A FAIR WAGE FOR HUMAN SERVICES WORKERS:

Ensuring a government funded $15 per hour minimum wage for human services workers throughout New York State

PWA
FPI Fiscal Policy Institute
HSC Human Services Council

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Executive Summary

The Federation of Protestant Welfare Agencies, Fiscal Policy Institute, and Human Services Council applaud Governor Cuomo's proposed minimum wage increase. Full time work at a minimum wage should meet families' basic needs, not leave them in or on the brink of poverty. The Governor's proposal will enhance the opportunity of upward mobility for individuals and families across the state, while strengthening the State's economy and decreasing the need for public assistance. This wage increase will be especially impactful for human services workers, given that over half are currently paid under $15 per hour; 30 percent under $10.50.

More than 200,000 human services workers are the driving force behind services like afterschool programs, child welfare, early education, services for older adults, public assistance programs, and many others vital programs. Even with full-time hours, their current wages do not meet the basic needs of individuals and families in most areas of the State; low-wage human services workers are often eligible for the same benefits as the clients they serve.

- Despite being a highly skilled workforce, the human services sector has one of the highest prevalence of low-wages in the private sector, behind food service and retail.
- Women make up 82 percent of the statewide workforce; people of color account for 50 percent of human services workers in the State.
- Human services workers are highly educated, with two-thirds of workers having some college education and close to half holding bachelor's degrees or higher.

The Federation of Protestant Welfare Agencies, Fiscal Policy Institute and the Human Services Council are leading a robust statewide coalition of nonprofit providers to call for Governor Cuomo to:

- Raise the minimum wage to $15 per hour for <u>all</u> workers in New York State, including human services workers.
- Amend government human services contracts to fund the wage increase.

The nonprofit sector needs the Governor to stand up for human services workers, just as he did for fast food and public sector workers, and include them in a funded minimum wage increase.

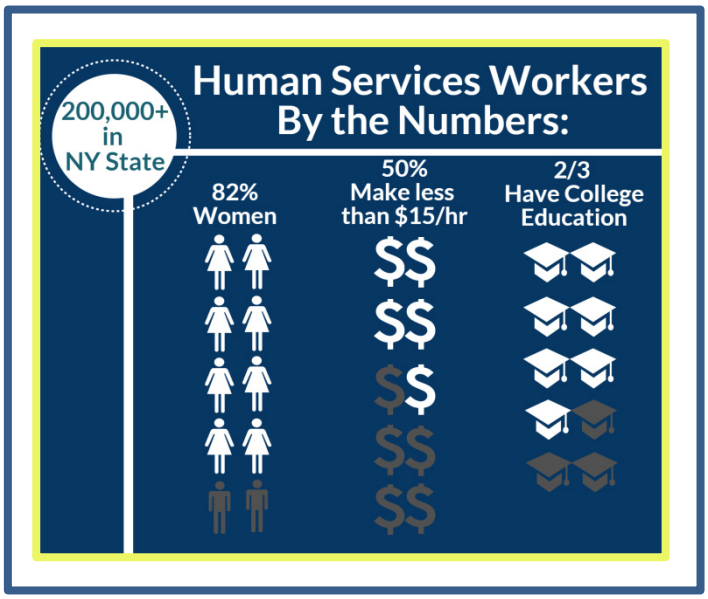
- Many human services organizations contract with government to provide services that are essential to all communities throughout the State.
- Unlike private sector workplaces, nonprofits cannot raise the price of their services.
- An unfunded mandate to increase wages would curtail services, increase caseloads, and possibly force some nonprofits to close their doors.
- If a wage increase is unfunded or excludes human services workers, the recruitment and retention issues that already pose a significant challenge to the sector will be exacerbated.

<u>By supporting human services workers, the Governor is strengthening both families and communities, while promoting a more equitable economy throughout the state.</u>

Who Are Human Services Workers?

