

# Undervalued & Underpaid:

How New York State Shortchanges  
Nonprofit Human Services Providers  
and their Workers



March 2017



## Who We Are

Restore Opportunity Now is a newly launched campaign bringing together human services organizations from across New York State to call for increased investment and systems changes needed to ensure nonprofits can continue to effectively serve communities throughout the State.

The campaign recognizes that while the breadth of services provided by the sector varies tremendously, the misalignment of resources and expectations is a common thread. As poverty and rising inequality suggest, need is going unmet in communities throughout the state. To address this, programs must be fully funded to cover the true cost and in effect, must support an adequately compensated workforce. These crucial investments will allow human services providers to continue to deliver essential services efficiently and effectively, and to recruit and retain qualified staff.

The campaign advisory committee is comprised of the following:

STATEWIDE	CENTRAL NEW YORK	CAPITAL REGION
COFCCA	Human Services Leadership Council of Central New York	Northern Rivers Family of Services
The Fiscal Policy Institute	Syracuse Model Neighborhood Facility	WESTERN NEW YORK
Mental Health Association in New York State	FINGER LAKES	Cattaraugus Community Action
New York State Council of Catholic Charities Directors	Arbor Housing and Development	LifeSpan
New York Council of Nonprofits	NEW YORK CITY	Western Region Hillside Family of Agencies
New York State Community Action Association	FPWA	SOUTHERN TIER
New York State Rehabilitation Association	The Human Services Council	Southern Tier Independence Center
	SCO Family of Services	WESTCHESTER
	Urban Pathways	Nonprofit Westchester

The campaign is supported by more than 340 organizations, and continues to grow rapidly.

As a first step in the development of this campaign, the Restore Opportunity Now coalition embarked on a three month research study to assess specific challenges the nonprofit human services sector faces across the state. For research tools, we conducted a meta-analysis of existing data on the sector, 15 in depth interviews, 21 focus groups with more than 300 participants, and an online survey with a sample size of 70. Research was conducted across New York State, and included the following cities: Albany, Binghamton, Buffalo, Elmsford, Ithaca, New York City, Rochester, Syracuse, Utica, and their surrounding counties.

## Acknowledgements

This report was prepared and written by James A. Parrott of the Fiscal Policy Institute (FPI), with the research assistance of Brent Kramer, FPI Senior Economist. Mallory Nugent of the FPWA provided editorial and design assistance, and coordinated the production of the report. This report grows out of and builds on the Restore Opportunity Now campaign, co-chaired by FPI, the Human Services Council, and FPWA. Generous funding support for this report was provided by The New York Community Trust and The Clark Foundation.

## Executive Summary

The substantial growth in New York’s nonprofit human services sector has come in response to a host of social, demographic and economic changes. The State and its local governments have turned to nonprofit organizations to provide these critical services; these are public services that serve many populations, including children and those with low incomes striving to enter the middle class. Millions of New Yorkers are directly served, and all New Yorkers reap the benefits of more stable communities when their neighbors are able to pursue healthy and satisfying lives and seek better opportunities.

These essential human services, however, come at a cost, and they should be paid for—in their entirety—by government. These are public services, provided in keeping with New York’s constitutional requirement (Article 17: “the aid, care and support of the needy are public concerns and shall be provided by the State ...”) and legislative determinations. The nonprofit human services workforce is, in effect, an indirect government workforce. Given their charitable missions, nonprofits have readily stepped forward to accept this public service delivery responsibility. However, New York State has not held up its end of the bargain. The underfunding of human services is a serious and growing problem.

Most State human services contracts have not been adjusted for rising costs in many years. Reimbursement rates for many Medicaid-funded services have been adjusted to increase pay rates for workers, but the same cannot be said for most human services contracts. (New York City has funded significant wage increases in its contracts for nonprofit human service workers.) Over the past six years, the State has steadily reduced the inflation-adjusted funding levels for human services spending that funds contracts with nonprofit providers and that provides funds to local social services districts that in turn contract out services.

The nonprofit workforce has borne the brunt of the State’s funding failure. Despite the fact that these workers are highly educated, they are some of the lowest paid workers in the New York economy. Most nonprofit human services workers make less than those in retail trade, and most workers caring for young children are paid about the same as the average restaurant worker.

Major findings of this report include:

- New York’s human services employment has doubled since 1990, increasing from 166,000 to 332,000 in 2016. In New York City, it rose by 82 percent, while the suburbs and upstate together saw 129 percent growth. Human services job growth occurred primarily among nonprofit organizations working under public contract, and was 21 percent of all private job growth in the suburbs and upstate, and 10 percent of New York City’s private job growth.
- Average annual pay for human services workers ranges from \$23,000 to \$25,000 upstate, about \$27,000 in the Hudson Valley and on Long Island, and \$29,600 in New York City. Such pay is only about 40 percent of the average for all workers and falls far short of the income needed to meet United Way’s survival family budget needs.



- Human services workers are overwhelmingly women (over 80 percent) and heavily women of color (44 percent of the total). They are well-educated—41 percent have a four-year college degree and another 25 percent have an associates' degree or some college—and most work full-time or close to full-time schedules.
- Inadequate pay is not just a problem for the lowest-paid human services workers. Average pay for middle-tier occupations such as social workers and substance and drug abuse counselors is 20-40 percent greater in hospital, school and civic organization settings than in primarily government funded nonprofit human services providers. Across New York, preschool teachers are paid 74 percent more in public schools than in nonprofit schools.
- Among New York's largest nonprofit human services providers, 80 percent have budgets that are 90 percent or more dependent on government funding. While charitable contributions have risen over the years, they rarely account for more than ten percent of service providers' budgets.
- An extensive 2015 survey of nonprofit service providers found that 44 percent say that State contracts never cover the full cost of providing contracted services and another 16 percent said the State rarely covered the full costs. Only seven percent reported that State contracts always covered full costs. Another survey tied the systemic underfunding of government contracts to the fact that 18 percent of New York human services nonprofits are financially insolvent.
- The low pay and paucity of fringe benefits translate into high and costly turnover for nonprofit organizations, providing public services under government contracts. Pay is so low that 60 percent of those working in the sector were utilizing or had a family member utilizing some form of public assistance benefit such as Medicaid or food stamps. As the \$15 minimum wage for fast-food and other workers is phased in, recruitment and retention of dedicated and caring human service professionals will become an even greater challenge for nonprofits struggling under the weight of severely underfunded state government contracts.
- If the State's spending on human services contracts and social welfare funding for local governments had continued to grow during the recent years of recovery from 2011 to 2017 at the modest 2.1 percent annual pace that occurred in the four-year span from FY 2007 to 2011 covering the recession and the immediate aftermath, proposed State human services spending in the coming year would be about \$1 billion (nearly one-third) greater.
- Despite the gradual overall recovery from the Great Recession of 2008-2009, economic hardships remain at elevated levels, particularly in much of upstate. Since the recession, the number of New Yorkers receiving food stamps has increased by 76 percent outside of New York City, and there has been a one-third increase in households turning to Safety Net Assistance. The demand for greater publicly-funded human services remains at high levels, particularly in communities by-passed by recovery and broad-based growth.

Three broad recommendations flow from the analysis presented here:

- 1) New York State should increase funding in human service contracts (directly and for those contracts administered by county governments) so that labor compensation begins to adequately reflect the education, experience, skills and commitment of this predominantly female workforce.
- 2) In addition to adequately funding the human services workforce, New York State should set its nonprofit contract funding rates levels to cover the real costs of providing public services. The precarious financial condition of a growing number of human services nonprofits is clear—and it is equally clear that this precariousness is largely the product of underfunded government contracts.
- 3) The challenge New York State faces in terms of the upstate regions includes the need to address economic hardships at a community and family level. The elevated levels of child poverty and the increased reliance on food and public assistance are hard to square with the State's human services funding retrenchment during a period of economic recovery. The State has made modest investments in beginning to address poverty in upstate communities. However, this is a case where modesty is not a virtue.

## Introduction

There are 332,000 Social Assistance (also called Human Services in this report) workers in New York State. The human services workforce has doubled since 1990, with the number growing faster in the suburbs outside of New York City and upstate than in New York City from 1990 to 2016. Ninety percent of this workforce is in nonprofit charitable organizations that largely provide publicly-funded human services to diverse populations including those in need of emergency services or counseling, youth, seniors, people with disabilities, and individuals and families experiencing homelessness.

