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FEDERATION OF PROTESTANT WELFARE AGENCIES

TESTIMONY
of
The Federation of Protestant Welfare Agencies

Joint Legislative Public Hearings On
Workforce Development

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My name is Mallory Nugent and I am a Senior Policy Analyst at the Federation of Protestant Welfare Agencies (FPWA). I would like to thank the members of the legislature for the opportunity to testify before you today 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 strongly supports increasing the minimum wage to \$15 per hour for all New Yorkers, and urges the State to ensure that essential human services and Medicaid-funded care workers are included in a funded increase.

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.

A Funded Wage Increase for Human Services and Medicaid-Funded Workers

Raising the minimum wage to \$15 per hour will have a profound impact on reducing poverty for the thousands of low-wage workers across the State. However, as wages for the low-wage workforce increase, we must ensure that essential workers in the human services and Medicaid-funded direct care fields are included in a funded increase.

This wage increase will be especially impactful for this workforce, given that over half are currently paid under \$15 per hour. More than 500,000 human services and Medicaid-funded workers are the driving force behind services like afterschool programs, child welfare, early education, services for older adults, public assistance programs, services for people with disabilities, home health care, 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 and social assistance sector has one of the highest prevalence of low-wages in the private sector, behind food service and retail. These workers are highly educated, with two-thirds of workers having some college education and close to half holding bachelor's degrees or higher. Women make up 82 percent of the statewide workforce; people of color account for 50 percent of human services workers in the State.

Many human services organizations contract with State and local governments or receive Medicaid reimbursements 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.

Exemptions or delayed implementations for nonprofits are also not the answer. Across the State, nonprofits are struggling to maintain a highly skilled and dedicated workforce. Low-wages and increasingly demanding jobs create difficulty 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. 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. 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.

Inadequate funding of government social services contracts is a major factor responsible for low non-profit social service sector wages. New York City has recently announced that it will fund an increase in social services contracts to bring workers to \$15 per hour by 2018 (in keeping with the fast food wage schedule). According to estimates by the Fiscal Policy Institute, raising the wage floor for State human services contracts to \$15 using a phased in model would cost \$60-\$75 million in the first year, and \$250-\$300 million yearly when fully phased in. These estimates do not account for savings to government due to increased tax revenue and decreased spending on public assistance.

FPWA encourages New York State to follow New York City's lead and implement a state funded wage floor for all contracted human services and Medicaid-funded care employees. In providing sufficient funding to allow social service organizations to appropriately compensate their employees, the State will further reduce poverty for a large number of non-profit employees across New York State.

The #15andFunding Campaign

In order to ensure that essential human services and Medicaid-funded workers are included in a funded wage increase, FPWA, the Human Services Council and the Fiscal Policy Institute are co-leading the #15andFunding campaign. The campaign is supported by a growing coalition of nonprofits from across New York State, with 50 organizations currently signed on.

In working with our coalition partners, FPWA has had the opportunity to hear directly from workers and nonprofit leaders doing essential human services work about what a funded increase would mean for them.

Erica, a medical coordinator at a nonprofit serving children and families, shared, “Human services work is very rewarding. I get to see individuals grow and develop to their full potential. As a mom of three, an increase would help ease the stress of bills and the pressures of providing for my children. An increase to \$15 would allow me to do more for my family and children—not just pay the bills. It would allow me to go beyond living paycheck-to-paycheck.” Erica is not alone. Hundreds of thousands of vital workers in New York need to make difficult choices everyday between the work they feel passionately about and their own families’ wellbeing.

A nonprofit CEO also weighed in on the impact of low wages on the quality of services his organization is able to provide. He 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.” Nonprofits support a wage increase, and the impacts that increase would have on their workers, clients, and organizations. It is critical that the state invest the needed resources into this sector.

Measuring Poverty

FPWA strongly supports an increase to a \$15 minimum wage for all New Yorkers, as we urge the State to invest the needed resources to support this increase in the human services sector. Our recent research and analysis shows that a minimum wage increase would have huge impact on the overall poverty rates in New York.

