# LOST IN INTERPRETATION:

### Private Equity's Capture of a Vital Sign Language Translation Tool

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PRIVATE EQUITY STAKEHOLDER PROJECT

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### **EXECUTIVE SUMMARY**



For many people who are Deaf and hard of hearing, the Video Relay Service (VRS) provided by the federal government is a critical translation tool in facilitating communication with family, medical providers, emergency services, and more. Video relay service is a tool to ensure that the country's telecommunications network provides functionally equivalent service to the deaf community, as required by the Americans with Disabilities Act. Two private equity-owned companies dominate the VRS market: Sorenson Communications, owned by Ariel Alternatives, and ZP Better Together, owned by Kinderhook Industries and backed by The Carlyle Group. Sorenson and ZP Better Together represent two of only three VRS companies, and the two private equity-owned businesses represent

almost the entire VRS market share. This report gives an overview of the VRS system, the private equity owned companies that profit from it, and experiences of the workers that keep it going.

In order to provide a free service to users, the Federal Communications Commission (FCC) reimburses service providers like Sorenson and ZP Better Together, which are required through federal regulations to meet certain standards, such as: being available 24 hours a day/7 days a week; answering 85% of calls within 10 seconds; and ensuring confidentiality, among others. Research shows that VRS interpreters have a demanding job — workers experience high levels of muscular strain, distress, and burnout, leading to job shortages, high turnover, and job dissatisfaction. Interpreters handle highly sensitive information and take on "vicarious trauma" when interpreting across a variety of contexts, and in fact experience greater levels of psychological distress than workers in other occupations. With little support offered by employers, interpreters find it difficult to remain in the profession and provide high quality care while meeting their own ethical standards, according to interviews with ASL interpreters.

These exhausting work conditions may lead to workers seeking protection through a union – despite evidence of previous union-busting in the industry, 83% of respondents of a survey created by the Office and Professional Employees International Union (OPEIU) respondents support forming a union.

Beyond the stress of the job itself, many workers report insufficient pay and benefits. In October 2023, the FCC issued rate increases of 30 to 49 percent to VRS companies. The FCC estimated that wages for interpreters would rise by 65 percent over the next five years, <sup>1</sup> but, aside from modest cost of living adjustments, workers at Sorenson and ZP Better Together have not seen that reflected in wages. The FCC should implement increased rates only with enforceable ties to actual wage increases – VRS oversight should ensure that funds are not being diverted into substantial debt service payments, excessive marketing costs, and high operating margins, among other oversight improvements.

While the FCC has a role to play in ensuring that companies adhere to high-road labor standards, companies themselves can voluntarily comply, particularly considering that the firms that own Sorenson and ZP Better Together may be under increased scrutiny for labor practices. Recently, many private equity investors have shown concern for the wellbeing of workers at private equity-owned companies and the risks bad labor practices can create for investments, spurring a growing trend of establishing clear metrics and expectations of management at private equity owned companies. The private equity firms that back these VRS companies—Ariel Alternatives, Kinderhook Industries, and The Carlyle Group—should commit to policies that guarantee fair wages and occupational safety and health, non-interference and neutrality when employees seek to join a union, and rejection of the use of forced arbitration agreements, among others. Such policies are aimed at complying with fiduciary duties and eliminating risks associated with labor disputes and scandals that have plagued other private-equity owned companies in recent years.

Given how critical VRS is to the everyday lives of its users, companies, private equity owners, and federal regulators should ensure high quality working conditions to allow for high quality service.





INTRODUCTION



The federally-authorized Telecommunications Relay Service (TRS) fund is paying out hundreds of millions of dollars annually to two companies that dominate the video relay service industry provided for deaf, hard of hearing, and speech impaired Americans, while providing little in the way of accountability. TRS oversight should ensure that the two largest providers, Kinderhook-owned ZP Better Together and Ariel Alternatives-owned Sorenson ensure high quality service by providing good jobs at good wages, and that these funds are not being diverted into substantial debt service payments, excessive marketing costs, and high operating margins. In an industry with a shortage of interpreters, the cost is high turnover and job dissatisfaction among VRS interpreters, which has led to interpreters launching an organizing effort with the Office and Professional Employees International Union, (OPEIU).