This dramatic employment growth has been fueled by the rise in government funding in response to developments such as increased female labor force participation, the AIDS epidemic, the rise in homelessness, the increased number of elderly, the de-institutionalization of those with mental health issues, and determined efforts to protect the victims of domestic violence and child abuse. Welfare reform in the mid-1990s pushed many mothers of young children into the paid workforce, increasing the need for child care subsidies and afterschool programs. The Temporary Assistance for Needy Families (TANF) block grant that was part of welfare reform funded services needed for affected low-income households whose low wages kept them in poverty. A recent example is the need for counseling services around the state in response to the opioid and hard-drug addiction crisis.<sup>1</sup>

Since the 1960s, a publicly-funded human services provision has been channeled through the infrastructure of nonprofit charitable organizations rather than directly by employees of State or local government agencies. The decision to fund government services through nonprofits was to build on existing service networks, foster community-oriented approaches to service delivery, keep costs down, and to limit the further growth in government agencies that had

“Government contracts are not keeping pace... I currently have a staff of 34, but when I started it was 39. Almost all the people who left went to jobs that were paying double. We used to be able to at least give good benefits as nonprofits, and we can’t do that any more.”

-Syracuse Human Services Provider

<sup>1</sup> For example, in 2014, there were 825 deaths in New York from heroin overdose, a 23 percent increase from the previous year. State Comptroller Thomas P. DiNapoli, *Prescription Opioid Abuse and Heroin Addiction in New York State*, Office of the NYS Comptroller, June 2016.

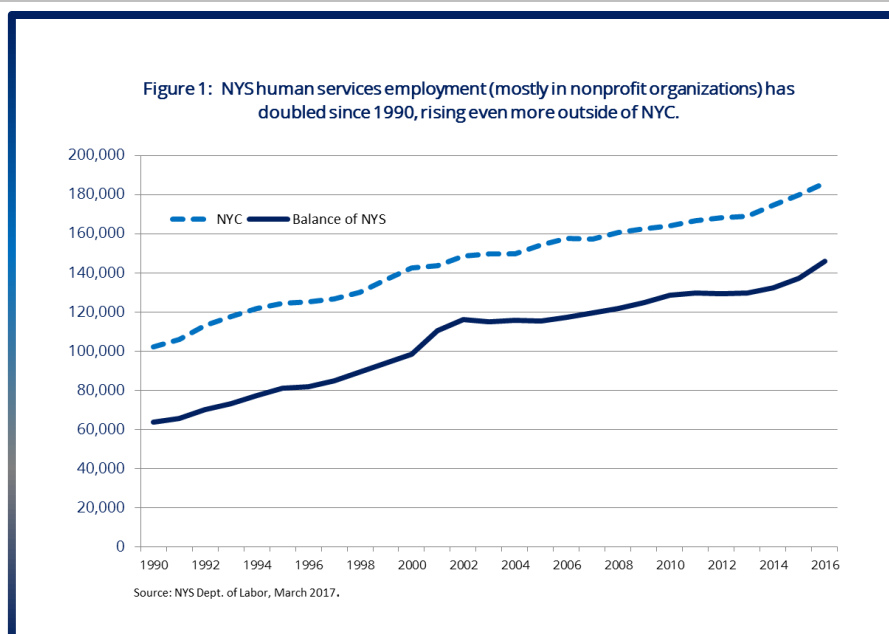


expanded in response to pressures from the civil rights movement and urban unrest in the 1960s.

Unfortunately, however, there has never been a statutory requirement, or even a well-established procurement practice to ensure that contract funding keeps pace with the rise in the cost of providing quality public services. The consequence is that most State and local human services contracts do not come close to covering the cost of providing those services. This underfunding in turn serves to poorly compensate caring and dedicated human services workers, increase staff turnover, undermine the professionalism and quality of service delivery, and jeopardize the financial viability of nonprofit organizations. Underfunding is not cost-effective; in fact, it represents the mismanagement of public service delivery. Moreover, underfunding constrains the living standards of a predominantly female workforce—heavily women of color—to the borders of poverty, placing them in the very position many of the low-income clients they serve.<sup>2</sup>

## New York's growth in human services employment 1990-2016

Over the past quarter of a century, human services have been one of the leading job growth sectors in New York's economy, particularly outside of New York City.<sup>3</sup> Perhaps because New York City already had a fairly large human services sector by 1990, the sector's significant 82 percent growth from 1990 to 2016 has been overshadowed by the 129 percent growth in human services jobs in the rest of the state. The city and the rest of the



<sup>2</sup> To its credit, the City of New York included in the Adopted New York City Budget for FY 2017 sufficient funding to amend all City human services contracts to enable nonprofits to pay higher wages associated with the phased-in \$15 minimum wage requirement. In addition, in his Preliminary FY 2018 Budget, Mayor deBlasio included funding for three annual two percent wage increases for all contract-funded human services workers. If the City Council concurs regarding the latest proposed wage increase, when fully phased in with the FY 2020 budget, these wage-related funding increases will augment City human services contracts by \$240 million annually. These actions represent significant progress. The City and nonprofit providers still need to adjust contracts to fully cover costs and better address salary parity issues.

<sup>3</sup> This analysis of the growth in New York's "human services" sector utilizes the State Labor Department's payroll employment data for the Social Assistance sector, including only those workers privately employed (i.e., excludes government employees.) The 2016 benchmarked Current Employment Statistics (CES) data show total statewide private employment of 331,900 in Social Assistance. Broader specifications of the human services sector that include health-related services include Nursing and Residential Care facilities (2016 CES employment of 242,200; and Home Health Care Services (2016 employment of 185,000.) Thus, broader specifications of human services that include residential care facilities totals 574,100, and adding home health care services would bring the combined total to 759,100. The specification of the sector used in the Economic Policy Institute report on the how the New York State workforce might be affected by a \$15 minimum wage is even broader, including government human service workers and non-resident workers who are employed in the human services sector in New York. (David Cooper, *Raising the New York state minimum wage to \$15 by July 2021 would lift wages for 3.2 million workers*, Economic Policy Institute Briefing paper, January 5, 2016.) The demographic data presented later in this report for those working in the human services sector is from the American Community Survey (ACS), pooled data for 2011-2015. The total number reported working in the human services (social assistance) sector according to the ACS data is smaller than reported in the CES payroll data. Still, the ACS is the best source of data on the characteristics of the workforce itself.

“[My workers] work hard. They work long hours, they burn the candle at both sides, and they deserve to be paid way more than I can afford.”

-Binghamton Human Services Provider

state added 84,000 and 82,000 human services jobs respectively over this period. See Figure 1.

The growth in human services has also been more of an economic factor in the rest of the State.<sup>4</sup> Total private sector jobs grew by ten percent from 1990 to 2016 (adding 386,000 jobs), with human services accounting for 21 percent of private job growth in the rest of the state. In New York City, human services generated ten percent of all net private job growth over the past quarter century

### Human services jobs are relatively low-paid

A disproportionate share of the net job growth in New York State since 2000 has been among low-wage jobs. For reasons that will be discussed in more detail later in this report, most New York human services workers are relatively low-paid. The average wage of a human services worker (\$27,800) is less than half (41 percent) of the average annual wage across all sectors in the state (\$67,500). From 2000 to 2015, sectors that, on average, paid less than \$50,000 a year (this the “low-wage” tier of the pay spectrum in New York) saw a net job gain of 21 percent while “middle-wage” and “high-wage” tiers lost jobs, on net. See

**Figure 2: New York State has gained over 500,000 jobs since 2000, but almost all the gains have been in low-wage industries, including Social Assistance, which grew by 33%**

	Average annual wage (2015\$)	2000	2015	change 2000-2015	
				absolute	%
<b>All industries</b>	<b>\$67,493</b>	<b>8,471,278</b>	<b>9,014,381</b>	<b>543,103</b>	<b>6.4%</b>
<b>High-wage industries</b>	<b>\$80,000 and up</b>	<b>2,017,650</b>	<b>1,993,671</b>	<b>-23,979</b>	<b>-1.2%</b>
<b>Middle-wage industries</b>	<b>\$50,000-\$79,999</b>	<b>3,347,038</b>	<b>3,233,136</b>	<b>-113,902</b>	<b>-3.4%</b>
<b>Low-wage industries</b>	<b>less than \$50,000</b>	<b>3,064,827</b>	<b>3,713,493</b>	<b>648,666</b>	<b>21.2%</b>
<i>selected low-wage industries</i>					
Food Services a& Drinking Places	\$22,314	428,295	636,713	208,418	48.7%
Home Health Care Services	\$27,273	64,286	166,402	102,116	158.8%
Social Assistance	\$27,830	236,078	313,911	77,833	33.0%
Retail Trade	\$33,424	876,762	941,319	64,557	7.4%

Note: excludes minimal levels of employment data not reported by industry.

