



**TESTIMONY  
of  
FPWA**

**Joint Legislative Public Hearings On  
Workforce Development**

\*\*\*\*\*

**January 25, 2017**

**Prepared By:**

**Mallory Nugent – Senior Policy Analyst**

**Submitted By:**

**Jennifer Jones Austin  
Executive Director/CEO**

40 Broad Street, 5<sup>th</sup> Floor  
New York, New York 10004  
Phone: (212) 777-4800  
Fax: (212) 414-1328



My name is Mallory Nugent and I am a senior policy analyst at FPWA. I would like to thank the members of the legislature for the opportunity to submit testimony and for your leadership on issues that deeply affect New Yorkers.

FPWA is an anti-poverty, policy and advocacy nonprofit with a membership network of nearly 200 human service and faith-based organizations. FPWA has been a prominent force in New York City's social services system for more than 92 years, advocating for fair public policies, collaborating with partner agencies, and growing its community-based membership network to meet the needs of New Yorkers. Each year, through its network of member agencies, FPWA reaches close to 1.5 million New Yorkers of all ages, ethnicities, and denominations. FPWA strives to build a city of equal opportunity that reduces poverty, promotes upward mobility, and creates shared prosperity for all New Yorkers.

FPWA, as co-chairs of Restore Opportunity Now, strongly encourages the State to fully fund the minimum wage increase for nonprofit human services contracts and Medicaid reimbursements. In addition, we ask the state to begin to think about long term investments and systems changes to address the pervasive underpayment of human services workers.

We also encourage the State to support and invest in the development of worker cooperatives (worker owned and democratically operated businesses), as a means of increasing upward mobility for currently low-wage workers.

## **Human Services Workforce**

### **Poverty and Human Services**

Poverty is on the rise throughout New York State. While the most recent poverty numbers have shown a small decline over the last year, poverty has overall been trending up in recent years. In 2011, New York's poverty rate was 14.9 percent. It reached its peak at 16 percent, its highest rate since at least the 1950's, in 2014.

Child poverty has also reached an all-time high in recent years, reaching 22.8 percent in 2013. The current child poverty rate is 21.7 percent. Even more alarming, many cities including Syracuse, Rochester, Binghamton and Utica report child poverty rates greater than 50 percent.

These factors all point to both the intensifying need for human services, and the increasingly challenging environment in which they operate. Everyday across the state, human services workers perform essential tasks in support of their fellow New Yorkers. Case managers, teachers, administrators, social workers, direct care professionals, and many more are committed to providing high quality services.

A significant number of these jobs should not be considered minimum wage work. The work done in this sector is emotionally and physically demanding, requiring compassion and skill. A majority of this sector has some level of post-secondary education, and is well qualified to do their jobs.

Anecdotally, the human service workforce often mirrors the client base it serves. Providers on talk about staff members standing in the same food pantry lines as their clients, or asking to apply for the housing benefits delivered by the agency that employs them. More than one agency director has told the story of an employee asking to have their salary decreased by a small amount, because their minimal raise would result in the loss of SNAP benefits or other supports their families relied on. This year, a Berkeley study reported that 60% of those in the social assistance field were utilizing or had a family member utilizing at least one public assistance benefit.

In order to assess the specific challenges the nonprofit human service sector faces, FPWA, The Fiscal Policy Institute, and The Human Service Council conducted a listening tour, speaking with more than 300 human services providers. We conducted research across New York State, including Albany, Binghamton, Buffalo, Elmsford, Ithaca, New York City, Rochester, Syracuse, and Utica and their surrounding counties. Out of this tour developed **Restore Opportunity Now, a statewide campaign to call for increased state investment in human services**. The campaign is currently supported by more than 350 organizations, and led by a statewide advisory committee.

This research led to several key issues faced by human service agencies across the state, specifically with building a well-equipped workforce to serve New York communities.

### **Funding the Minimum Wage**

Human services are an extension of government work, often mandated by state or federal law. Since these services are contracted out, these workers do not receive government wages or benefits. While government does not fund all human services positions, government funding is prevalent enough to be a major driver of sector wages. While most organizations want to pay living wages and provide quality benefits in principle, their government contracts do not fund them adequately to do so.

Government also institutes regulations for workforce payment that remain unfunded mandates. Recent minimum wage legislation will bring New York City to \$15 per hour by 2018, and the rest of the State will reach \$12.50 by 2020. While most nonprofits support the wage increase both for their staff and the clients they serve, there was no additional funding allocated in FY 2017 to cover this increase for direct contracts, and limited funding provided for Medicaid reimbursed organizations. Nonprofits are mimicking their clients; living payroll to payroll, as their clients live paycheck to paycheck. Absorbing the minimum wage increase could be crippling for providers already stretched thin. An unfunded minimum wage will force agencies to make difficult choices, cutting programs, limiting the reach of their services, or even closing their doors.