In March of last year, the Federation of Protestant Welfare Agencies, in collaboration with Catholic Charities of the Archdiocese of New York and UJA Federation of New York, released a report conducted by The Urban Institute that analyzed seven policies and simulated their impact – both alone and in combination – in reducing poverty in New York City.

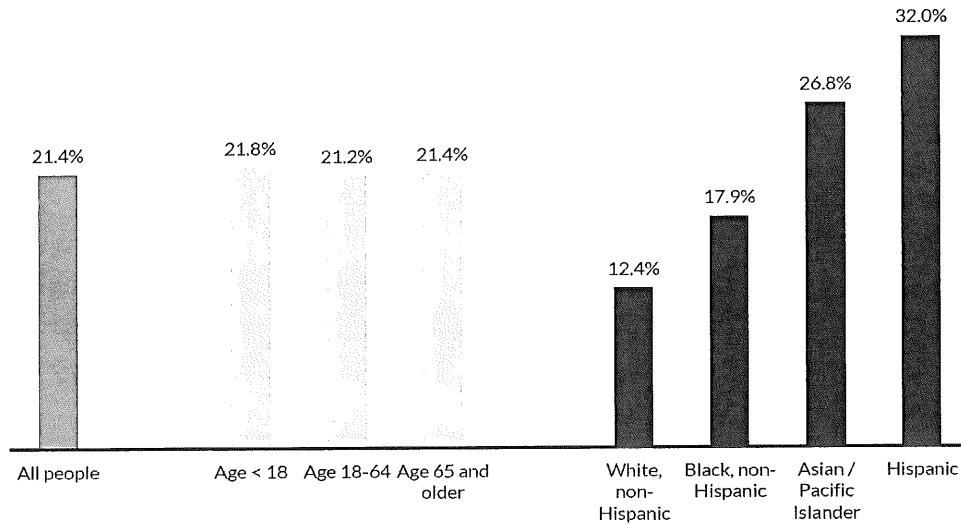
As a first step in this analysis, the Urban Institute developed a modified version of the Supplemental Poverty Measurement (SPM) from which they could assess rates of poverty across New York City and among a variety of subpopulations. This baseline assessment determined that 21.4 percent of New York City residents – 1.744 million people – live in poverty¹.

Though the poverty rate was similar for all age groups, differences emerged when broken down by race and ethnicity, with non-Hispanic white residents having the lowest rate of poverty at 12.4 percent and Hispanic residents having the highest at 32 percent. Additionally, 64 percent of households in poverty are headed by an adult who is employed either full- or part-time.

¹ Defined as a nonelderly adult, not living with relatives, earning below \$14,548. Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, p.6. Prepared for the Federation of Protestant Welfare Agencies, Catholic Charities, and UJA Federation.

Baseline Poverty Rate for NYC, 2012

Modified-SPM definition of poverty, excludes people in group quarters



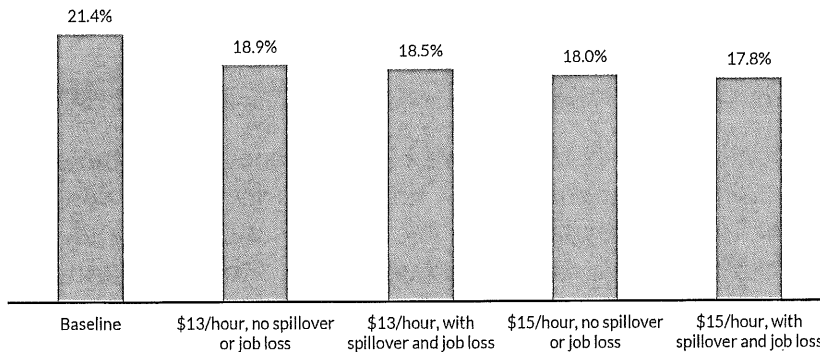
Note: SPM = Supplemental Poverty Measure.