Source: Quarterly Census of Employment and Wages, NYS Department of Labor.

Figure 2. On balance over the 2000 to 2015 period, New York lost a lot of high-paying jobs in finance and information, and middle-wage jobs in manufacturing and government.<sup>5</sup>

While Social Assistance has not grown as fast as home health care services or food services, it grew by one-third over this period and accounted for 12 percent of the increase in low-paying jobs statewide.

<sup>4</sup> Moderate growth in government employment from 1990 through the mid-2000s was more than offset by the decline in state and local government jobs in New York since 2009. Several upstate regions have seen a 10 percent drop in state and local government employment since 2009.

<sup>5</sup> Some middle- and high-paying sectors have gained jobs—e.g., private colleges and outpatient healthcare clinics among middle-paying and professional services and performing arts and spectator sports among high-paying—but overall, only the low-wage tier has had a net employment gain since 2000.

Considering the rapid and disproportionate increase in low-wage jobs in New York, it is appropriate that the State acted in 2016 to begin phasing in a \$15 minimum wage.<sup>6</sup> Since social assistance is the fourth lowest-paying among all sectors in the state's economy, the increase in the minimum wage floor will have a significant impact in the human services sector.<sup>7</sup>

As noted earlier, the growth in social assistance employment in the last 15-25 years has exerted a more pronounced influence in economically stagnant upstate regions. As Figure 3 shows, six upstate regions (all except the Capital District and the Hudson Valley) had net employment declines between 2000 and 2015, while the downstate area gained jobs. On the other hand, the total number of social assistance jobs grew

**Figure 3: Most upstate regions gained social assistance jobs from 2000 to 2015, while the number of total jobs declined**

	Average annual wage (2015\$)	2000	2015	change 2000-2015	
				absolute	%
All industries					
Statewide	\$67,493	8,471,278	9,014,381	543,103	6.4%
Capital Region	\$50,155	492,492	515,429	22,937	4.7%
Central NY	\$44,331	352,509	340,440	-12,069	-3.4%
Finger Lakes	\$47,132	561,926	548,784	-13,142	-2.3%
Hudson Valley	\$58,081	849,375	895,872	46,497	5.5%
Long Island	\$57,349	1,176,827	1,254,764	77,937	6.6%
Mohawk Valley	\$39,361	197,448	186,884	-10,564	-5.4%
New York City	\$85,742	3,605,980	4,081,381	475,401	13.2%
North Country	\$39,914	151,083	149,882	-1,201	-0.8%
Southern Tier	\$44,898	279,844	259,602	-20,242	-7.2%
Western NY	\$44,079	640,423	627,574	-12,849	-2.0%
Social Assistance					
Statewide	\$27,830	236,078	313,911	77,833	33.0%
Capital Region	\$25,143	10,237	13,119	2,882	28.2%
Central NY	\$23,063	6,748	10,400	3,652	54.1%
Finger Lakes	\$25,029	11,409	13,561	2,152	18.9%
Hudson Valley	\$26,850	19,888	28,109	8,221	41.3%
Long Island	\$27,067	19,844	33,632	13,788	69.5%
Mohawk Valley	\$23,344	5,608	8,939	3,331	59.4%
New York City	\$29,595	138,133	177,250	39,117	28.3%
North Country	\$24,360	3,256	3,847	591	18.2%
Southern Tier	\$24,317	6,419	7,448	1,029	16.0%
Western NY	\$23,450	13,413	16,556	3,143	23.4%

Source: Quarterly Census of Employment and Wages, NYS Department of Labor.

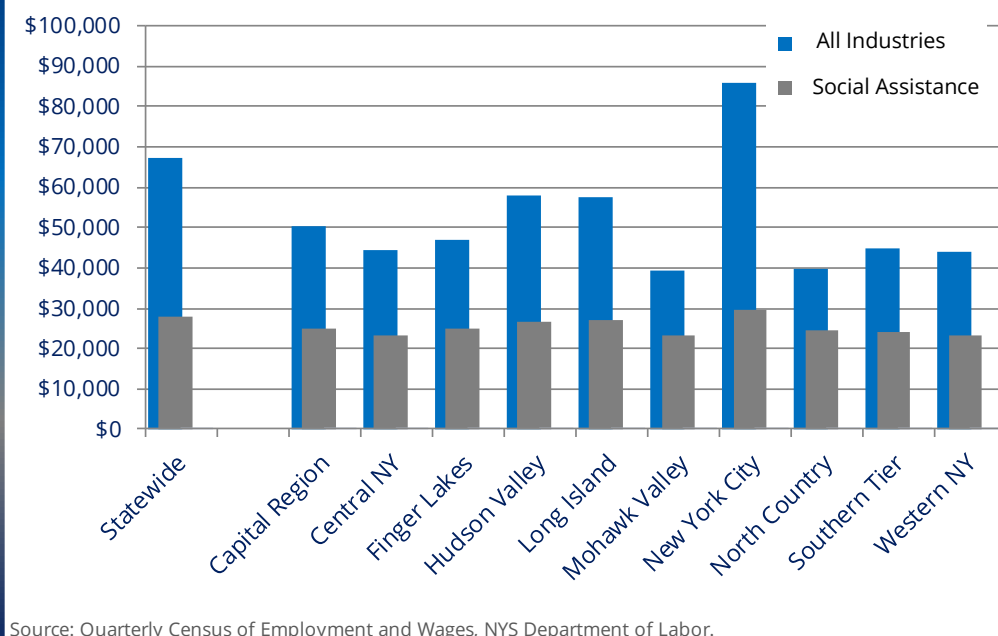
<sup>6</sup> For a careful analysis of the business and economic impact of raising the minimum wage in NYS, see Michael Reich, Sylvia Allegretto, Ken Jacobs and Claire Montialoux, *The Effects of a \$15 Minimum Wage in New York State*, University of California, Berkeley Institute for Research on Labor and Employment, Policy Brief, march 2016.

<sup>7</sup> In addition to food services and home health care services, amusement and recreation is the only other industry with a lower average annual wage than social assistance, according to 2015 data from the state Labor Department's Quarterly Census of Employment and Wages.

from 16 percent in the Southern Tier to 54 percent in Central New York and 59 percent in the Mohawk Valley. It is very likely that the sharp growth in human services jobs upstate reflects the need for additional services to help individuals and families deal with stagnant incomes and diminished economic opportunities.

In each of the state's ten economic regions, the average annual pay for social assistance workers in 2015 fell below \$30,000, ranging from \$23,100 in Central New York to \$29,600 in New York City. As Figure 4 shows, in most upstate regions, average pay in the social assistance sector is about half of what it is across all industries.

**Figure 4: Social assistance jobs have average annual wages less than \$30,000 in all 10 New York regions, and generally are about half of the overall average wage**



## Underfunding human services and the problems posed for the workforce, nonprofits, and communities

While government has expanded the offering of human services, it is almost entirely dependent on nonprofits to actually deliver those public services. For most nonprofit human services providers, government contracts are their predominant funding source; according to Seachange Capital Partners, 80 percent of New York City's largest human services organizations have budgets that are 90 percent or more dependent on government funding. While some of the larger nonprofits with boards that include many socially prominent and wealthy individuals—devote considerable efforts to fundraising, charitable contributions often do not account for more than ten percent of human services nonprofit budgets.<sup>8</sup> The considerable concentration of income growth among the very wealthiest—and ostensibly their capacity to make charitable donations—over the past 35 years has not lessened the nonprofit sector's dependence on government funding to provide public services.<sup>9</sup>

<sup>8</sup> According to Seachange Capital Partners, the median health and human services nonprofit receives only 9 percent of its revenue from philanthropy. Seachange Capital Partners and Oliver Wyman, *Risk Management for Nonprofits*, March 2016, p. 15.

