
Nonprofit Contracting and Equity

By Chai Jindasurat and Anna Quinn

*Vice President of Public Policy, Nonprofit New York
NYU Robert F. Wagner Graduate School of Public Service*

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SUMMARY

QUESTION: HOW ARE EQUITY AND RACIAL JUSTICE INEXTRICABLY LINKED TO NEW YORK CITY'S ECONOMIC RECOVERY?

WHY IMPORTANT:

1. *City contracting impacts the quality of life of New Yorkers. Nonprofit providers are contracted to carry out the government's statutory work, providing social services, and are relied upon to promote arts and culture. However, the racial gap in accessing city funds is limiting providers from receiving the equitable funding. The problem of underfunded payment rates is significant as it creates financial distress for human service nonprofits and leaning on to the employees. Low wages within City contracts likely disproportionately maintain low wages among New Yorkers who are people of color and women.*
2. *People of color-led and grassroots organizations often subcontract with a larger organization to provide services and lost opportunities to participate in indirect cost negotiations. They also have reliance on discretionary funding and limited language access that are preventing from engaging in RFP process. By addressing these constraints, new recommendations improve the contracting process, contract structure and race/wage equity.*

RECOMMENDATIONS:

1. *Nonprofit salaries funded by City contracts should be above the City's own poverty threshold. Contracted salaries and benefits should be comparable with those of directly hired workers doing similar jobs.*
2. *The City must close the racial gap in access to City funds, particularly to baselined funds. Less burdensome application processes, greater diversity in award sizes, and increased investment in language access will begin to make City funding more accessible to smaller, people of color-led organizations. The city must expand baselined funding supporting people of color and culturally specific nonprofit organizations.*
3. *The City should also reform the subcontracting model and build capacity for BIPOC-led and serving nonprofits to directly contract with the City.*



CONSTRAINTS:

1. *The implementation of the policy is marked by notable challenges such as requiring state action, such as the expansion of baseline funding supporting people of color and culturally specific nonprofit organizations. Moreover, the main constraint is the bureaucracy within the government which limits the number of issues and concerns that are undertaken by the federal government on behalf of the state government.*

INTRODUCTION

New York City's nonprofit sector is core to the City's robust and equitable recovery from the COVID-19 crisis. The 40,000 registered nonprofits¹ in New York City hold up the City's cultural life, driving tourism. They provide core social services and the safety net that New Yorkers rely on to weather crises. The presence of community-based nonprofit organizations has been found to disrupt concentrated poverty.² Nonprofit organizations contribute roughly 9.4% of the City's GDP, supporting over 660,000 jobs in New York City.³

¹ Baruch College Marx School of Public and International Affairs and Nonprofit New York "New York City Nonprofit Data," 2021, https://marxe.baruch.cuny.edu/wp-content/uploads/sites/7/2021/03/CNSM_Data_NYC-Nonprofit-Data-UpdateMarch2021PDF.pdf.

² "Essential and At Risk: The Power of Community-Based Organizations and the Danger of Displacement," Hester Street, July 2020, https://hesterstreet.org/wp-content/uploads/2020/07/EssentialAtRisk_HesterStreet_July152020-1.pdf.

³ "The economic impact of NYC nonprofit organizations," New York City Comptroller, 2020, <https://comptroller.nyc.gov/reports/the-economic-impact-of-nyc-nonprofit-organizations/#:~:text=NYC%20Nonprofits%20pay%20%2442%20billion,private%20sector%20workers%20in%20NYC>.



Nonprofit providers are contracted to carry out the government’s statutory work,⁴ providing social services⁵, and are relied upon to promote arts and culture.^{6,7}

The City’s procurement processes are governed by a complex scheme of the City Charter, Procurement Policy Board, state statutes, and federal regulations. The City has made meaningful reforms to improve nonprofit contracting over the past eight years.⁸ Yet policy problems persist in the ways the city contracts with nonprofits. This paper examines race and wage equity related to City contracting.

METHODOLOGY

Researchers and authors Chai Jindasurat and Anna Quinn conducted a literature review and held stakeholder interviews with subject matter experts to inform the content of this paper.

LIVABLE WAGES FOR NONPROFIT WORKERS FUNDED THROUGH CITY CONTRACTS

City contracts restrict funding for front-line nonprofit workers so that some nonprofits are unable to pay their staff a livable wage. The average annual pay for New York City human services workers, who tend to be largely government funded, was \$29,600 in 2017.⁹ Underfunded government payment rates are the primary driver of financial

⁴ New York State Social Services Law articles 1 through 11.