It is critical that ZP Better Together and Sorenson commit to compliance with the growing set of labor standards that investors have recently released, including the standards of the NY State Common Retirement System. These include a policy of noninterference and neutrality when employees seek to join a union, rejection of the use of forced arbitration agreements, and a commitment to fair wages and occupational safety and health.

Due to the unique nature of a government funded industry almost entirely dominated by two private equity owned companies, the Private Equity Stakeholder Project has researched and written this report to highlight the risks and opportunities to the public.

### I. Video Relay Service: A Critical Lifeline for ASL Communicators

While statistics provide varying estimates on the number of Americans that use ASL to communicate, reasonable estimates indicate that there are about half a million.<sup>2</sup> For many Americans who are deaf, hard of hearing, or who need other related accommodations, communicating with family, medical providers, emergency services, and other everyday tasks can be difficult without access to Video Relay Service.

The Video Relay Service (VRS) is an important type of TRS that enables persons with hearing disabilities who use American Sign Language (ASL) to communicate with voice telephone users through video equipment. The VRS caller, using a television or a computer with a video camera device and a broadband (high speed) Internet connection, contacts a VRS communications assistant (CA), who is a qualified interpreter.<sup>3</sup> They communicate with each other in sign language through a video link. The VRS CA then places a telephone call to the party the VRS user wishes to call, and the VRS CA relays the conversation back and forth between the parties.<sup>4</sup> Because the conversation between the VRS user and the CA flows much more quickly than with a text-based TRS call, VRS has become enormously popular.<sup>5</sup> According to the National Association for the Deaf, "for many deaf and hard of hearing

individuals, VRS is closer to 'functionally equivalent' telephone services than any other form of relay service."<sup>6</sup>

Title IV of the Americans with Disabilities Act (ADA) requires telephone companies to provide Telecommunications Relay Service (TRS).<sup>7</sup> Providers of these services are reimbursed through the Federal Communications Commission (FCC) and are required through federal regulations to meet certain standards, such as: being available 24 hours a day/7 days a week; answering 85% of calls within 10 seconds; and ensuring confidentiality, among others.<sup>8</sup>

Overwhelmingly, this service has been crucial to both complying with the Americans with Disabilities Act (ADA) and for non-hearing people to receive the same service and benefits as hearing people, helping both individuals and the broader society to benefit from increased participation of non-hearing individuals.

"This job isn't important, it's vital. VRS Interpreters support the independence of the Deaf Community. They are able to call 911, make doctors. appointments and call friends. The old model of TTY, which at the time was just as vital, was robotic and didn't have the personal feel that interpreters have. This leads to clear communication, and a more personal and human interaction." - Micahjane Draeger, a former VRS interpreter at ZP Better Together.

"Often I have to choose between advocating for myself, the deaf client, or the agency I work for. Rarely, do I have work that allows me to provide services for the deaf community without it being at my own expense," said an experienced ASL interpreter who has worked at multiple VRS companies throughout their career.



Because of the importance of this service, when it is not delivered as expected, customers report frustration and serious disruption to their lives.

Some of the top concerns according to a review of FCC complaints include: problems with internet connectivity that can frustrate communication or drop calls;<sup>9</sup> interpreters that are not sufficiently trained or not trained in specific topic, such as medical terminology,<sup>10</sup> or are tired/burned out and unable to provide the best quality interpretation;<sup>1112</sup> and confusion when navigating marketing from multiple VRS providers.<sup>13</sup> Many users report that a competitor has contacted them encouraging them to change service providers, offering free hardware and being pushy or less than forthcoming in how the process works. Customers may feel pressured or may make a decision they didn't realize had consequences like losing their previous provider, changing/returning hardware, or requiring them to

change their phone number.<sup>14</sup>

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Such problems that VRS users face can vary from a frustrating nuisance to a life threatening or altering experience on an important phone call with a medical professional, employment prospect, or financial institution, highlighting the need for high standards and regulation of the provision of service, which relies on a well-trained and retained workforce of interpreters.