<sup>9</sup> It is also worth noting that the richest five percent of New York's population pay a smaller share of their income in state and local taxes than do the other 95 percent of less-wealthy households. See *Fiscal Policy Institute Analysis of the Executive Budget, New York State Economic and Fiscal Outlook 2017-2018*, February 2017, p. 23. That is, the richest are neither contributing enough to support those in need of public services, nor are they paying a fair share of New York State and local taxes.

Nonprofit human services workers are, in effect, indirect government employees—but without comparable pay scales and usually with vastly inferior health and retirement benefits.

In fact, in New York, government’s human services funding approach has led to three intertwined problems:

- 1) A nonprofit human services workforce that is poorly compensated, particularly in relation to their education, skills and responsibilities;
- 2) A nonprofit sector comprised of many organizations with precarious finances resulting from the growing tendency to underfund human services contracts, as well as the chronic failure to adjust contracts for rising direct and indirect costs; and
- 3) Persistently high levels of hardship well into the current recovery because of inadequate investments in combating poverty and expanding opportunities.

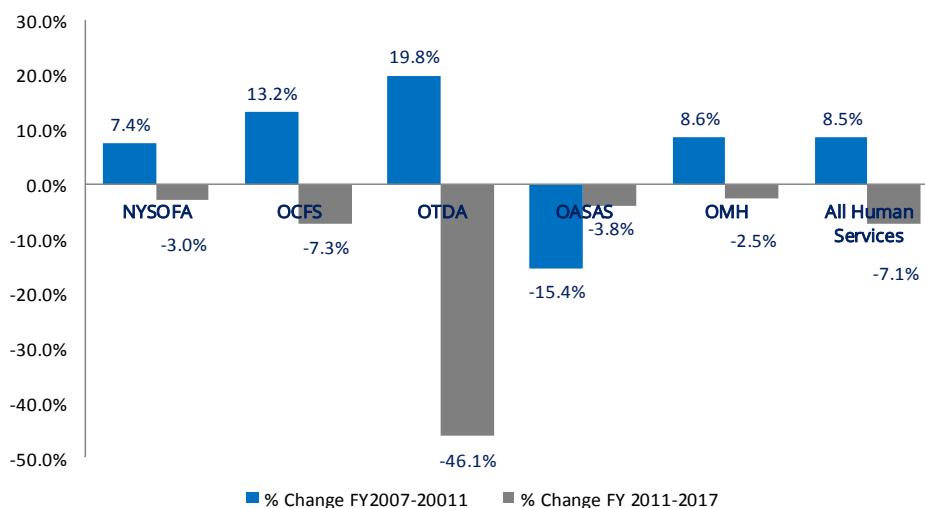
During the recovery from the Great Recession of 2008-09, New York State’s budget has been exacerbating these three problems. Despite rebounding tax revenues, State funding for human services fell by 7.1 percent between FY 2011 and 2017. This is the funding that either directly pays for human services delivery contracts with nonprofits, or that goes to local social services districts (county governments) that, in turn, contract out service delivery.

This inflation-adjusted annual human services spending decline of 1.2 percent contrasts with 2.1 percent annual increases during the years, FY 2007-2011, years that encompassed the recession and its immediate aftermath. See Figure 5. All of the major areas of human services—aging, children and family services,

**“I don’t think benefits are there for nonprofits. We can’t compete with government benefits. Employees will go somewhere where they can get those benefits.”**

**-Utica Human Services Provider**

**Figure 5: State spending on human services, adjusted for inflation, rose at 2.1% annually from FY 2007-2011, but has dropped by 1.2% annually from FY2011-2017**



Source: NYS Division of the Budget, financial plan tables, various years; funding levels adjusted for DOB composite NY CPI.

assistance to those experiencing poverty, alcoholism and substance abuse, and mental health—suffered real funding declines over the past six years. Again, this was despite taxes that grew about four percent a year and a windfall of over \$9 billion in settlements with several banks accused of violating various State and federal laws.

The Governor’s FY 2018 Executive Budget proposes a 4.6 percent inflation-adjusted decline in human services funding. Had State human services spending since FY 2011 maintained the 2.1 percent real growth registered over the FY 2007-2011 period, the proposed spending level for FY 2018 would be \$1 billion (nearly one third) higher than the \$3.3 billion amount in the Governor’s budget.<sup>10</sup>

## Precarious financial straits for New York’s human service nonprofits

State human services delivery contracts with nonprofits typically involve an RFP or bidding process where low bow bids often prevail, and cover a multi-year period. The level at which initial contracts are set may come close to recovering costs, but without regular cost escalation provisions, and adjusted or modified multi-year contracts, the result is that over time, contract funding tends to fall short of enabling a nonprofit to fully recover its costs.<sup>11</sup> There is no requirement, or well-established procurement practice, to ensure that contract funding keeps pace with the rise in the cost of providing quality public services.

An extensive 2015 Nonprofit Finance Fund survey of New York human services nonprofits found that 44 percent of service providers reported that State contracts “never” covered the full cost of providing

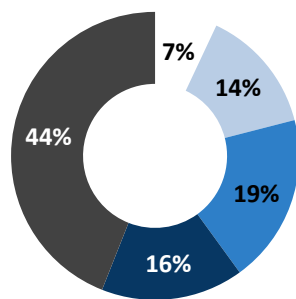
contracted services, with another 16 percent saying the State “rarely” covered the full cost. Only seven percent indicated that State contracts “always” covered full costs, while 14 percent said “often.” The remaining 15 percent said full costs were “sometimes” covered.<sup>12</sup> See Figure 6.

An emergency commission of New York City nonprofit sector leaders and stakeholders convened recently by the

Human Services Council to address the mounting financial pressures bearing down on human services providers concluded that “underfunded government payment rates are the primary driver of financial

**Figure 6: Percent of Providers Reporting Frequency of the State Covering Full Costs**

Always    Often    Sometimes    Rarely    Never



<sup>10</sup> See the Fiscal Policy Institute’s FY 2018 budget briefing for an analysis of the problems posed by the State’s broader “2+2” fiscal strategy combining a 2% State spending cap and the lesser of the 2% or inflation local property tax cap. *Fiscal Policy Institute Analysis of the Executive Budget, New York State Economic and Fiscal Outlook 2017-2018*, February 2017, pp. 6-12.

<sup>11</sup> This situation is compounded by the fact that the State often is slow to reimburse nonprofits after services are provided and costs incurred.

<sup>12</sup> Nonprofit Finance Fund *2015 State of the Sector Survey*. Seventy-six New York nonprofit human service providers responded to the survey. <http://www.nonprofitfinancefund.org/state-of-the-sector-surveys>



“I’ve flip flopped industries—My soul is fed but I miss my wallet being fed as well. There’s a reason we do what we do, but it would be nice to know me and my staff will be taken care of. I want to grow my staff and I want that to be my legacy, but I’m pretty sure I’m going to lose my staff to bigger and better things.”

-Buffalo Human Services Provider

distress.”<sup>13</sup> The Nonprofit Finance Fund survey found that 29 percent of respondents ended 2015 with an operating deficit. A separate survey by Seachange Capital Partners found that 18 percent of New York State human services organizations are financially insolvent, largely as a result of underfunded government contracts.<sup>14</sup> Nonprofit leaders are increasingly speaking out about the perils of chronic contract underfunding that has forced more and more nonprofit organizations into “crisis mode much like the clients they serve; one small misstep could mean cuts in service or closure.”<sup>15</sup>

### **New York’s nonprofit human services workers are predominantly women, heavily women of color, well-educated and mostly full-time employees**

Within the social assistance or human services sector, since there are some differences between the individual and family services and child care service parts, where possible we present data for the workforces separately. The setting for child care services (sometimes in centers, sometimes in the homes of providers) often differs from that of individual and family services (delivered in the offices of nonprofit providers, community settings, or in the homes of clients). And, as data presented below indicates, there are also pay disparities between the two main parts of the human services sector. The average worker in individual and family services outside of New York City gets paid from 4 to 50 percent more than the average child care worker. In New York City, however, where several thousand child care workers are center-based and have long had union representation, child care workers have average annual pay six to seven percent above the average pay for workers in individual and family services.<sup>16</sup> The individual and family services part constitutes about two-thirds of the sector’s overall employment, and child care accounts for a little over one-fifth of social assistance employment.