Human services workers across the State provide bridges to opportunity and critical interventions that ensure New Yorkers are safe, cared for, supported, and are building toward a better future. From the childcare worker allowing parents to get to work on time, knowing their child is learning and growing, to the senior case manager assisting older adults to age safely and with dignity in their homes, human services workers are in every community and are vital to the functioning and well-being of our society. More than 200,000 human services workers across New York State are the driving force for community stability through provision of services like afterschool programs, child welfare, early education, services for older adults and homeless families and individuals, and many others. [1]

Many of these workers are employed by nonprofit organizations that work under State and local government contracts to perform various services necessary for the well-being of families, communities and neighborhoods. These services are delivered by nonprofit organizations on behalf of State and local governments, often in order to honor State or federal statutory requirements or court rulings. This work requires compassion, commitment, and, more importantly, training and skill. Two-thirds of human services workers have some level of college education, with 45 percent holding four-year bachelor's degrees or higher.[2]



The human services workforce is predominantly female and has a significant representation of people of color. Women make up 82 percent of the statewide workforce; people of color account for 50 percent of human services workers in the State. People of color make up an even larger portion of the sector in urban areas like New York City, where they account for 75 percent of the workforce. [3] The pervasive low wages of this workforce, coupled with the demographic makeup, understandably highlight how excluding these workers is both a gender and racial justice issue.

Low Wages for an Essential Workforce

While jobs performed by human services workers vary greatly, they are essential to the functioning of communities across the state. Unfortunately, despite their vital purpose, these workers also face pervasively low wages. More than half of all workers in the human services sector are paid less than

[1] Fiscal Policy Institute analysis of 2012-2014 Current Population Survey. This figure is based on the private Social Assistance workforce and does not include home healthcare workers or workers serving the developmentally disabled, both categories of workers who are also significantly underpaid and equally deserving of receiving pay increases along the lines of the Governor's proposal minimum wage increase.

[2] FPI analysis of 2010-2014 Current Population Survey Outgoing Rotation Group data provided by Economic Policy Institute.

[3] Fiscal Policy Institute analysis of 2010-2014 Current Population Survey.

$15 per hour,[4] which for a 40-hour work week amounts to under $31,000 per year. Thirty percent of the sector earns less than $10.50 per hour,[5] adding up to a yearly full-time salary of $21,840 or less. These low wages can be seen across the human services sector. For example, teachers and support workers in child care centers are particularly low paid; Labor Department data indicate that half of all preschool teachers are paid less than $13.80 per hour, and 90 percent of child care workers make less than $14.50.[6] Despite being a highly skilled workforce, the human services sector has one of the highest prevalence of low wages in the private sector, behind food service and retail.

"The minimum wage is $8.75 an hour, $18,000 a year – it doesn't work in New York. It's simple math, you can't live on $18,000. … Raise the minimum wage, so if people work they have an affordable way to live."

-Governor Cuomo
Sept. 17, 2015

Even workers in the human services sector who are not at the bottom of the sector's pay scale are significantly under-paid considering their education, skill levels, and the responsibilities of their jobs. Most social workers and mental health, substance abuse and other counselors in the field have a master's degree and need to meet and maintain professional certifications or licensing requirements, yet are paid well under $50,000 annually. Workers with comparable education and responsibilities but employed directly by government or elsewhere in the private sector frequently have salaries well above that level. To put these wages in context, the National Association of Social Workers lists the mid-range salary for social workers with experience of a year or less at just over $50,000 year.[7]

In most parts of the State, this level of compensation is not sufficient to meet the high costs of living. For example, a household with one adult and one child living in Buffalo requires $51,696 in annual income to meet their basic needs. The same family living the New York City metro area needs up to $78,476.[8]

Monthly housing costs alone for one adult and one child span from $692 (Binghamton) to $1613 (Nassau/Suffolk).[9] For a worker with full-time monthly earnings of $1,820,[10] this is 38-89 percent of

[4] Fiscal Policy Institute analysis of 2010-2014 Current Population Survey.
[5] Ibid.
[6] Bureau of Labor Statistics Occupational Employment Statistics data for New York State for the Social Assistance sector, 2014.
[7] "NASW Salary Guidelines," *National Association of Social Workers*, September 2012, http://workforce.socialworkers.org/studies/2012/SalaryGuidelines.pdf
[8] "Family Budget Fact Sheets," *Economic Policy Institute*, August 2015, http://www.epi.org/resources/budget/budget-factsheets/; To analyze the context of these low wages, we use The Economic Policy Institute's (EPI) Family Budget Calculator, which provides the cost of a secure, modest standard of living for various family sizes in a given area.
[9] "Family Budget Fact Sheets," *Economic Policy Institute*, August 2015, http://www.epi.org/resources/budget/budget-factsheets/;

their income. For human services workers making under $15 an hour, especially for those supporting children, being able to live in any part of New York State is extremely challenging.