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### A FEDERALLY AUTHORIZED PROGRAM



The per-minute rate for VRS is not paid by the caller, but instead VRS providers are compensated through the Interstate TRS Fund, which the Federal Communications Commission (FCC) oversees.<sup>16</sup> "The money comes from a small surcharge on everyone's telephone bills. The charge may not be obvious by name and may be wrapped up with other charges,"<sup>17</sup> states the FCC's guide to the TRS. The VRS industry is thus highly regulated and dependent on FCC policy, which is reevaluated every three to five years and service providers are very active in the regulatory rulemaking process.<sup>18</sup>

The FCC compensation rate has fluctuated over the past 20 years, with both increases and decreases that have largely shaped the service-providing companies' trajectory. In these rate decisions, the FCC assesses what is a reasonable cost for compensation and creates a formula to calculate these costs.<sup>19</sup> Some categories of expenses that have been considered are marketing costs, research and development, projected inflation, projected wage changes for interpreters, and the appropriate profit margin, among others.

In addition to simply deciding the rates for VRS reimbursements, the FCC also makes certain policy decisions, such as increasing competition by providing a tiered compensation rate that pays more for the first 1 million minutes compensated and guarantees the ability of consumers to change service providers at will.<sup>20</sup>

In one striking example of the effects that these rates can have, "the Federal Communications Commission's (FCC) 2010 reduction in rates and increased minimum performance requirements for video conferencing services, made it infeasible to provide the service over the long term," a Sorenson Communications representative said in March 2014 as the company filed for Chapter 11 bankruptcy,<sup>21</sup> after a substantial rate decrease.



Sorenson and ZP Better Together hire a significant number of interpreters who provide VRS as well as other interpreting services such as in-person community interpreting. "The bulk of VRS costs are labor costs, primarily salaries and benefits for interpreters", according to the FCC.<sup>22</sup>

In October 2023, the FCC issued a new five year rule with rate increases of 30 to 49 percent, stating that it hopes the rate increase will: "revitalize one of our most important disability rights initiatives" and "encourage innovation and enhanced service quality, responding to recent changes in how people communicate that have outlasted the pandemic."<sup>23</sup>

The following table shows how compensation rates have changed in response to the FCC's recent rulemaking. All providers who, at the time of promulgation, had more than 500,000 minutes per month, are paid at the same tiered rates, so Sorenson and ZP Better Together are now compensated at \$6.27 per minute for their first million minutes, then at \$3.92 per minute for minutes over 1 million, an increase of 30% and 49%.

The FCC responded to the requests of VRS providers to increase interpreter wages, citing ZP Better Together's cost projections on interpreter wage, specifically stating that "if [interpreter] wages are increased consistently with the above estimate, and VRS providers then conclude that further increases are needed, they may present relevant evidence for the Commission's consideration. On the other hand, to the extent that [interpreter] wages are not increased consistently with the above estimate, the Commission may also consider and make appropriate adjustments in light of such evidence." The FCC estimated that wages for interpreters would rise by 65 percent over the next five years.<sup>24</sup>

July 1 2019 – June 30, 2023			July 1, 2023 – June 30, 2028			
Tiers	Mins per Month	Rate per Min	Tiers	Mins per Month	Rate per Min	Change
Emergent	<500k	\$5.29	Emergent	<500k	\$7.77	<b>47</b> %
Tier 1	0-1M	\$4.82	Tier 1	0-1M	\$6.27	30%
Tier 2	1-2.5M	\$3.97	Tier 2	1M+	\$3.92	(1%)
Tier 3	2.5M+	\$2.63				<b>49</b> %

<sup>25</sup>From Multilingual article titled: Breaking down changes to video relay service industry

## GAPS IN FCC OVERSIGHT OF THE VRS INDUSTRY



While the 2023 rate increases are welcome across both industry representatives and deaf community/ worker advocates, there remains some inexplicable decision-making at the FCC. For example, the two largest VRS providers appear to be continually operating under repeatedly extended conditional certifications, with no timeframe for granting or denial of full certification.