Most human services workers are women. Whereas about half (49 percent) of the State’s total private workforce are women, more than three out of every four human services workers (76 percent), other than child care, are women. In the case of child care workers, more than nine out of ten (92 percent) are women. See Figure 7.

<sup>13</sup> Human Services Council, *New York Nonprofits in the Aftermath of FEGS: A Call to Action*, 2016, p. 3.

<sup>14</sup> Seachange Capital Partners and Oliver Wyman, *Risk Management for Nonprofits*, March 2016, p. 5.

<sup>15</sup> Restore Opportunity Now (New York statewide coalition of human service providers and advocates) *Voices of New York’s Human Services Sector*, December 2016.

<sup>16</sup> See Figure X below.

**Figure 7: Human services and child care workers are well-educated and much more likely to be female than the resident NYS workforce overall**

	All industries		Human services (except child day care)		Child day care services	
	number	% within each category	number	% within each category	number	% within each category
<b>All NY state residents privately employed*</b>	<b>6,846,777</b>		<b>153,649</b>		<b>78,773</b>	
<b>Sex</b>						
Males	3,502,899	51%	36,721	24%	6,372	8%
Females	3,343,878	49%	116,928	76%	72,401	92%
<b>Race-ethnicity</b>						
White, non-Hispanics	3,976,572	58%	67,380	44%	40,447	51%
Males	2,029,955	30%	17,869	12%	2,520	3%
Females	1,946,617	28%	49,511	32%	37,926	48%
Black, non-Hispanics	883,914	13%	41,445	27%	16,802	21%
Males	396,923	6%	10,419	7%	1,871	2%
Females	486,990	7%	31,026	20%	14,931	19%
Hispanics	1,246,716	18%	32,500	21%	15,538	20%
Males	699,109	10%	6,027	4%	1,448	2%
Females	547,606	8%	26,473	17%	14,089	18%
Asians and others	739,576	11%	12,324	8%	5,987	8%
Males	376,912	6%	2,405	2%	533	1%
Females	362,664	5%	9,919	6%	5,454	7%
<b>Educational attainment (25 yrs and older)**</b>						
High school or less	2,050,282	34%	47,169	34%	21,070	33%
Some college, including AA	1,572,733	26%	33,236	24%	18,766	29%
Bachelor's or more	2,326,267	39%	58,831	42%	24,429	38%
<b>Hours worked per week</b>						
Less than 20	389,158	6%	11,434	7%	8,980	11%
More than 20, less than 30	644,037	9%	18,252	12%	12,547	16%
More than 30, up to 35	806,905	12%	32,921	21%	16,642	21%
36 or more	5,006,676	73%	91,043	59%	40,604	52%
<b>Nativity</b>						
Born in US or possessions	4,836,184	71%	102,953	67%	55,337	70%
Not native	2,010,593	29%	50,696	33%	23,436	30%

\* 18 years of age and over

Source: Fiscal Policy Institute analysis of 2011-2015 American Community Survey microdata.

Human services workers are also highly disproportionately women of color. In the State's private sector as a whole, women of color account for 21 percent of all workers. In human services jobs other than child care, however, twice that share (41 percent) are women of color, and among child care workers, a slightly higher share (44 percent) are black, Latina or Asian women.

Human services workers tend to be fairly well educated. About four out of every ten have at least a four-year college degree, and another 25 percent have some college education. Overall, education attainment levels for human services workers are roughly comparable to that of the State's larger private sector workforce. Two-thirds of human services workers other than child care workers are native born and one-third are foreign-born (immigrant).

Most human services workers are employed on a relatively full-time basis, with 70 percent of those who are not child care workers employed more than 30 hours per week. Only seven percent of that workforce works fewer than 20 hours per week and only 11 percent of child care workers are employed for fewer than 20 hours weekly.

**In each of the three regions of the State with a different timetable for phasing in the \$15 minimum wage, very high shares of human services workers are paid less than \$15 an hour**

In the State legislation enacted last April, New York was divided into three regions for purposes of phasing in the \$15 minimum wage. New York City employers with 11 or more employees will reach the \$15 wage floor on December 31, 2018 (smaller employers have an additional year); employers in the largest downstate suburban counties (Nassau, Suffolk, and Westchester) will reach \$15 at the end of 2020, and employers in the rest of the state will reach \$12.50 an hour at the end of 2020, and will reach \$15 an hour within two to three years of that based on a formula to be determined by the Director of the State Division of the budget.<sup>17</sup> Figure 8 below separately looks at the number and wages of human services and all workers in each of these three regions.

In both New York City and the upstate region, one half to three-fourths of human services workers are paid less than \$15 an hour. This is based on an analysis of American Community Survey data for the years from 2011 to 2015, expressing all wage data in terms of constant 2015 dollars. In New York City, 48 percent of human services workers other than child care workers make less than \$15, and in the upstate region, among the comparable group of workers, 53 percent earn less than \$15 an hour. In the large suburban counties, 58 percent of child care

**“When we have to pay more, we will absolutely stop programing. Out of six staff members, we would probably have to lay off one person. We’re working hard to grow, but I’m just not sure how we would do that. Three people at our organization make more than 15 right now.”**

**–Syracuse Human Services Provider**

<sup>17</sup> See <https://www.labor.ny.gov/workerprotection/laborstandards/workprot/minwage.shtm>

workers make less than \$15, and 36 percent of other human services workers are paid less than \$15. See Figure 8.

**Figure 8: Women workers in human services and child care generally are paid much less than women in New York's private sector overall**

Women employees*	Number	Median hourly wage	All below \$15 per hour		\$15 to \$19.99 per hour		\$20 to \$24.99 per hour		\$25 and over per hour	
			#	share of total	#	share of total	#	share of total	#	share of total
<b>NYC female private sector employees</b>										
All industries	1,476,996	\$18.54	556,514	39%	216,810	15%	164,675	12%	487,869	34%
Human services (exc. Child day care)	66,796	\$15.40	31,281	48%	12,146	19%	8,959	14%	12,516	19%
Child day care services	33,264	\$12.43	19,806	62%	5,148	16%	2,739	9%	4,204	13%
<b>Suburban NYC female private sector employees</b>										
All industries	643,372	\$20.04	214,422	34%	95,890	15%	78,748	13%	234,850	38%
Human services (exc. Child day care)	13,372	\$19.26	4,719	36%	2,427	18%	2,300	17%	3,719	28%
Child day care services	13,540	\$13.31	7,458	58%	2,033	16%	1,273	10%	2,100	16%
<b>Upstate NY female private sector employees</b>										
All industries	1,223,509	\$15.40	567,105	48%	211,013	18%	128,951	11%	271,870	23%
Human services (exc. Child day care)	36,760	\$14.57	18,723	53%	7,672	22%	3,753	11%	5,269	15%
Child day care services	25,597	\$10.63	18,170	74%	3,109	13%	1,492	6%	1,727	7%

Notes: 18 years of age and older.

Suburban NYC includes Nassau, Suffolk and Westchester Counties.

Source: Fiscal Policy Institute analysis of 2011-2015 American Community Survey.