Because of these economic realities, the human services workforce looks remarkably similar to the populations they serve. Human services workers are often eligible or in need of the same services they help to deliver: standing in the same food pantry lines as their clients; on the same waiting lists for affordable housing; and in need of the same childcare subsidies to allow them to go to work each day.

Governor Cuomo highlighted this very struggle in his call for a statewide minimum wage increase stating, "The minimum wage is $8.75 an hour, $18,000 a year – it doesn't work in New York. It's simple math, you can't live on $18,000. Cost of housing is $11,000, food is $9,000 clothing is $6,000, it doesn't work at $8.75. Raise the minimum wage, so if people work they have an affordable way to live."[11]

Exemptions Are Not the Answer for Nonprofits

In areas where minimum wage increases have taken center stage, there is often a conversation about possibly excluding nonprofit sector workers. Nonprofits cannot increase their costs of services or products to compensate for increased wages, and some argue they should therefore be exempt from the increase. However, this kind of exclusion would be very harmful for nonprofit organizations, their workers, and most importantly, for the clients they serve.

Human services workers are often motivated by a desire to make change in their communities, but they should not have to choose between their commitment to meaningful community work and sustaining their families. If other sectors are offered a minimum wage of $15 and higher, lower paying human services jobs will become increasingly hard to fill with qualified candidates.

Across the State, nonprofits are struggling to maintain a highly skilled and dedicated workforce. Low-wages and increasingly demanding jobs create difficultly in recruitment and retention of human services workers. In 2014, Council of Family and Child Caring Agencies (COFCCA), a statewide membership organization, released a report examining turnover rates in child welfare and child care organizations. The average annual turnover rate for both types of organizations was over 30 percent.[12] While child care and child welfare contracts account for a large field within the human services sector, these trends run parallel throughout the entire sector.

Douglas O'Dell, Executive Director at SCO Family of Services in New York City, an organization that provides a wide range of services to children and families, discussed the difficulty in retaining staff. He stated,

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[10] Pre-tax income of a worker earning $10.50/hour.

[11] "Governor Cuomo Announces 30 Civil Rights Groups and Prominent Leaders Join the Mario Cuomo Campaign for Economic Justice," *Office of Governor Andrew Cuomo*, Sept. 17, 2015, http://www.governor.ny.gov/news/governor-cuomo-announces-30-civil-rights-groups-and-prominent-leaders-join-mario-cuomo-campaign

[12] Mary Jane Dessables and James F. Purcell, "Workforce Compensation Report," *Council of Family and Child Caring Agencies*, April 2014

> While most of our staff work in the nonprofit sector because they want meaningful work and are motivated by the intrinsic rewards leveraged, their salaries are low and if offered a higher salary elsewhere – even a small increase – they may leave in order to meet their increased living expenses. Sadly, we lose quality staff because wages are low and because we have not had the funds to provide regular-annual cost of living increases. In addition to losing good staff that produce the outcomes we want for our clients, staff turnover results in increased recruitment and training costs.

This sentiment is echoed by nonprofit organizations across the sector. Harry Berberian, Senior Advisor for Communications and External Affairs at Graham Windham, a child welfare organization, stated,

> Our staff are out in the community, every day providing vital supports and services to kids and families in need. Too often these workers struggle to make ends meet for their own families as they work to lift their fellow New Yorkers in need up. It is critical that we not only fight for a funded living wage increase for these workers, but that we also ensure they are provided professional development opportunities to become upwardly mobile and thrive.

Highly skilled, educated frontline workers should not be paid less than other sectors. The sector would see even more churning of staff, both leaving to other sectors and moving from organization to organization within the sector, seeking even a small increase in wages to meet their basic needs. With little opportunity for advancement coupled with low wages, human services workers are often left with tough choices, forced to weigh organizational loyalty and love of their work with what is necessary for their family's own economic security.

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-Harry Berberian
Graham Windham

In addition to the impact on the human services workforce, high turnover of low-wage frontline workers hurts the people in need of services. Clients report that consistent staff changes often hinder their progress and their ability to get the support they need. Young children seeking stability, older adults suffering from dementia, and survivors of domestic violence are just a few examples of the types of clients that depend on consistency and quality of services. The quality of services is dependent on the caring individuals who do the work.