On December 22, 2014, the FCC announced that ZP Better Together received a conditional certification under the name of "CSDVRS, LLC" after its acquisition by "Kinderhook Capital Fund IV, LP,"<sup>26</sup> which was "subject to the condition that ZVRS/Kinderhook file such an application within 15 days after the date the merger transaction is consummated."<sup>27</sup> To date, the FCC has not published any additional information about approving the application described in the 2014 publication,<sup>28</sup> even as the company has changed ownership and is no longer owned by the fund described in the 2014 conditional approval.<sup>29</sup> Similarly, Sorenson Communications received a conditional certification in an FCC publication on March 23, 2022, "for a period not to exceed 24 months from the date of this Public Notice, pending the Commission's review of a forthcoming full certification application.<sup>30</sup> While those 24 months have passed, the FCC has not published any notice formally extending the conditional certification.<sup>31</sup>

In contrast, the FCC invited public comment on the reauthorization of VRS provider Convo's unconditional certification to provide VRS services in 2021 even though this company provides a far smaller proportion of VRS minutes than its larger competitors.<sup>32</sup>

While the approval of conditional certification of Sorenson under Ariel's ownership describes a "particular concern" about the company's debt load, citing a Moody's credit report, it appears that ZP Better Together also holds at least \$275 million in debt,<sup>33</sup> though Moody's has not initiated a review of their





The FCC has itself raised questions about the efficiency of the current structure, by which the FCC pays large amounts to providers with the goal of fostering competition, but with significant amounts diverted to marketing expenses to poach customers from one VRS firm to another.

credit situation. It is unclear why the FCC considered the debt a concern for Sorenson, but did not raise concern over ZP Better Together's debt and has no independent process for investigating the debt load of a VRS provider that is not rated by Moody's.

The FCC has not changed its position allowing VRS providers to exempt customer complaints and complaint log summaries, service interruption, and most performance information from public disclosure, citing it as "highly-sensitive and proprietary commercial information" despite the inherent public utility in releasing this information.<sup>34</sup>

In the October rate increase rulemaking, the FCC estimated a 75 percent increase in research and development costs, though the case to suggest that this level of research and development spending is needed or warranted comes exclusively from the VRS providers themselves.

The FCC has itself raised questions about the efficiency of the current structure, by which the FCC pays large amounts to providers with the goal of fostering competition, but with significant amounts diverted to marketing expenses to poach customers from one VRS firm to another. In a further notice of proposed rulemaking in 2011, the FCC invited comment on whether or not it should simply contract out for VRS services, stating that "We note that such contracts would likely result in efficiency gains for the Fund by inducing price competition for the contract."<sup>35</sup> Contracting for VRS work would also provide protections for interpreters under Executive Order 11246, which provides additional protections from discrimination above and beyond rights afforded to private sector workers.<sup>36</sup> ASL interpreters could also benefit from the Biden administration's recent proposal to bar the use of salary history when setting pay for a given position by federal contractors.<sup>37</sup>

## THE PRIVATE EQUITY OWNED DUOPOLY



ZP Better Together and Sorenson Communications together control the overwhelming majority of the VRS market share and have both been owned by private equity firms for most of their existence. After the 2023 exit of service provider GlobalVRS, which transferred its clients to Sorenson, only one other company holds a portion of the VRS market, a small deaf-owned provider Convo Communications.<sup>38</sup>

Private equity firms generally raise money from institutional investors like endowments and pension funds to purchase companies in their portfolio by using large amounts of debt placed on the portfolio company. Driven by the promise of high returns for investors, firms attempt to quickly make a company more profitable before selling it in a relatively short period of time.

Growing media coverage of labor disputes, layoffs, and violations of federal law at private equity-owned companies, as well as growing academic scholarship, has raised an alarm about the effects private equity ownership has on workers and the threat this can create to private equity investors.<sup>39</sup> Recently, many private equity investors have shown concern for the wellbeing of workers at private equity-owned companies and the risks bad labor practices can create for investments, spurring a growing trend of establishing clear metrics and expectations of management at private equity owned companies.

For example, in December 2023, the California Public Employee Retirement system (CalPERS) implemented portfolio-wide labor principles that include expectations of PE managers around freedom of association, health and safety, and discrimination among other things.<sup>40</sup> In April 2024, New York State Comptroller Thomas DiNapoli announced "Responsible Workforce Management Policy and Principles" for the New York Common Retirement Fund's private equity investments,<sup>41</sup> joining other investment leaders representing over \$1 trillion in pension fund capital at the White House to announce a broader effort to promote strong



labor commitments among funds, assets managers, and companies.  $^{\ensuremath{^{42}}}$ 