⁵ In FY16 the City’s six primary human service agencies registered a total of 7,665 contracts with nonprofit service providers, supporting close to 53,000 nonprofit jobs. “Strengthening the Frontline: An Analysis of Human Services Contracts in NYC”, New York City Comptroller, 2017, <https://comptroller.nyc.gov/reports/strengthening-the-frontline-an-%20analysis-of-human-services-contracts-in-nyc/>.

⁶ New York State Arts and Cultural Affairs Law.

⁷ “Strengthening the Frontline: An Analysis of Human Services Contracts in NYC.”

⁸ Particularly with the recent launch of PASSPort.

⁹ James Parrott of the Fiscal Policy Institute, “Undervalued and Underpaid: How New York State Shortchanges Nonprofit Human Services Providers and their Worker,” Human Services Council, March 2017, <https://humanservicescouncil.org/wp-content/uploads/Initiatives/RestoreOpportunityNow/RONreport.pdf>.



distress for human service nonprofits, leading to salaries so low that many employees depend on safety net programs, such as food stamps and Medicaid.¹⁰

New York City uses an alternative poverty measure than the federal government that accounts for the higher cost of housing.¹¹ The NYCgov poverty threshold in 2018 was \$35,044 and the NYCgov near-poverty threshold in 2017 was \$52,566.¹² Based on Nonprofit New York's salary survey data, and average human services worker salaries from HSC, the City is likely funding positions with salaries below New York City's near poverty threshold, and some below the New York City poverty line.

RACIAL EQUITY AND THE NONPROFIT SECTOR

In the nonprofit sector, people of color are less likely to be in nonprofit senior leadership positions,¹³ and even within the same area of organizational focus, there are stark disparities between the revenues and unrestricted net assets of Black- and white-led organizations.^{14,15}

According to the Economic Policy Institute, over half of Black and Latinx workers earn less than median wages, Black and Latinx women are more likely to be low earners, and Black women work more hours at lower wages with less flexibility to reduce work

¹⁰ Margaret Stix, "New York in the Aftermath of FEGS: A Call to Action," Human Services Council, 2016, <https://humanservicescouncil.org/wp-content/uploads/Initiatives/HSCCommission/HSCCommissionReport.pdf>.

¹¹ New York City Mayor's Office of Economic Opportunity, "New York City Government Poverty Measure 2018," City of New York, 2020, https://www1.nyc.gov/assets/opportunity/pdf/20_poverty_measure_report.

¹² New York City Mayor's Office of Economic Opportunity, "New York City Government Poverty Measure 2017," City of New York, April 2019, https://www1.nyc.gov/assets/opportunity/pdf/19_poverty_measure_report.pdf.

¹³ Sean Thomas-Breitfeld and Frances Kunreuther, "Race To Lead; Confronting the National Racial Leadership Gap," Building Movement Project, 2017, <https://buildingmovement.org/our-work/leadership/race-to-lead/>.

¹⁴ Cheryl Dorsey, Jeff Bradach, and Peter Kim, "Racial Equity and Philanthropy: Disparities in Funding for Leaders of Color Leave Impact on the Table," The Bridgespan Group, May 2020, <https://www.bridgespan.org/bridgespan/Images/articles/racial-equity-and-philanthropy/racial-equity-and-philanthropy.pdf>.

¹⁵ The Bridgespan report found that white-led groups had almost twice as many unrestricted net assets as Black-led groups, within a sample of nonprofits focused on supporting Black men and boys.



hours to care for family.¹⁶ Low wages within City contracts likely disproportionately maintain low wages among New Yorkers who are people of color and women.¹⁷

STRUCTURAL CHALLENGES FOR PEOPLE OF COLOR AND CULTURALLY SPECIFIC ORGANIZATIONS

Black, Latinx, Asian, and other people of color led small community-based organizations are heavily reliant on discretionary funding,¹⁸ which is funded through City Council member items and not the Mayoral Agency base-lined funding. While this typically represents less than 1% of the City budget, it may be the only reliable City funding for people of color led and culturally specific organizations. Grassroots organizations led by and serving communities of color often do not have the organizational capacity to engage in the onerous City agency RFP process. Reliance on discretionary funding creates unique burdens on small BIPOC organizations. Organizations must have a relationship with their local City Councilmember or Borough President, which takes resources to build and maintain.

