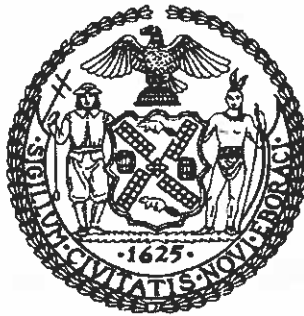


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COMMITTEE ON COMMUNITY DEVELOPMENT

Hon. Maria Del Carmen Arroyo, Chair

November 2, 2015

OVERSIGHT:

Meeting Self-Sufficiency Standards for Workers on
Human Service Contracts

I. INTRODUCTION

On November 2, 2015, the Committee on Contracts, chaired by Helen Rosenthal, and the Committee on Community Development, chaired by Maria del Carmen Arroyo, will hold an oversight hearing regarding wages paid to employees of City contractors who provide human services. Those who are expected to testify include the Mayor's Office of Contracting Services ("MOCS"), Mayor's Office of Management and Budget ("OMB"), the Women's Center for Education and Career Advancement ("WCECA") and the Human Services Council ("HSC").

II. BACKGROUND

i. Issues with Self Sufficiency in New York City

In December 2014, the Women's Center for Education and Career Advancement ("WCECA"), the United Way of New York City ("United Way"), the New York Community Trust, and City Harvest collectively published a report titled, "Overlooked and Undercounted: The Struggled to Make Ends Meet in New York City" ("the report"), which focused on New York City residents' ability to be self-sufficient by comparing wages earned to the average cost of living.¹ According to the report, 2.7 million men, women, and children who reside in the City lack income to cover basic necessities such as food, shelter, health care and child care.² Nevertheless, the report notes that based on the federal poverty level measurements, less than half of this population is officially considered "poor."³ To provide a more accurate and up-to-date measurement of adequate income, WCECA developed a Self-

¹ Pearce, Diana M., Ph.D., "Overlooked and Undercounted: The Struggle to Make Ends Meet in New York City." Dec. 2014 available at http://b3cdn.net/unwaynyc/d2ef3c2becabe1a6ea_7dm6igxy0.pdf (last visited October 26, 2015).

² *Id.* at 7.

³ *Id.* at 8

Sufficiency Standard, which according to WCECA reflects the “realities faced by today’s working parents and includes all major budget items faced by working adults,” including the cost of housing and transportation.⁴ Using the Self-Sufficiency Standard, WCECA measured the income needed to meet families’ basic needs based on geographic location throughout the City. Their findings involve a diverse population of the City, including married couples with children, households where adults work full-time, and people of all racial and ethnic backgrounds that account for substantial portions of those struggling.⁵ Significantly, inadequate income is disproportionately concentrated in some places and groups.⁶

Based on WCECA’s standard, the Bronx has the highest rate of income inadequacy, with over 56% of all households falling below the Self-Sufficiency Standard. South Manhattan, Northwest Brooklyn and Staten Island have the lowest rate of income inadequacy.⁷ According to WCECA, every borough, with the exception of Staten Island, has at least one district with an income inadequacy rate that exceeds 50%.⁸ The report further notes that four out of five households with inadequate income represent people of color, with Latinos having the highest rate of income inadequacy at 61%, followed by Native Americans/Alaska Natives at 51%, Asian Pacific Islanders at 49%, African Americans at 48% and Whites at 28%.⁹ Households maintained by single mothers, particularly women of color, have the highest rates of income inadequacy in the entire City.¹⁰

⁴ *Id.*

⁵ *Id.* at 6.

⁶ *Id.* at 8.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* at 8.

¹⁰ *Id.* at 9.

ii. Issues with Self-Sufficiency for Human Service Workers

The human services sector provides essential services to many vulnerable New Yorkers, including, but not limited to, job training and placement, early childhood education and afterschool programming, community health services, and senior services.¹¹ In New York City, nonprofit organizations provide nearly \$5.5 billion in human services each year through City-funded contracts.¹² The vast majority of those employed by the human services sector are women and people of color and over 50% of all individuals employed in this sector earn less than \$14 an hour.¹³ Due to their low-income, many of these workers are eligible for the same services they provide.¹⁴

In 2012, the Fiscal Policy Institute (“FPI”) published “Helping the Helpers Will Help Us All,” a report that provides an employment profile of New York City’s human services sector, including the nonprofit health care and social assistance sector.¹⁵ According to this report, the nonprofit health care and social assistance fields employed 478,200 people in the City, adding 79,000 jobs since 2000.¹⁶ The human services sector has significant impacts on employment in boroughs outside of Manhattan; accounting for nearly 40% of all jobs in the Bronx, a third of employment in Brooklyn and Staten Island, 22% of all jobs in Queens.¹⁷

¹¹ Human Services Council. *Human Services Council Leads #5and5COLA Campaign*. 27 Apr. 2015. Available at <http://www.humanservicescouncil.org/documents/Human%20Services%20Council%20Leads%20COLA%20Campaign.pdf> (last visited October 26, 2015).

¹² *Id.*

¹³ “2.5% Cost of Living Adjustment for New York City’s Human Services Workers.” *Human Services Council*. 11 June 2015. Available at <https://humanservicescouncil.wordpress.com/2015/06/11/2-5-cost-of-living-adjustment-for-new-york-citys-human-services-workers/> (last visited October 20, 2015).

¹⁴ *Id.*

¹⁵ “Helping the Helpers Will Help Us All: The Economic Situation of New York City’s Health Care and Social Assistance Sector.” Fiscal Policy Institute. 7 May 2012. Available at <http://fiscalpolicy.org/wp-content/uploads/2012/05/fpi-helping-the-helpers-nonprofits-and-the-nyc-economy.pdf> (last visited October 26, 2015).