"The [NY State Retirement Fund] is dedicated to championing workforce management best practices because they have the ability to enhance the performance and resilience of portfolio companies and, in turn, our investments," DiNapoli said.<sup>43</sup>

### **Sorenson Communications**

Sorenson Communications is one of the world's leading language services providers and the world's leading provider of communication tools for Deaf and hard of hearing people, with over 10,000 employees worldwide and over 6,000 ASL interpreters.<sup>44</sup>

Sorenson began with Video Relay Services in 2003, when videophones were first made available to users,<sup>45</sup> and has held the majority of the market share since then. The company was acquired in a leveraged buyout by Madison Dearborn Partners, KKR, and GTCR in 2005 and had "an estimated share of between 75 and 80% of the VRS Market" by 2010.<sup>46</sup> Sorenson offers a variety of ASL interpreting services, though FCC regulated services made up a "large portion of the revenue at more than 90% as of yearto-date September 2022," according to Moody's.<sup>47</sup>

In 2022, 52% of the company was acquired by private equity firm Ariel Alternatives<sup>48</sup> with previous owners Blackstone Credit, Franklin Mutual Advisers, LLC, and Kohlberg, Kravin, Roberts & Co. (KKR) continuing to own a minority interest in the company.<sup>49</sup> As of the end of May 2024, Franklin Mutual owns \$180 million of Sorenson's debt and equity through its Franklin Mutual Quest Fund.<sup>50</sup> FS KKR owns \$48 million of Sorenson's debt and \$7 million of the company's common stock as of the quarter ending March 31, 2024.<sup>51</sup> Sorenson's most recent annual report states that Blackstone Credit and Franklin Mutual each hold over 10 percent minority stakes in the company.<sup>52</sup>

Ariel Alternatives is the private equity arm of Ariel Investments, the former with approximately \$1.5 billion in assets under management and the latter controlling \$13.39 billion. Ariel Investments is the first Black-owned investment management firm in the U.S., whose co-CEOs John Rogers and Mellody Hobson sit on high profile boards such as Starbucks, Nike, McDonalds, New York Times, and JP Morgan.<sup>53</sup> The private equity arm is relatively new, having only acquired Sorenson and My Code, an advertising services company focused on multicultural marketing.<sup>54</sup>

The Sorenson board includes significant representation from the private equity industry, including Eric Nadan, managing director at Blackstone Credit,<sup>55</sup> David Posnick, former Senior Managing Director of Blackstone Credit,<sup>56</sup> and Paget Alves, who serves on the advisory board for Ariel Alternatives' Project Black initiative.<sup>57</sup>

A 2022 Sorenson press release stated that "this transaction is the first of Ariel Alternatives' strategic initiative 'Project Black,' its mission to scale sustainable minority-owned businesses. Through this effort, Ariel Alternatives seeks to transform portfolio companies like Sorenson into minority business enterprises (MBEs) and . . . help portfolio companies generate jobs, economic growth, and equality within underrepresented populations."<sup>58</sup>

The private equity model that uses large amounts of debt placed on portfolio companies for acquisitions caused some alarm for credit rating service, Moody's, which downgraded Sorenson's rating from B2 to B3 upon announcement of the Ariel acquisition. "The company's decision to fund the proposed Ariel transaction with debt, doubling the amount of consolidated debt at the parent level, reflects a more aggressive financial strategy compared to Sorenson's previous target of operating with moderate leverage of under 2x (company definition)."59 B ratings "are considered speculative and are subject to high credit risk."60 While Moody's most recent report in February 2024 did not improve the rating, it did note that VRS rates increasing and some diversification reflect more positive signs for the company.



We again emphasize...that TRS providers are not entitled to TRS Fund reimbursement for "all capital costs they have chosen to incur—such as high levels of debt where there is no reason to believe that those costs are necessary to the provision of reimbursable services."

The FCC also seemed concerned at the time, noting in an announcement approving conditional certification for Sorenson to provide VRS service under its new ownership structure that "Such developments raise particular concern in light of the significant roles played by Sorenson in the provision of VRS and by CaptionCall in the provision of IP CTS... We again emphasize...that TRS providers are not entitled to TRS Fund reimbursement for "all capital costs they have chosen to incur—such as high levels of debt—where there is no reason to believe that those costs are necessary to the provision of reimbursable services."<sup>61</sup>

### **ZP Better Together**

ZVRS and Purple Communications (ZP), divisions of ZP Better Together, LLC, deliver services for Deaf and hard of hearing individuals. The companies work in four areas of service: Video Relay Service (VRS), Video Remote Interpreting (VRI), Communication Access Real-Time Translation (CART), and On-Site Interpreting.