By investing in human services workers, Governor Cuomo is benefiting both the workers and the clients. When asked what a minimum wage increase would mean for his staff and clients, Fred Shack, CEO of Urban Pathways, an organization that provides services for homeless individuals, said,

"There is also a direct correlation between low staff salaries and high staff turnover, so an investment in our workforce is also an investment in the over 1,000 homeless New Yorkers we serve."
ys-Frederick Shack
Urban Pathwa

A State and City funded $15 minimum wage is a critically needed investment in the 82 Urban Pathways employees who currently earn less. These 82 employees represent about one-third of Urban Pathways' workforce. Many of these dedicated employees, who despite working to provide homeless New Yorkers, essential services and permanent housing, are relegated to live in poverty, struggling to pay their rent and meet the basic needs of their families. There is also a direct correlation between low staff salaries and high staff turnover, so an investment in our workforce is also an investment in the over 1,000 homeless New Yorkers we serve. "

Ensuring better wages and an investment in career ladder opportunities will keep dedicated people in the human services field for the long-term. This strengthens the stability of the nonprofits, and the quality of services, which in turn strengthens communities across the state.

Pitfalls of an Unfunded Mandate

An unfunded wage increase would spell disaster for many nonprofits. Nonprofits in New York State have been continually tasked to stretch less funding further. During the Great Recession, nonprofits suffered under the weight of over $1 billion in funding cuts and the current funding levels remain far below pre-Great Recession levels.[13] Moreover, the sector has already had to absorb, without any adjustment in funding, the increase in the state minimum wage from $7.25 to $8.00 an hour at the beginning of 2014, and an increase to $8.75 an hour at the beginning of 2015.[14] Since 2008, many nonprofits have been forced to consolidate, reduce their services, or close their doors completely. This is especially problematic for small community based organizations (CBOs), which are both the most in touch with community needs and best equipped to respond nimbly, yet operate on the most precarious budgets.

Unlike for-profit businesses, nonprofits are not able to increase the price of their services or reduce their profits to account for increased wages. While nonprofit organizations must be included in a wage increase to remain competitive in workforce recruitment and retention, they do not have the means to increase their incoming revenue. In New York State, roughly 2,500 nonprofits receive funding from State contracts to carry out their essential human services. If those contracts are not amended to reflect

[13] "An Overdue Reinvestment", Human Services Council, 2015, http://www.humanservicescouncil.org/documents/An%20Overdue%20Reinvestment.pdf
[14] The statewide minimum wage is scheduled to rise further to $9.00 an hour at the beginning of 2016.

an increased wage, the new minimum wage becomes an unfunded mandate that will negatively impact service delivery and likely cause many nonprofits to reduce or cut back on vital services.

As stated earlier, current contracted rates are already insufficient to cover the actual cost of services. According to a survey of New York City childcare providers by the Campaign for Children, 83 percent of the surveyed providers struggled to provide consistent, quality services at the contracted rate.[15] Of the respondents, 62 percent cited staff recruitment and retention as the most challenging issue associated with the current rates.[16] While this was a look at a sector specific workforce, the challenge is not unique to childcare. Budgets of nonprofits around the state are continually stretched by years of budget cuts and increased need. If asked to raise wages, many nonprofits would be in dire financial straits.

Recommendations

Human Services workers are highly skilled and committed, but struggle with low wages, high workloads, and few career advancement opportunities. This sector supports New Yorkers throughout the State, across race, class, age, and gender lines. They deserve a level of pay reflective of the valuable role they serve in our communities.

Federation of Protestant Welfare Agencies, Fiscal Policy Institute, and Human Services Council support Governor Cuomo's pronouncement that all workers deserve $15 per hour.[17] To make this a reality, New York State needs to:

- Raise the minimum wage to $15 per hour for all workers in New York State, including human services workers
- Amend state and local government human services contracts to fund the wage increase
- Include funding to ensure mid-level workers currently paid within a few dollars of $15 per hour also see an increase in their wages to account for the "spillover effect"

[15] "EarlyLearn Rate is Too Low to Sustain High-Quality Early Childhood Education Programs in NYC," *Campaign for Children,* January 2015.
[16] Ibid.
[17] In September, Governor Cuomo said,

> Today I announce that I will propose to the New York State legislature not just $15 for fast food workers, because a fast food worker deserves $15 an hour, construction workers deserve $15 an hour and home healthcare aides deserve $15 an hour and taxi cab drivers deserve $15 an hour and every working man and woman in the state of New York deserves $15 an hour as a minimum wage and we are not going to stop until we get it done.