For direct contracts, the cost of covering the minimum wage is not an astronomical amount, though the impact for organizations will be substantial. In FY2018, we estimate the cost to be approximately \$12 million. This cost will obviously rise yearly with the minimum wage, but even at full implementation and assuming that upstate reaches \$15 by 2023, the cost will be \$75 million. These estimates do not include Medicaid, but we do recommend that their reimbursements be increased to cover the increase as well.

On our listening tour, one executive director shared:

*"The minimum wage is great but they haven't put a nickel into their own rates. It's the mother of all unfunded mandates. There are agencies that will close their doors because the minimum wage is going unfunded. They don't want to, but they'll have no choice."*

In addition, covering the rising minimum wage, providers need to address its ripple effects. For example, if an agency has a supervisor at an afterschool program being paid \$15 per hour, when their subordinates begin making \$15, the supervisor's wage will need to increase. Wage compression quickly becomes a pressing issue for human services providers, increasing the cost of implementation exponentially. Like the minimum wage, this increase to the cost of service provision has not been reflected by increases in contracts or Medicaid reimbursements.

*"The struggle is, when you take someone to \$12 or \$13, you have to take everyone else up. And you're still not going to compete with the state or the hospitals."*

These, along with other recent policy changes, such as federal changes to overtime exemption, continue to present challenges to struggling nonprofits. With these challenges comes another set of difficult choices: cuts to service provisions, cuts in hours, cuts in staffing, increases in caseloads. However a nonprofit addresses these issues presents serious consequences for their staff and for the communities they serve.

### **Fringe Benefits**

Low salaries are made more untenable in combination with the rising cost and decreasing quality of benefits like healthcare and retirement. "It used to be that even if we couldn't provide great wages, good benefits would be enough to get people to stay. Now we can't even do that," one administrator shared. In every city, providers are making difficult choices: Keep benefits affordable to the employee but decrease quality? Give small raises in lieu of benefits? Cut services in order to provide quality and affordable benefits to their staff? There is no easy answer, but there is a very clear problem. State contracts and reimbursements are not rising with the associated costs to providers, and this is impacting the workforce.

Providers talked at length about the rapid increase in the cost of health insurance, coupled with rising premiums and deductibles. Many of their staff, especially younger staff members, choose to go without insurance rather than pay ever increasing premiums, untenable on low wages.

## Retention of Employees

Low levels of compensation, both salary and benefits, has led to a recruitment and retention crisis for many human services providers. Turnover rates continue to grow, along with vacant positions that are nearly impossible to fill.

Recent legislation around minimum wage have impacted these challenges. In areas outside of New York City, minimum wage is not scheduled to rise above \$12.50, while earlier actions around fast food workers see those wages rising to \$15. Providers are fearful that faced with a choice between the daunting responsibilities of direct service or higher wages with less responsibility, their recruitment and retention issues will be further exacerbated.

*"We have a high turnover rate for entry level positions- direct support for the disabled, mentally ill, chemically dependent. Those rates are equivalent or less than those who work at Burger King. Do you want to work with diapers, colostomy bags, someone who is in the throes of their addiction or mental illness, or do you want to flip burgers? We have 200 staff and a 40% turnover rate."*

Mid-level and licensed professionals prove especially problematic to retain. Executive after executive reported that professionals come to nonprofits directly out of school, stay long enough to gain experience and then resign to take positions in universities, hospitals, and government where their earning potential increases by tens of thousands of dollars. For a workforce dealing with increased trauma, staff with strong experience is crucial.

*"We have a 30% turnover in foster care programs every year. If I'm in foster care and I finally find someone I connect with... That young person needed that connection to get through that time, and now we need to build that connection all over again."*

Reports of turnover is consistent with a recent study from the Coalition of Family and Child Caring Agencies (COFCCA), which indicates that yearly turnover for child welfare and child caring organizations is greater than 40 percent. The human services sector deals with individuals who have experienced trauma and been marginalized by a variety of systems. Often forming trusting relationships with human services staff is extremely challenging; turnover creates an even greater barrier to the creation of these bonds. Turnover is also extremely costly to agencies in terms of training new staff, slowing or impeding service delivery.

## Recommendation

FPWA encourages New York State to fully invest in the potential of New Yorkers by **fully funding the minimum wage increase in contracts and Medicaid reimbursements**. In addition, we ask the state to begin to think about long term investments and systems changes to address the pervasive underpayment of human services workers. Strengthening this workforce is one of the most impactful ways we can strengthen our communities.