Founded as a Video Relay Service under a nonprofit named Communication Service for the Deaf (CSD), ZVRS received its first private equity investment in 2006. M/C Partners and Providence Equity Partners created ZVRS in 2006 by spinning out the Video Relay Service from CSD. The firms held the company until 2015, when they completed the sale of ZVRS to Kinderhook Industries.<sup>62</sup> Founded in 2003, Kinderhook Industries is a private equity firm based in New York City with \$5.4 billion in assets under management.<sup>63</sup> Two years after Kinderhook acquired the company in 2015, ZVRS announced the acquisition of Purple Communications, Inc., another leading provider of video relay services.<sup>64</sup>

Kinderhook purchased ZVRS and Purple Communications through Kinderhook Capital Fund IV in 2017. In 2023, the firm transitioned the assets in Fund IV to a "continuation fund" (IV2) where the lead investor is private equity firm Carlyle's subsidiary AlpInvest.<sup>65</sup>

While ZVRS and Purple Communications maintain their independent brands and products, they are now divisions of ZP Better Together. In leading the charge to create ZP Better Together, Sherri Turpin, CEO of both companies, said that she "wanted to bring together two major providers of Video Relay Services (VRS) and, importantly, create a viable #2 in our industry to ensure increased competition."<sup>66</sup>

#### **Recent History of Labor Issues**

VRS interpreters often join the profession because of a calling to support the deaf community, but can face difficult working conditions. Generally, interpreters are working at a desk and can receive calls in quick succession, depending on the demand of a given shift. When demand is high, calls can



come in in quick succession, meaning that breaks and opportunities for rest or to do administrative tasks are not always guaranteed.

One interpreter described how mentally and emotionally taxing it is to work under these conditions:

"Being a VRS interpreter who only gets, on average 10 seconds between calls, the vicarious trauma endured leads to serious emotional health issues. In one shift alone, I have had to interpret a daughter saying goodbye to her mother, who had COVID-19, one last time, only to turn around and immediately interpret a call from a CPS worker to a child abuser. 10 minute breaks, with time constraints on when these breaks can be taken, leave no possible room for respite. On each call, the interpreter is required to mimic emotions of both the hearing and Deaf consumers, changing between the two rapidly, and then are expected to change their emotions, inflection, and essentially take on the personality of another two callers almost immediately after hanging up from their previous call."

On the whole, ASL interpreters experience "significantly more psychological distress, depression, and physical exertion" that is "greater than the vast majority of other occupations."<sup>67</sup> A majority of survey respondents do not think their employer offers sufficient mental health or other resources to carry out the strenuous task of interpreting. At least one study shows that VRS interpreters have higher occupational health risks than interpreters in K-12 or community-freelance settings.<sup>68</sup> This may be due to the high demand that comes with the perceived constant availability of interpreters working remotely. Many interpreters that responded to the survey mentioned the need for more breaks. One interpreter wrote:

"Studies have shown we should be taking a break after every 20 minutes of interpreting to ensure accuracy and prevent repetitive motion injury. I often work through full hours without more than a few seconds of down time because of break time restrictions... tech issues that remove my break time, and trainings I am supposed to save break time to complete."

The "repetitive strain"<sup>69</sup> of interpreting leads many workers to "cumulative motion injury (CMI), burnout, and departure from the field."<sup>70</sup> These exhausting work conditions may lead to workers seeking protection through a union – despite evidence of previous union-busting in the industry, 83% of respondents support forming a union.