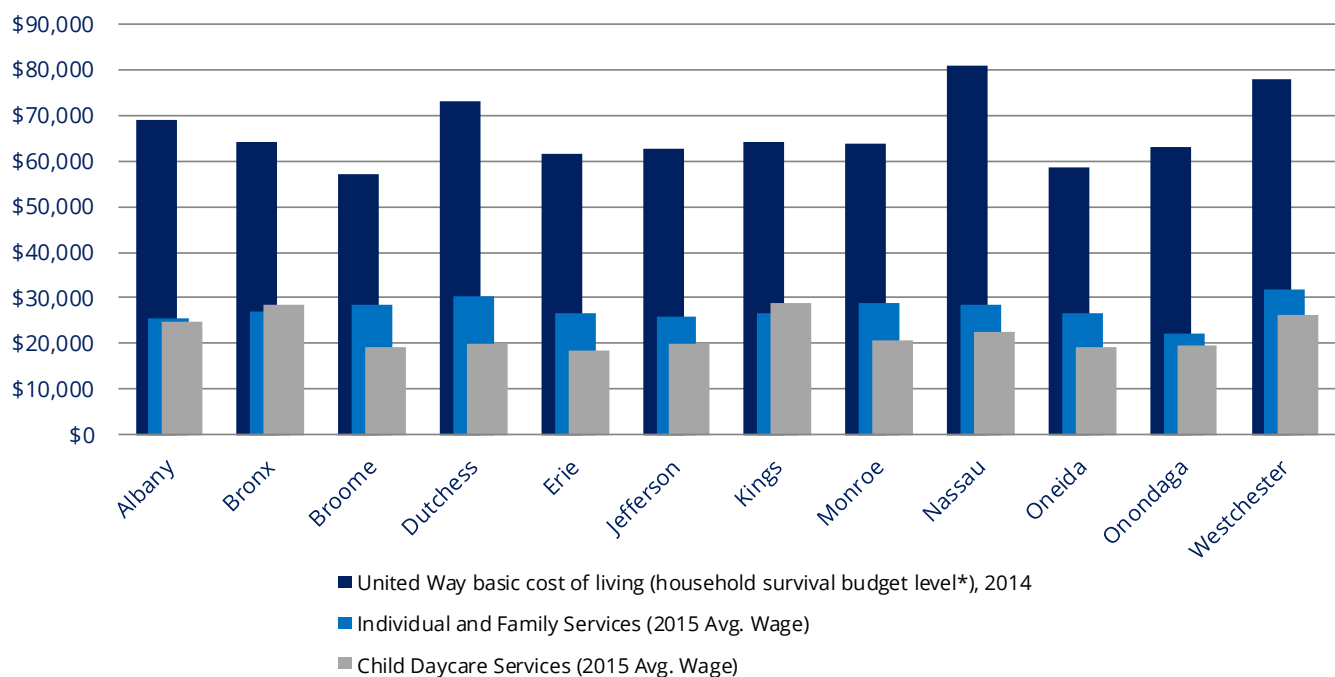
The shares of sub-\$15 an hour human services workers are much greater than all industries in each of the three regions in New York. For both categories of human services workers, fewer make \$25 an hour (about \$50,000 on an annual basis) or more than the all industries average in each of the three regions.

Median wages—indicating the wage in the exact middle of the pay spectrum—in child care fall consistently about one-third below all industries median pay. Other human services workers have a median that is about 17 percent less than the overall median in New York City. In the upstate region, the median pay for other human services workers is close to but slightly below the overall median, and in the large suburban counties, median pay in other human services is four percent less than the median for all workers.

## Falling short of the income needed for household survival budgets

The pay of most human services workers is so low that it is very challenging for most of their families to make ends meet. Last year, the United Way of New York State issued their ALICE (Asset Limited, Income Constrained Employed) report that developed “household survival budgets” for a single person and a four-person family (two adults, an infant and a preschooler.) The “survival budget” is a bare-bones family budget covering the cost of necessities in each area without any provision for family vacations or saving for college or retirement. The ALICE data in Figure 9 shows that the pay of human services workers generally covers about 30-45 percent of the amount needed for the four-person household survival budget.

**Figure 9: Human services pay falls far short of meeting United Way's basic cost of living household survival budget in every region across New York State**



\* Basic cost of living household survival budget for 4-person household (2 adults, infant and preschooler.)

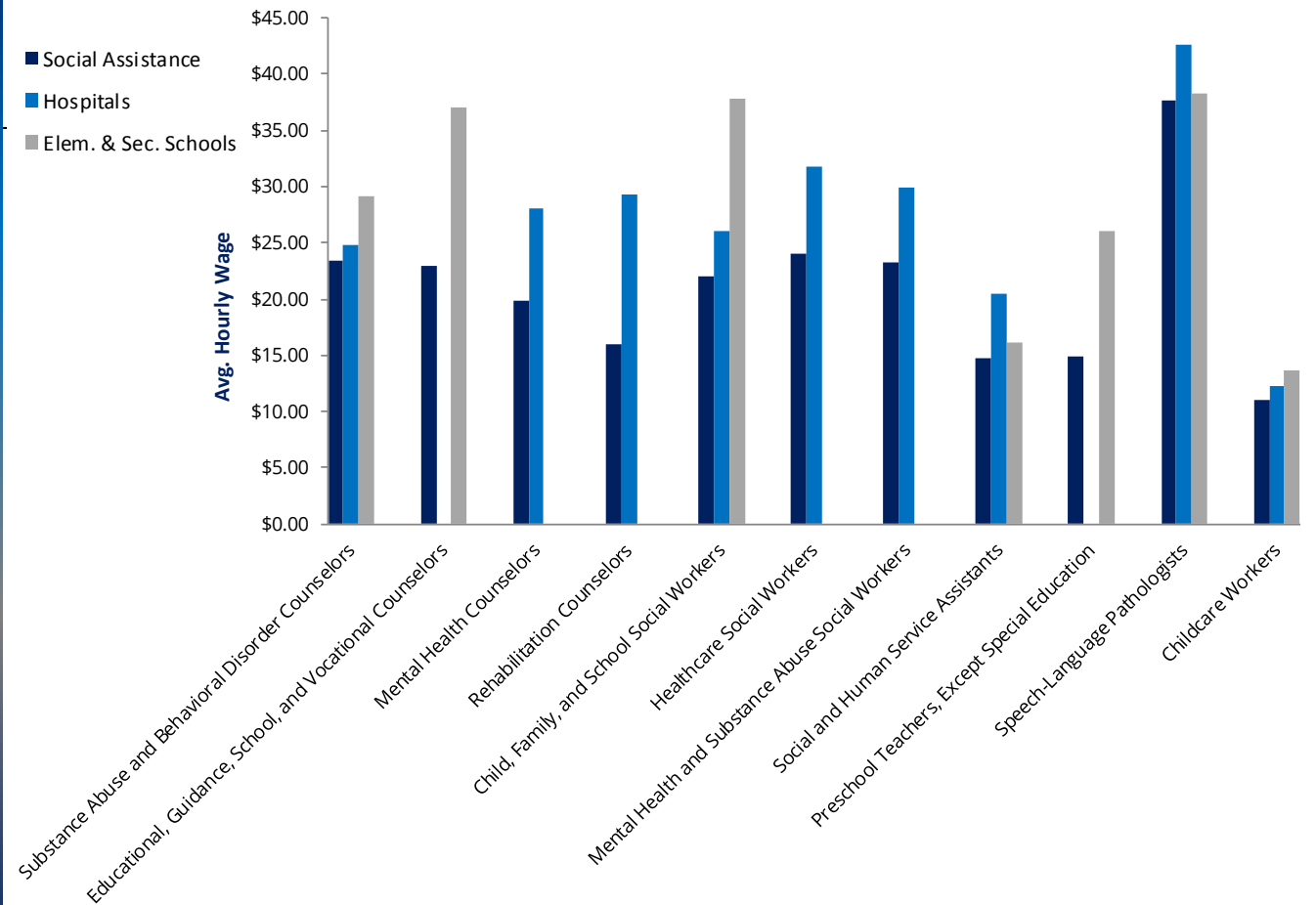
2015; basic cost of living data from United Way of New York State, ALICE, Asset Limited, Income Constrained,

## New York's human services workers under-paid compared to similar workers in other sectors

Inadequate pay is not just a problem among the lowest-paid human services workers. Using Bureau of Labor Statistics data, it is possible to compare average wages for specific occupations across industries, allowing a comparison of workers in human services to workers with the identical occupation in hospitals, elementary and secondary schools, and in civic and social organizations.<sup>18</sup> For the occupations shown in Figure 10, average wages often are 20-40 percent greater in hospital, school and civic organization settings than the wages paid by primarily government-funded nonprofit human services providers.

<sup>18</sup> Civic and social organizations are nonprofits that are not mainly human service providers, and that tend to rely more on membership fees and contributions rather than government grants.

**Figure 10: New York workers in Social Assistance often are paid much less than those in the same occupation in other sectors**



Source: Fiscal Policy Institute analysis of Bureau of Labor Statistics Occupational Employment Statistics data, 2015.

For example, preschool teachers (except special education) are paid 74 percent more in regular schools than in nonprofit preschools, and 34 percent more if working for civic organizations. Social and human services assistants earn 10-39 percent more if working in one of these other three sectors when compared to human services nonprofits. Various categories of social workers who generally are paid \$22-\$24 on average in human services nonprofits, can make 15-32 percent more in hospitals, schools and civic organizations. Mental health and rehabilitation counselors are paid from 40-80 percent more when working in hospitals compared to human services nonprofits.