¹⁶ *Id.* at 2.

¹⁷ *Id.* at 3.

Only 11% of employment in the human service sector falls within Manhattan. Notably, the nonprofit health care and social assistance workforce is predominantly female, with women representing four out of every five workers.¹⁸ A large part of the health care and social assistance workforce is also made up of people of color.¹⁹ In 2011, four out of five health care and social assistance employees were Black, Latina or Asian.²⁰ According to FPI, although these fields employ a slightly higher proportion of employees with less than a high school education than the rest of the City's workforce, more than half of these employees have attended college or have a 4-year college degree.²¹

iii. Efforts to Combat Issues with Self-Sufficiency

a. *Administrative and Budgetary Efforts*

In 2008, former Mayor Michael Bloomberg announced a \$25 million salary increase to be included in the fiscal year 2009 budget for social service agencies, which would include a package that incorporated increases in salaries and compounded wages over the course of three years.²² However, due to the recession, providers of human services and their employees only received a 3% increase in direct employee salaries in 2008, with no additional raises in 2009 or 2010.²³

More recently, efforts to improve wages for human service workers in the City were demonstrated in the adopted budget for Fiscal Year 2016, which added \$24.7 million to the

¹⁸ *Id.* at 2.

¹⁹ *Id.*

²⁰ *Id.*

²¹ *Id.*

²² "Mayor Bloomberg Announces Cost of Living Salary Increases for Employees at Human Service Providers." The Official Website of the City of New York. 06 May 2008. Available at <http://www1.nyc.gov/office-of-the-mayor/news/171-08/mayor-bloomberg-cost-living-salary-increases-employees-human-service-providers> (last visited October 21, 2015).

²³ *Id.*

miscellaneous budget to establish an \$11.50 per hour wage floor for workers on human service contracts.²⁴

b. Legislative Efforts

In 2002, the Council Passed Local Law 38, also known as the living wage law.²⁵ The living wage law requires that city service contractors and city service subcontractors who provide homecare services, daycare services, head start services or services to people with cerebral palsy pay their workers a living wage.²⁶

The living wage law was passed as a means to remedy concerns regarding employees of City contractors being paid poverty wages with no health care benefits.²⁷ Because remedying poverty in the City is of such great concern, the comptroller was also required to report on the implementation of the law. The living wage law requires the comptroller to submit an annual report to the Mayor and the Council with a summary and assessment of the implementation of the law for the preceding year.²⁸ Pursuant to the living wage law, the comptroller's annual report must include information included in the comptroller's summary report, as required by the VENDEX²⁹ statute.³⁰ The information the comptroller must include in the summary report includes:

- The types and dollar amount of each contract³¹;

²⁴ Executive Budget FY16, Detail Initiative Report, Office of Management and Budget.

²⁵ See NYC Local Law 38 of 2002; NYC Administrative Code § 6-109.

²⁶ NYC Administrative Code § 6-109(b)(1)(a).

²⁷ Committee on Governmental Operations and Committee on Contracts Committee Report on Int. No. 66-A, April 23, 2002, pp. 3-4.

²⁸ NYC Administrative Code § 6-109(d)(1)(c).

²⁹ VENDEX is the computerized database that includes information on City contracts over a certain dollar amount, pursuant to NYC Administrative Code § 6-116.2.

³⁰ NYC Administrative Code § 6-116.2.

³¹ NYC Administrative Code § 6-116.2(f)(1).

- The registration number assigned by the comptroller³²;
- The contracting agency, affiliated agency, elected official, or council entering into the contract³³;
- The contractors and subcontractors on the contract³⁴;
- The reason why the contractor was awarded the contract³⁵; and
- The manner in which the contractor was selected³⁶.

However, there are concerns that the reports produced by the comptroller's office since the passage of the living wage law do not include all of the requisite information.

One method of addressing income inequality could be using worker cooperatives - businesses that are owned and controlled by their workers - to fulfill certain city contracts. This year, the Council passed Local Law 22 of 2015,³⁷ which requires City agencies to identify obstacles to the city contracting process and make recommendations on how to enable cooperative businesses to be more competitive in their attempts to contract with the city.³⁸ These businesses have unique ownership and governance structures that typically result in higher overall pay and significantly closer wage parity between owners and employees.³⁹ While cooperative businesses may not be appropriate for some City contracts, those whose proposals are accepted generally result in a higher degree of self-sufficiency for workers.⁴⁰

³² NYC Administrative Code § 6-116.2(f)(2).

³³ NYC Administrative Code § 6-116.2(f)(3).

³⁴ NYC Administrative Code § 6-116.2(f)(4).

³⁵ NYC Administrative Code § 6-116.2(f)(5).

³⁶ NYC Administrative Code § 6-116.2(f)(6).

³⁷ See NYC Local Law 22 of 2015; NYC Administrative Code § 6-139.

³⁸ NYC Administrative Code § 6-139.

³⁹ See "Federation of Protestant Welfare Agencies, "Worker Cooperatives for New York City: A Vision for Addressing Income Inequality." Available at http://www.fpwa.org/binary-data/FPWA_BINARY/file/000/000/697-1.pdf (last visited October 26, 2015).

⁴⁰ See *id.*

III. CONCLUSION

During this hearing, the committees aim to gain a better understanding of the Administration's progress in allocating the \$24.7 million to human service contractors. The committees also seek to learn about compliance with the reporting requirements that have been established with respect to living wages paid to human service workers. The committees will also explore concerns regarding existing efforts to combat inadequate income and assess other means to ensure that more City residents are making an adequate wage to be self-sufficient.