

Spending More On Social Services Saves Money

by Fatima Goldman

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The city's improved fiscal outlook presents the opportunity to reexamine and refocus budget priorities by investing in the not-for-profit human service sector, especially in the context of increasing poverty and federal budget cuts. The Census Bureau released data in August that show that the national poverty rate increased in 2004 for the fourth consecutive year to 12.7 percent or 37 million Americans. In New York City that rate increases to 20.3 percent or one in five of us. One in three children are poor. The rate for non-Hispanic blacks is 29 percent. And finally, the Bronx and Brooklyn are among the top 10 most impoverished counties in the nation.

These are grim statistics, and they reflect an even grimmer reality to the 1.6 million people -- children, families and elderly -- who rely on social services and call New York City their home. Cuts at the federal level continue to erode safety nets. They disproportionately impact New York City residents because of the high poverty rate, and they further deplete already inadequate resources for programs. The January issue of the Non-Profit Times highlights the devastating impact of the federal budget cuts on the non-profit sector. According to the Aspen Institute, federal programs of interest to non-profit organizations, which should serve as the backbone of communities in times of crisis, will be cut between \$40 billion and \$71.5 billion over the next few years. One quote reads, "While proposed reductions would almost certainly increase demand for non-profit services they would simultaneously reduce the funding many non-profits have available to meet this demand."

These shortfalls will leave many community groups scrambling. In 2005, 76 percent reported government funding had failed to keep pace with increased costs, with the increase in health and liability insurance, office space and transportation having been particularly onerous. The large majority of these providers had made significant changes in order to remain viable and continue to serve. This included laying off staff, failing to give employees raises or cost of living adjustments, and even closing programs.

This is bad business. It's time to reexamine our budget priorities and increase our investment in services that pay for themselves many times over in long-term savings. Academics and policy makers have found that proactive investment in high quality community-based human services saves government and taxpayer money over time and improve the quality and economic well being for those who use the services. It sounds like a winning formula to me.

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The most devastating fallout of the historic underfunding of the non-profit sector has been the recruitment and the retention of a qualified workforce. Of the agencies included in a 2000 Human Services Council survey, the average turnover rate among full-time direct care workers was 38 percent, with vacancies that remain unfilled for months. We must be able to pay fair and competitive salaries if we are to reverse this trend.

Similarly, the non-profit human services sector must be able to keep pace with rising overhead and fixed costs. They must have adequate technology to meet the information and tracking demands of government and other funders. They must pay skyrocketing health and liability insurance costs and, more recently, skyrocketing energy costs.

The sector can no longer manage the already enormous and growing demands placed upon it by doing more with less, thinking out of the box, being creative or a little belt tightening. It's 'been there, done that.'

Private dollars? The same Non-Profit Times article I quoted earlier goes on to say that experts believe that private contributions would have to double or triple if the private sector were to make up for cuts.

We are indeed fortunate to contemplate a budget surplus or a more positive fiscal outlook given the serious fiscal challenges this city has faced since 9/11. By investing in social services, New York City is uniquely positioned to realize a long-term return that promotes equality, opportunity, and economic development in all communities, and makes a real difference in the lives of those 1.6 million children, families and elderly who rely on social services and call New York City home.

Fatima Goldman is executive director of the [Federation of Protestant Welfare Agencies](#)

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