### Low pay and fewer fringe benefits translate into high and costly turnover

The human services sector's low pay means that 60 percent of those working in the sector were utilizing or had a family member utilizing at least one public assistance benefit such as Medicaid or food stamps, according to a report by researchers at the University of California at Berkeley.<sup>19</sup>

<sup>19</sup> Ken Jacobs, Ian Perry and Jennifer MacGilvary, *The Public cost of Low Wages in New York*, UC Berkeley Center for Labor Research and Education, January 2016.



“In the organization as a whole, trying to pay our staff...I have a lot of people with two and four and even six year degrees, that when the minimum wage goes up will be minimum wage. There has to be somewhere to pay these teachers from, and families can only stretch so far. How do parents afford to pay for care? How do we pay for teachers? “

–Binghamton Human Services Provider

As noted in the Voices of Human Services Sector report by the Restore Opportunity Now coalition, the human services workforce “often mirrors the client base it serves. Providers discuss staff members standing in the same food pantry lines as their clients, or asking to apply for housing benefits delivered by the organization that employs them.”<sup>20</sup> Also, it is not surprising given the generally precarious financial condition of many human services nonprofits, that fringe benefits in the sector are not that attractive and cannot begin to make up for the sector’s pervasive low pay.

The inevitable result of vastly inferior compensation, given the responsibilities of the work, is that much of the sector is plagued by high staff turnover that makes it even more difficult to effectively deliver high-quality public services that often require forming trusting relationships between staff and clients. For example, in the child welfare sector that deals with foster children—who greatly need stability—annual surveys of New York providers consistently report turnover rates of 30 percent or more.<sup>21</sup>

### Hardship and need levels remain high while State funding falls

Even with the gradual overall recovery from the Great Recession of 2008-09, economic hardships remain at elevated levels in New York, particularly in much of upstate. In this context, the demand for human services continues to increase, and intensifies in communities that have been by-passed by recovery and broad-based growth. When people look to local government and nonprofit services providers to access critical services, the steady erosion in State funding support for human services has meant that many are turned away. The Nonprofit Finance Fund survey of human services providers found that 84 percent of respondents reported increased demand for services in 2014 and that a comparable increase was expected in 2015. However, 59 percent of nonprofit providers indicated they would not be able to meet that demand. When asked what clients do when nonprofits cannot provide assistance, nearly two-thirds (63 percent) reported that “needs remain unmet.”<sup>22</sup>

<sup>20</sup> Restore Opportunity Now, *Voices of New York's Human Services Sector*, December 2016.

<sup>21</sup> Mary Jane Dessables and James F. Purcell, *Workforce Compensation Report*, Council of Family and Child Caring Agencies, April 2014.

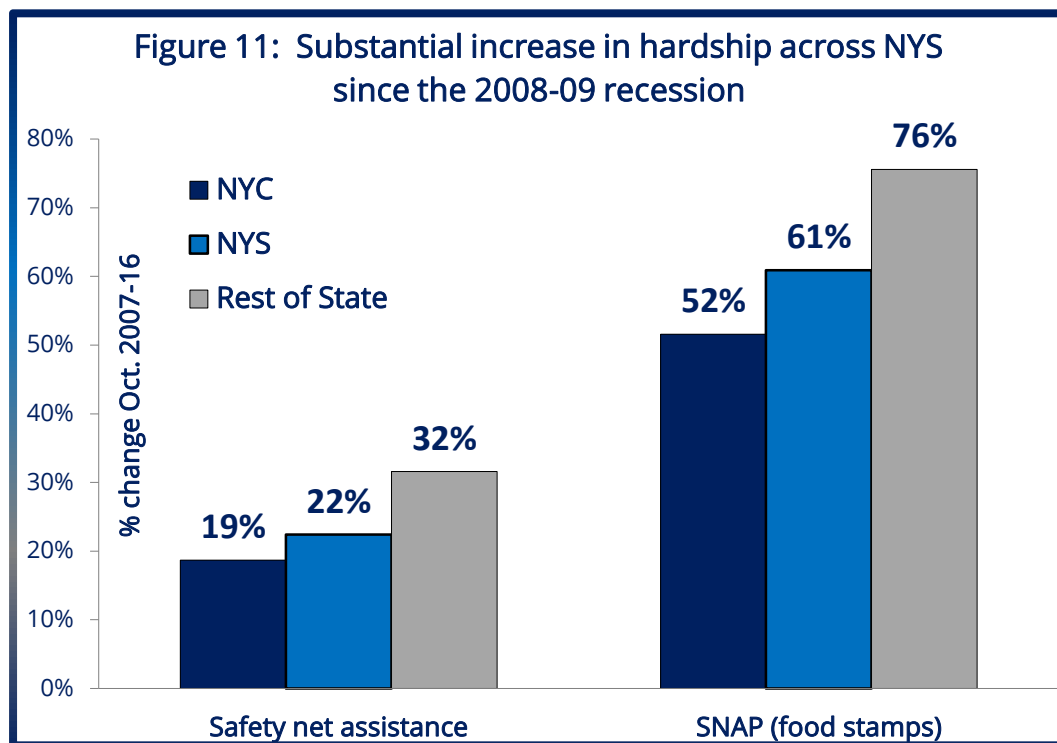
<sup>22</sup> Nonprofit Finance Fund *2015 State of the Sector Survey*. Responses from New York human service nonprofits.

Several indicators demonstrate the continuing high levels of hardship. The number of New Yorkers receiving food stamps under the federal Supplemental Nutrition Assistance Program (SNAP) is more than 60 percent greater in New York than it was at the start of the 2008-09 recession, and outside of New York City, the increase is nearly 76 percent. The number of New Yorkers that rely on the State and local-funded Safety Net Assistance public assistance program is almost 32 percent greater today outside of New York City than when the recession started.<sup>23</sup> See Figure 11.

Insufficient State funding has greatly restricted the availability of subsidized child care, limiting the ability of many

parents to fully pursue job opportunities. Less than one-fourth of eligible families are being served by child care subsidies statewide.<sup>24</sup> The combined effects of declining social welfare local assistance and the restrictive local property tax cap have dramatically constrained the ability of local governments around New York to continue providing quality public services. Data from the State Comptroller's office indicate that inflation-adjusted county spending on senior services fell by 12 percent from FY 2012 to 2015, mental health services spending fell by 15 percent, and county social services spending on youth services plummeted by 30 percent.<sup>25</sup>

Perhaps the most telling indicator of the pronounced need for well-targeted human services, coupled with more effective economic development investments, is the disturbing level of child poverty in many upstate cities. In the largest upstate cities—Albany, Schenectady, Binghamton, Buffalo, Syracuse, Utica, and Rochester—child poverty ranges from 35 to 52 percent, among the highest levels anywhere in the country. See Figure 12.