## **Worker Cooperatives**

### **Background**

Worker cooperatives are values-driven businesses that put worker and community benefit at the core of their purpose. In contrast to traditional companies, employees at worker cooperatives participate in the profits, oversight, and governance of the organization using democratic practices. Workers own the majority of the equity in the business, and control the voting shares. The model has proven to be an effective tool for creating and maintaining sustainable, dignified jobs; generating wealth; improving the quality of life of workers; and promoting community and local economic development, particularly for people who lack access to business ownership or sustainable work options.

A well-documented body of research has shown globally, and increasingly here in the United States, that worker owned businesses make good public policy sense, from both a social and economic perspective. For their workers, employee-owned businesses can offer higher pay and better benefits than businesses of similar size and industry, and when the employees are in overall control of the business, they are able to make beneficial changes to their working conditions as well.

For the businesses, engaged workers make for more productive workers, and a more profitable business. When managers encourage employee input into work processes, it makes for more productive businesses. In many studies, privately held companies that have converted to employee-owned businesses have been shown to be more productive, gain value faster, and pay better wages than they did under the previous owners. Due to local ownership, these benefits for workers and businesses carry through to the communities in which they are based. Economies high in worker and community ownership are more resilient economically than the surrounding regions, even in the same country. For example, the Basque region of Spain boasts a 10% lower unemployment rate than the rest of the country, due in part to the Mondragon Corporation's economic strength, and their policy of working to avoid lay-offs, temporarily cutting all workers' wages—including managers and executives—and reducing work hours. The Emilia-Romagna region of Italy, where 30-40% of GDP passes through cooperative enterprises, has the lowest levels of income inequality in Italy, while maintaining an above-average median income.

Finally, by their very nature, worker cooperative businesses will not be relocated abroad. Rather, local worker cooperative businesses are deeply integrated into the economic fabric of New York—with corporate revenue and personal income taxed locally and spent locally. Moreover, as a function of their democratic control by workers, who live in the neighborhoods they serve, these worker cooperative businesses typically value the local ecology of businesses, humans, and nature. Finally, as a function of support organizations like the Center for Family Life located in Queens, New York, democratic firms are often planned as vehicles for employment for some of our city's most disadvantaged economic actors.

### **Current Status of Worker Cooperatives In New York**

In New York State there are dozens of worker cooperatives or democratically owned businesses located in areas such as Rochester, Ithaca, and the Hudson Valley. The largest worker cooperative business in the world is located in New York State, Cooperative Home Care Associates in the Bronx, employs over 2,000 people who are mostly women from immigrant communities. Cooperative Home Care Associates provides fair wages, safe working conditions and career ladder opportunities to members of communities that are often left out of the workforce.

New York City has the majority of worker cooperative businesses, thanks in large part to the New York City Council's allocation of over \$5 million over the last three years to the Worker Cooperative Business Development Initiative. Since July 2014, the Initiative has supported the startup of 38 worker cooperatives, which is projected to have 305 worker owners by June 2016. This number does not include the projected increase in the number of new worker-owners across the city as a result of the significant growth the 22 existing worker cooperative businesses have experienced this year due to the support of the Initiative. In addition to the creation of more than 300 jobs, this initiative has brought national attention to New York City and has inspired cities like Ohio and our nation's capital Washington D.C. to follow suit.

#### **A9618**

In addition to our work with the New York City Council Worker Cooperative Business Development initiative, FPWA supports the passage of A9618, a bill introduced by Assembly member Sean Ryan. While New York City has recently made advances in the expansion of worker cooperatives ecosystem and the New York State Legislature should take the necessary steps in promoting cooperative development for all New Yorkers. This passage of this bill will spur the creation of worker cooperatives throughout New York State by incentivizing business owners to sell their business to their workers, by considering the economic advantages of the State doing business with worker cooperatives, and by increasing training and technical assistance to such businesses. In addition the bill will mandate the creation of an advisory panel, under the department of labor that will advise the state legislature on the benefits and feasibility of expanding the worker cooperative ecosystem in New York State.

**FPWA encourages New York State to pass A9618 into law and support the growth of worker cooperatives, and subsequently creating dignified, stable, and wealth generating jobs for all new Yorkers.**

#### **Conclusion**

We thank you for the opportunity to testify today on our recommendations for ensuring a strong and vital workforce in New York State. We look forward to working with the legislature in the upcoming session to enhance upward mobility and reduce poverty in communities across the State.