We applaud Governor Cuomo's outspoken support for low wage workers, calling for a $15 minimum wage with a message of justice, fairness, and opportunity. Governor Cuomo has been outspoken about not allowing employers to continue to pay low wages.[18] Governor Cuomo must ensure that the State leads by example in ensuring living wages for the employees they fund. He has taken the first step in calling for a phased in $15 wage floor for State employees. This action must extend to human services workers carrying out the work of the State, and it must be funded by the State. Considering the fact that most county and other local government budgets around the state are very constricted, the State should also provide the funding to allow local governments to increase their human service contracts for the purpose of meeting the phased-in minimum wage levels.

Preliminary Cost Estimates

From data available on the State Comptroller's website, it appears that the State contracts out roughly $1.5 billion annually to nonprofit organizations around the State to provide a range of human services.[19] Raising the wage floor in the State-funded human services sector would cost $60-$75 million in the first year and approximately $250-$300 million yearly when fully phased in over the next six years, according to estimates developed by the Fiscal Policy Institute. These estimates assume some spill-over wage increases are provided to workers slightly above $15 per hour to avoid an undue compression of an organization's overall wage scale.[20]

The across-the-board minimum wage increase would provide some offsetting fiscal savings to state government. As workers' wages rise, fewer will rely on public assistance and there will be savings as low-wage workers switch from regular Medicaid where the State and local share is half to "expansion Medicaid" under the Affordable Care Act which qualifies for a greater federal cost share. Also, higher wages will translate into an increase in State income tax payments (possibly smaller earned income tax credits for some, depending on household earnings), in addition to higher sales tax revenues for the State and local governments generated by greater consumer spending. A recent report by the Urban Institute

[18] Governor Andrew Cuomo, "Governor Cuomo Announces New York Raising Minimum Wage to $15 per Hour for State Workers," Speech, New York City, November 10, 2015.

[19] Human services specified here as not including home health care or developmental disability services.

[20] This estimate does not encompass other programs where funding levels might need to be adjusted to reflect a phased-in minimum wage increase. Child care workers are among the lowest paid workers all across the state. Those child care workers not on the payroll of an organization paid under State contract also deserve to be included in any across-the-board increase but this will mean that state-funded child care subsidies should also be adjusted to reflect the wage increases. In addition, since many moderate-income families are not eligible for child care subsidies and pay for care out of their own pocket, the State should explore how to enhance the State's Child and Dependent Care Tax Credit to help offset higher private pay child care fees that may result.

estimated the dollar amount of the net fiscal savings to government (at all levels) was equal to 43 percent of the rise in workers' aggregate earnings as a result of the minimum wage increase.[21]

Conclusion

Human services workers strive every day to ensure that our communities are safe, healthy and supported and that our State can function effectively. They play an integral role in the fabric of every community, in all walks of life. Currently, they are not being compensated at levels that are fair, equitable, and a reflection of the essential positions they fill.

Governor Cuomo's proposal for a $15 minimum wage for all workers in New York is a bold step forward. It is essential that the proposal encompasses all human services workers, and funds the wage increase to keep nonprofit doors open and services flowing.

New York has an opportunity to set a national example; to show that a full time job should meet one's basic needs, and to show we value the people who keep our state moving. As Governor Cuomo stated:

> New York is the progressive capital of the nation, we fight for fairness, we fight for justice, we act first, we lead by example, we fight for racial justice, we fight for social justice, we fight for economic justice, and we will fight until this nation fulfills its promise of opportunity for all. That is what this fight for 15 is all about. We are going to lead the way, the nation is going to watch us and we are going to raise up this state and we are going to raise up this nation to a higher level than it has ever been. That is what we are going to do together.[22]

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-Governor Cuomo
Nov. 10, 2015

Governor Cuomo's leadership is needed to ensure the State invest the funding necessary to ensure human services workers providing frontline services promoting the physical, social, and economic well-being of New Yorkers are included in this promise of opportunity.

[21] Linda Giannarelli, Laura Wheaton, and Joyce Morton, "How Much Could Policy Changes Reduce Poverty in New York City?" *Urban Institute*, February 2015, Prepared for the Federation of Protestant Welfare Agencies, Catholic Charities, and UJA Federation

[22] Governor Andrew Cuomo, "Governor Cuomo Announces New York Raising Minimum Wage to $15 per Hour for State Workers," Speech, New York City, November 10, 2015.