People of color specific initiatives¹⁹ are regularly funded through the discretionary budget. Because discretionary funding is not multi-year, people of color-led nonprofits relying on discretionary funding must advocate each year for their items to be included in the budget. This is a significant burden for people of color led organizations as compared to larger more often white-led nonprofits baselined through multi-year contracts.²⁰

¹⁶ Valerie Wilson and Janelle Jones, “Working harder or finding it harder to work: Demographic trends in annual work hours show an increasingly fractured workforce,” Economic Policy Institute, February 22, 2018, <https://www.epi.org/publication/trends-in-work-hours-and-labor-market-disconnection/>.

¹⁷ A 2020 report found marked racial pay disparities among workers with bachelor’s degree in similar occupations in the New York City social services sector. Sierra Lewandoski, Lina Moe, and James Parrot, “Building a Social Services Ladder to Career Advancement,” The New School Center for New York City Affairs, November 2020, <https://static1.squarespace.com/static/53ee4f0be4b015b9c3690d84/t/5fb35d88fcd32e302c7a570e/1605590409654/CNYCA+Soc+Serv+Career+Ladder+FINAL11-10-2020X.pdf>.

¹⁸ “Schedule C,” New York City Council, <https://council.nyc.gov/budget/schedule-c/>.

¹⁹ Such as the Communities of Color Nonprofit Stabilization Fund and the Coalition for Theatres of Color Collective.

²⁰ Some of the oldest Black-led nonprofits and cultural institutions are not baselined in the City budget.



A. Language Access

Stakeholders reported that language access posed an additional equity challenge. English-language materials about RFPs and other city programs are often available significantly earlier than translated materials if high-quality translations are ever made available. Organizations were unclear on whether their multilingual service capacity was considered in evaluating RFP responses, and awards did not always cover translation or interpretation costs.

B. Subcontracting

People of color-led and grassroots organizations often subcontract with a larger organization to provide culturally and linguistically specific services. Stakeholders described subcontracting as exacerbating the process problems related to late contract registration, execution, and payments and vulnerability to budget cuts. Subcontractors have fewer opportunities to participate in indirect cost negotiations. Subcontracts may also not receive the same proportionate contract amendments that the main contractor receives. The City's practice of subcontracting with BIPOC-led organizations through a "mainstream" organization can leave BIPOC-led nonprofits out of program design and planning.²¹ Subcontracting can also minimize the contributions of subcontracted BIPOC-led nonprofits to program success, contributing to an under-recognition of their capacity to deliver high quality and culturally appropriate services.

RECOMMENDATIONS

1. Nonprofit salaries funded by City contracts should be above the City's own poverty threshold. Contracted salaries and benefits should be comparable with those of directly hired workers doing similar jobs.
2. The City must close the racial gap in access to City funds, particularly to baselined funds. Less burdensome application processes, greater diversity in award sizes, and increased investment in language access will begin to make City funding more accessible to smaller, people of color-led organizations. The

²¹ For example, the City allocated \$6 million in emergency pandemic food relief, but no BIPOC-led and specific organizations were consulted in the needs or distribution of the funding because as subcontractors they did not have a direct communication channel to the City. Subcontractors who provide language-specific meal services also described not receiving any funding to be able to follow public health guidance for meal distribution, while their main contractors did receive funding for equipment to adjust their meal preparation.

City must expand baselined funding supporting people of color and culturally-specific nonprofit organizations.

3. The City should also reform the subcontracting model and build capacity for BIPOC-led and serving nonprofits to directly contract with the City.

LIST OF PARTICIPANTS

We are grateful for the participation of the following individuals who participated in interviews or reviewed drafts (any errors or omissions are the responsibility of the authors):

Fernando Aguilar, Hispanic Federation

Diana Caba, Hispanic Federation

Carlyn Cowen, CPC

Jackie DelValle, TakeRoot Justice

Sade Lythcott, National Black Theater

Lauren Nye, ANHD

Ravi Reddi, Asian American Federation

Almirca Santiago, Hispanic Federation

Howard Shih, Asian American Federation

Anisha Steephen, Hester Street

Barika Williams, ANHD

Jo-Ann Yoo, Asian American Federation