Source: Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, Figure 2.

Impact of \$15 Wage Increase

Of the seven policies analyzed in this study, one of the most impactful was an increase in the minimum wage, with increases tested at both the \$13 and \$15 wage levels. Taking into consideration spillover and employment effects, the increase to \$13 per hour reduced poverty by just over 13 percent, while the increase to \$15 per hour reduced poverty by 17 percent, impacting almost 300,000 people.

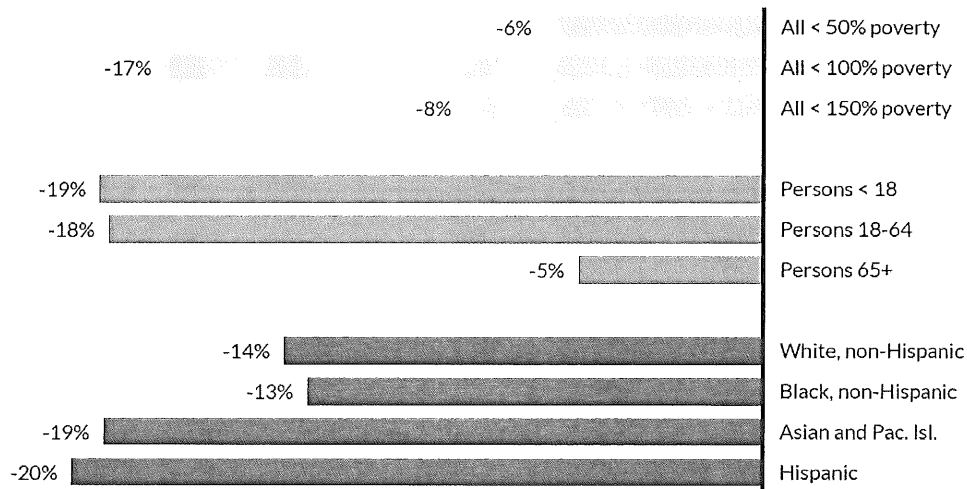
Effect of Higher Minimum Wages on the New York City Poverty Rate
Modified-SPM definition of poverty



Source: Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, Figure 11.

These impacts were seen primarily for those under age 65, with poverty declining by 18 percent for non-elderly adults and 19 percent for children. Additionally, though poverty reductions were seen for all race and ethnicity groups, effects were largest for Asian and Pacific Islanders, with a 19 percent reduction in poverty, and Hispanics, with a 20 percent reduction in poverty.

Percentage Change in Poverty with Increase in Minimum Wage to \$15 per Hour, Modeled with Spillover and Job Loss
Modified-SPM definition of poverty



Notes: SPM = Supplemental Poverty Measure. Age and race figures are for people under 100% of the poverty threshold.

Source: Linda Giannarelli, Laura Wheaton and Joyce Morton, *How Much Could Policy Changes Reduce Poverty in New York City?* Urban Institute, March, 2015, Figure 12.

This wage increase also demonstrates a substantial positive fiscal benefit to the government. By increasing the minimum wage to \$15 per hour, the government saves approximately \$3.3 billion as a result of decreased spending in benefit programs and increased tax revenue.

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 1.2 million dollars in FY15 budget for the Worker Cooperative Business Development Initiative. Since July 2014, the Initiative has supported the startup of 44 worker cooperatives, which is projected to have 194 worker owners by June 2015. 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 nearly 200 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.

In addition to our work with the New York City Council Worker Cooperative Business Development initiative, FPWA has advocated at the state level to reallocate funding to existing laws, allowing for employee ownership. FPWA believes allocating resources to NYS Center for Democratic Ownership (NY COM LAW § 104) and Employer Specific Skills Training Grant (NY EDN Law § 3032 (4) (a); which will assist business owners in the selling of their businesses to their workers and provide a grant to employees looking to acquire the skills necessary to run a business, will not only help keep existing jobs but help to save small businesses and ultimately create new jobs in some of New York States declining cities.

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.