

# No Recovery Without Nonprofits

How Government has Failed Essential Human Services & Recommendations to Achieve a More Robust & Equitable New York

## Executive Summary...

Through the darkest days of the pandemic, when hospitals and morgues both filled to capacity, nonprofit human services organizations and their workers kept communities afloat. They delivered food to the homebound, opened food pantries for those battling food insecurity, and ensured shelters stayed open for New Yorkers experiencing homelessness and survivors of domestic violence.

Nonprofits did all of this with little to no support or guidance from the government, despite providing services on behalf of the City and State and having to rely on government funding for the vast majority of their budgets. Nonprofits were largely left to fend for themselves and had to locate and pay for their own protective gear and other critical supplies.

Meanwhile, the need for their services reached new heights as people who had never relied on programs before showed up at their doors looking for housing, food, employment assistance, and help navigating overwhelmed government systems. Nonprofits stepped up to meet demand and offered new services based on community needs, even when they did not have the financial resources to do so.

Nonprofit organizations began the pandemic already in crisis. The sector was in dire financial shape due to years of chronic underfunding. Over the past several decades, the government has transferred most legally mandated social services to the nonprofit sector to save on costs. Although the government is a meaningful funder for many nonprofits the investment simply isn't enough. Nonprofits report that an average of 77% of revenues came from government contracts in 2020,<sup>1</sup> and what they do pay often comes late.

The nonprofit sector is treated the way it is because of who they serve and who they employ. Government savings are borne on the backs of low-income neighborhoods and BIPOC communities who get reduced services and a workforce that is predominantly made up of women and people of color who are paid poverty-level wages.

These workers were sent to the frontlines of the pandemic with inadequate supplies and were asked to meet growing community needs with fewer resources. They were sent to help Black and brown New Yorkers who were dying at disproportionate rates due to economic insecurity, a lack of health-care access and affordable housing, and their overrepresentation in low-wage essential jobs that prevented them from staying at home. We hear over and over that the City and State are serious about equity, but it does not show up in how they fund services in underinvested communities or pay women of color on the frontlines.

Nonprofits rose to the occasion of the pandemic but will not survive unless something changes. It is not sustainable, and it has left them on the brink. Nonprofits were a lifeline to communities during the peak of COVID-19 and they will be essential for New York to achieve an equitable post-pandemic recovery. Communities will need job training for displaced

workers, eviction prevention for those unable to make rent, and after-school and tutoring to get children back on track along with childcare to get parents back to work.

This report outlines the role of the nonprofit human services organizations during the pandemic, analyzes the state of the sector today, and provides recommendations for strengthening New York's post-pandemic recovery by ensuring a strong and sustainable human services delivery system.

## Key Findings...

- Despite fiscal and logistical challenges, 82% of organizations reported launching new services during the pandemic and 72% reported expanding existing services to respond to the needs of communities.<sup>2</sup>
  - 45% of organizations launched telehealth services.<sup>3</sup>
  - 47% launched new food services.<sup>4</sup>
  - 32% launched new direct financial assistance programs.<sup>5</sup>
- A majority of organizations (51%) reported a decline in expected revenue for calendar year 2020, with an average decline of nearly \$9.1 million.<sup>6</sup> New York could see as many as 1,829 nonprofits close their doors because of funding cuts and COVID-19 losses.<sup>7</sup>
  - Delays in payments from the City and State wreak havoc on nonprofits, with 70% of organizations reporting a delayed payment from the City and 60% from the State in the last year.<sup>8</sup>
  - Last year, the average value of delayed payments from the City was \$8,025,000 and \$998,000 from the State.<sup>9</sup>
  - Nearly 46% of respondents were forced to take out loans or draw on a line of credit due to withheld or delayed payments—sometimes at significant cost.<sup>10</sup> The average annual cost of interest for those loans is reported as \$223,000.<sup>11</sup>
- Of the total amount that organizations spent on COVID-related expenses, like physical protections needed to ensure staff safety, only 38% was reimbursed by government.<sup>12</sup>
  - On average, respondents spent \$539,000 on COVID-related physical materials in calendar year 2020 (e.g., PPE, plexiglass barriers, phones, computers, hotspots).<sup>13</sup>
- Black and Latinx employees carried the greatest risk of COVID-19 exposure.
  - On average, 85% of employees in frontline roles that involved in-person interactions are people of color, including 48% identifying as African American or Black and 30% identifying as Hispanic or Latinx.<sup>14</sup>
- 62% of organizations had to either permanently or temporarily lay off or furlough staff.<sup>15</sup>
- Chronic underfunding from the government results in lower wages for the workforce. Nonprofit human services workers generally make about 71% of what government employees make, and 82% of what private sector workers receive for the same role.<sup>16</sup>
  - For workers with a high school education and higher, core human services workers generally make about \$20,000 a year less than a public sector worker with a comparable education.<sup>17</sup>

- The relatively low pay in the core human services sector means that 15% of all workers (both full- and part-time) qualified for food stamps in the 2016-18 period analyzed, higher than the 12% share for all private sector workers, and much higher than for government employees (9 percent). However, if childcare workers and home health aides are included, nearly a quarter of all human services workers received food stamps.<sup>18</sup>
- Human services are critical for New York's recovery.
  - A record number of single adults are experiencing homelessness.<sup>19</sup>
  - Food insecurity rose 54% citywide and 64% among children during the pandemic.<sup>20</sup>
  - The number of people receiving public benefits increased by 20%.<sup>21</sup>
  - Just before the pandemic, the City's unemployment rate was 4.2 percent; a year later, it is 11.2 percent.<sup>22</sup>
  - Communities of color have borne 75% of the New York City job losses and two-

## Recommendations...

- **Recommendation 1:** Human services nonprofits must be a part of crisis response and community recovery.
- **Recommendation 2:** Government must commit to paying equitable wages to contracted human services workers.
- **Recommendation 3:** Government must pay in full and on time for essential services for New Yorkers. Human services contracts must cover indirect expenses, reflect market rates, and end delayed reimbursements that have, and continue to amount to millions of dollars.
- **Recommendation 4:** Transform the human services procurement system to prioritize meaningful outcomes for New Yorkers, rather than "race-to-the-bottom" cost-cutting by convening a Procurement Reform Commission to fix the problem.

## Endnotes...

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- 18 Parrott, J. A. (2021). Preliminary findings on New York City's Human Services Workforce (Rep.). New York, NY: Center for New York City Affairs.
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