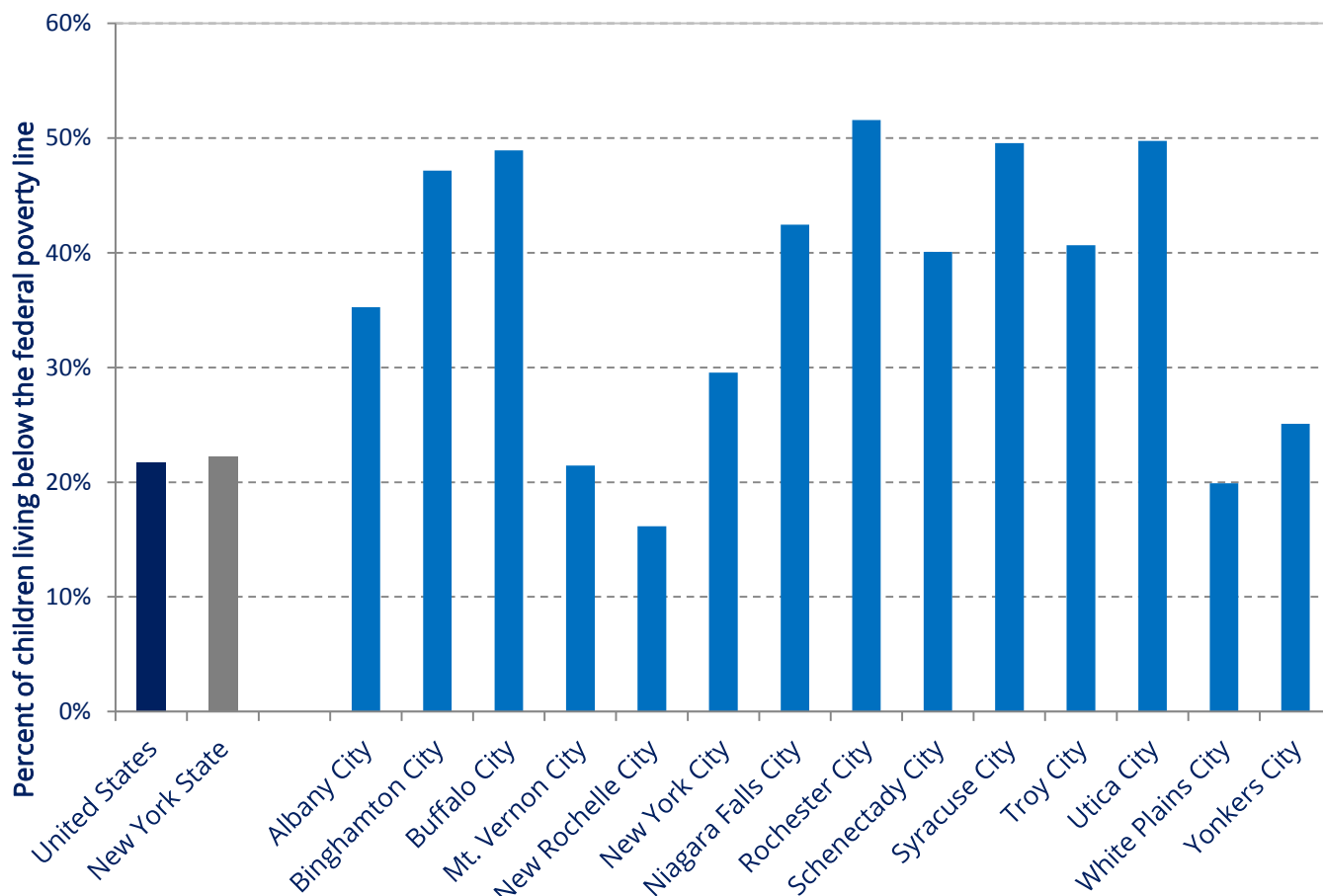


<sup>23</sup> The Federal public assistance program, Temporary Assistance for Needy Families (TANF), has had a five-year lifetime time limit for benefits since the 1996 welfare reform.

<sup>24</sup> *Testimony to the New York State Senate Finance Committee and New York State Assembly Committee on Ways and Means, Citizens' Committee for Children of New York, Feb. 2016.*

<sup>25</sup> *Fiscal Policy Institute Analysis of the Executive Budget, New York State Economic and Fiscal Outlook 2017-2018*, February 2017, p. 9.

**Figure 12: Child poverty rates in many upstate cities are more than 35 percent.**



Source: American Community Survey 2011-2015 five-year data.

In a November 2016 report, the United Way ALICE report analyzed the relationship of incomes to basic family budget needs across the state, estimating for each jurisdiction the share of families whose incomes fall short of the income level needed to meet the household survival budget level. Overall for the State, 44 percent of households are not able to afford a survival budget. Figure 13 shows the levels for the major counties in each of 10 regions around the state. In Erie County, for example, 41 percent of households have incomes that level them short of affording a basic survival budget; in Monroe and Broome Counties the figure is 42 percent; and in the Bronx it is 71 percent. Even in the relatively affluent suburban counties of Nassau and Westchester, about one third of households have incomes that fall short.

**Figure 13: In New York State, 44 percent of households have incomes too low to meet basic living costs**

selected county	region	United Way basic cost of living (household survival budget level*), 2014	% of households with incomes below basic cost of living, 2014
<b>NEW YORK STATE</b>			<b>44%</b>
Albany	Capital District	\$69,120	38%
Bronx	New York City	\$64,082	71%
Broome	Southern Tier	\$56,964	42%
Dutchess	Mid-Hudson	\$73,212	39%
Erie	Western NY	\$61,548	41%
Jefferson	North Country	\$62,904	46%
Kings	New York City	\$64,092	56%
Monroe	Finger Lakes	\$63,864	42%
Nassau	Long Island	\$80,940	31%
Oneida	Mohawk Valley	\$58,584	44%
Onondaga	Central NY	\$63,252	39%
Westchester	Mid-Hudson	\$77,892	34%

\* Basic cost of living household survival budget for 4-person household (2 adults, infant and preschooler.)

Sources: United Way of New York State, *ALICE, Asset Limited, Income Constrained, Employed, Study of Financial Hardship*, Fall 2016.

## Conclusion

The substantial growth in the nonprofit human services sector in New York has come in response to a host of social, demographic and economic changes in recent decades. The State and local governments have turned to nonprofit organizations to provide these critical and varied services. These are public services that serve many populations, including children and those with low incomes striving to enter the middle class. Millions of New Yorkers are directly served, and all New Yorkers reap the benefits of more stable communities when their neighbors are able to pursue healthy and satisfying lives and seek better opportunities. But these services come at a cost, and they should be paid for—in their entirety—by government. The nonprofit workforce is, in effect, an indirect government workforce. Given their charitable missions, nonprofits have readily stepped forward to accept this growing public service delivery responsibility. However, government, particularly New York State, has not held up its end of the bargain. The underfunding of human services contracts is a serious and growing problem.

Most State human services contracts have not been adjusted for rising costs in many years. Reimbursement rates for many Medicaid-funded services have been adjusted to increase pay rates for workers, but the same cannot be said for most human services contracts. (New York City has funded significant wage increases in its contracts for nonprofit human service workers.) Over the past six years, the State has steadily reduced the inflation-adjusted funding levels for human services spending that funds contracts with nonprofit providers and that provides funds to local social services districts that, in turn, contract out

services. If the State's spending in this area had continued to grow during the recent years of recovery at the modest 2.1 percent annual pace that occurred in the four-year span from FY 2007 to 2011 covering the recession and the immediate aftermath, proposed State human services spending in the coming year would be about \$1 billion (nearly one-third) greater.

The nonprofit workforce has borne the brunt of the State's funding failure. Human services workers are overwhelmingly women (over 80 percent) and heavily women of color (44 percent of the total). They are well-educated—41 percent have a four-year college degree and another 25 percent have an associates' degree or some college—and most work full-time or close to full-time schedules. Yet, they are some of the lowest paid workers in the New York economy. Most human services workers make less than those in retail trade, and most workers caring for young children are paid about the same as the average restaurant worker.

And while half or more of human services workers are paid less than \$15 an hour, the State has yet to budget the increased funds that nonprofits will need to lift low wages as the minimum wage floor rises to \$15 in the years ahead. But given the societal value of the services human services workers provide, is that what we consider minimum wage work? Human services workers provide critical services: early childhood education, care for older adults, assistance for people with disabilities, as well as job training. From crisis intervention, to creating bridges to opportunity, human services workers ensure our communities thrive. Moreover, thousands of human services workers who may be paid more than \$15 an hour, such as social workers and counselors, are substantially underpaid given their education and skills. The disparities in pay are glaring between human services and related fields, like hospitals and schools, where workers in the same occupations are paid 20 to 40 percent more (disparities are even wider in some cases.) Labor compensation in human services contracts should begin to reflect the education, experience, skills and commitment of this predominantly female

**"Opportunity for us is an opportunity to make a difference in people's lives. More people can be active partners in our communities, improving the outcomes for kids if we can pay them, train them, and keep them in the workforce."**

**-Albany Human Services Provider**

workforce. The State should acknowledge its responsibility for this valued workforce of indirect public sector workers.

In addition to adequately funding the human services workforce, the State should set its nonprofit contract funding rates levels to cover the real cost of providing public services. The precarious financial condition of a growing number of human services nonprofits is clear—and it is equally clear that this precariousness is largely the product of underfunded government contracts. The time for a State government response is now.

The challenge the State faces in terms of the upstate regions includes the need to address economic hardships at a community and family level. The elevated levels of child poverty and the increased reliance on food and public assistance are hard to square with the State's human services funding retrenchment during a period of economic recovery. The State has made modest investments in beginning to address poverty in upstate communities. However, this is a case where modesty is not a virtue.