 contiguous states suggest that a family of four should be able to live on an annual income of \$18,400.¹ Unfortunately, at \$5.15 per hour, the federal minimum wage produces an annual income that falls nearly \$8,000 below that line.² In fact, the minimum wage is only high enough to support, by federal guidelines, a household of one.³

It's also important to note that according to the Economic Policy Institute, 38.8 percent of minimum wage earners are the only earners in their households – the image of a minimum wage earner as a teenager flipping burgers is only accurate 11.7 percent of the time.

Is it realistic to think that a family of four can – or should – get by on \$11,000 or even \$18,000 a year? Even the original developers of the poverty thresholds don't think so. Nearly 100 government

entities have made efforts to close this gap, but even as their new living wage laws raise minimum pay to an average \$10.03 an hour with benefits, compensation alone is not enough.

Breaking the Cycle of Poverty

Base wages are an excellent starting point. In addition to wages, however, benefits and development opportunities can be equally or even more important.

Since 2001, CHRISTUS Health, a faith-based, not-for-profit healthcare system with more than 24,000 employees in six states and Mexico, has undertaken a variety of initiatives to aid the working poor in their ranks. Their experience has proven the value of considering a wide range of just wage components.

CHRISTUS began by instituting a uniform minimum wage, adjusted to address local cost of living and wage levels. This was no mean feat – determining the appropriate base wage required assessment of other health systems' and CHRISTUS' own practices, as well as an assortment of living wage laws. The simplicity and consistency of the new wage plan offered administrative advantages, although wage compression would have to be addressed at the local level. Still, the uniform wage alone did not result in an appreciable difference for caregivers with families and those most in need.

For an organization contemplating socially just compensation, benefit options run from the familiar – including subsidized child care, more practical health and dental insurance, and retirement plan funding – to those aimed specifically at lower-paid employees, such as uniform subsidies and transportation and housing assistance.

CHRISTUS is now testing a medical premium tied to salary level, and has looked closely at insurance subsidies for families, as well as gap insurance to cover deductibles and co-insurance. Through employee focus groups, CHRISTUS leadership found that healthcare benefits are even more important to employees than wages. Over the next few years, CHRISTUS intends to refine its healthcare packages to further meet the needs of the working poor.

Finally, a well-rounded compensation plan should key in on opportunities for employees to develop their skills – in and out of the workplace.

CHRISTUS has adopted a multi-faceted approach. First, a suite of work training programs were set up, including tuition-free training, scholarship programs, paid classroom time, expanded computer training, and an educational support program that provides employees with access to tutors and study groups.

Second, through employee communications, CHRISTUS identified a need for basic life skills support, which led them to establish reading and English classes, career counseling, on-site GED programs and other types of complementary training. CHRISTUS is also planning to collaborate with local schools, foundations, churches, and government agencies to provide additional assistance within the community.

Third, CHRISTUS adopted a covenant with its employees, who are all now recognized as "associates," to establish clear employer-associate commitments. A key commitment is CHRISTUS' pledge to provide skills and knowledge development, create opportunities for spiritual and professional growth, establish equitable and competitive compensation structures, and offer basic medical, disability, life and pension benefits.

Finally, CHRISTUS found that just wage factors don't have to be expensive to be effective. For example, the CHRISTUS board determined that all associates should have access to the Internet, previously an important status symbol unavailable to the lowest paid workers. The response was overwhelmingly positive – in fact, more than 52 percent of benefit eligible associates chose to complete their annual flexible benefits enrollments online. Of these, many were CHRISTUS' lowest paid worker. By placing older PCs in kiosks and resource rooms, universal Internet access cost just \$67,000 system-wide, but helped remove a psychological barrier that served to marginalize lower paid workers.

Making Socially Just Compensation Work

Balancing the financial needs of employees with an organization's overall fiscal health is a daunting prospect. Bankrupting the organization won't serve anyone.

There is no single solution to the issue of creating a just wage, but it is worthwhile – and possible. In order to make it work, the desire to craft a solution must be embraced and communicated from the top down. Convincing CEOs and board members to look past the initial budget impact toward a difficult-to-measure return can be tricky. Believing in doing the right thing, and knowing that the right thing usually pays off, will help win everyone over in time.

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- ¹ Published February 7, 2003. Assumes 2,080 hours worked per year, without overtime.
 - ² A 2,080-hour work year earns \$10,712, \$7,688 below the poverty guideline for a family of four.
 - ³ The poverty line for one person is estimated at \$8,980 per year.