In an online survey conducted by the Office and Professional Employees International Union (OPEIU) in 2024, many of the 164 self-identified current or former ASL VRS interpreters expressed the need for a variety of improvements to pay, benefits, and scheduling:

- 59% say that benefits need to be improved
- 55% say that pay needs to be improved
- 43% say that workload needs to be improved

In September 2023, the Federal Communications Commission increased the rates paid to companies



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"The compensation practices of ZP are arbitrary with no room for growth. The interpreters aren't given any transparency on how the decisions are made and how to advance their pay." The US Bureau of Labor Statistics reported that in 2023, the inflation rate was 3.4%<sup>75</sup> and from October 2021 to October 2022, it was 7.7%.<sup>76</sup>

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## CONCERNS AT KINDERHOOK-OWNED ZP BETTER TOGETHER



In the four years before Kinderhook acquired the company, Purple settled at least 21 unfair labor practices, according to NLRB data.<sup>77</sup> In an NLRB decision issued in September 2020, the Board found significant violations of federal law and ordered Purple Communications and their "successor and joint employer," ZVRS to cease and desist from dozens of behaviors, as well as affirmatively take significant actions to guarantee employees' right to freedom of association.<sup>78</sup>

In November 2022, the company settled a claim in which an employee alleged sexual harassment and retaliation on undisclosed terms,<sup>79</sup> and in March 2023, ZVRS settled a California lawsuit with \$127,000 in back pay to employees.<sup>80</sup>

In October 2023, ZP Better Together requested that Minnesota employees sign a Mutual Arbitration Agreement, which required "any past, present, or future dispute, controversy, or claim between" employees and the company to "be resolved through binding arbitration."<sup>81</sup>

ZP has also closed call centers in California.<sup>82</sup> In May 2023, the company laid off at least 53 workers in Los Angeles and Riverside.<sup>83</sup> This occurred less than three months after Purple had announced its intention to pay \$320,000 to settle a class-action lawsuit filed by California-based interpreters alleging wage theft and retaliation.<sup>84</sup>

Forced arbitration is a growing issue for workers according to the US Department of Labor.<sup>85</sup> Employers place mandatory arbitration clauses in employee contracts, ensuring that labor disputes around things such as wage theft, retaliation, and harassment can only be settled through a private arbitrator. This serves to "force claims into an employer-controlled system and keep them out of federal court," preventing workers from filing lawsuits or pursuing other means of restitution.<sup>86</sup>

### Current employees report ongoing fear of retaliation for any efforts to improve working conditions through unionization, citing the Minnesota closures.

Despite employer attempts to limit workers' options, the Department of Labor pledges to "vigorously prosecute violations at workplaces where workers are bound by mandatory arbitration."<sup>87</sup>

By the agency's estimate, 56 percent of non-union private sector workers were under mandatory arbitration clauses. One study cited by the DOL estimates that "workers subject to mandatory arbitration bring 98% fewer claims under the Fair Labor Standards Act compared to those not subject to mandatory arbitration."<sup>88</sup>

A new workforce management policy from New York State Common Retirement Fund discourages private equity firms from using mandatory arbitration.<sup>89</sup> The Biden Administration supported this along with other labor standards for private equity firms at an April 2024 White House convening.<sup>90</sup> Comptroller Thomas P. DiNapoli, the sole trustee of NYS Common, warned that "if the fund has significant concerns" about a firm's labor practices, "it could impact its decision about a new investment."<sup>91</sup>

After the NLRB found the company in violation of federal law, ZP Better Together announced the closure of the Minnesota call centers in January 2024. Workers claimed the company notified them of the layoffs "hours before some employees had a scheduled meeting with Communications Workers of America to discuss unionizing," while the company cited different reasons for the closing, including "profitability."<sup>92</sup>

Current employees report ongoing fear of retaliation for any efforts to improve working conditions through unionization, citing the Minnesota closures, according to worker interviews with the Office and Professional Employees International Union, which is organizing ASL interpreters.

"ZP Better Together's private equity owners appear to be continuing Purple Communications' track record of union busting with their closure of two call centers in Minnesota in January as interpreters were seeking to meet with union organizers," said Richard Lanigan, President of the Office and Professional Employees International Union (OPEIU). "Our survey of ASL interpreters has found wide dissatisfaction with the wages and working conditions that ZP provides to its employees and contractors and a strong desire for a union. It is critical that private equity firms hold their investments accountable and not obstruct workers' inherent right to join a union."



# CONCLUSION

In order to ensure the users of the VRS system can continue to rely on a stable, functioning, and high quality opportunity to receive the functional equivalency of services that hearing people receive, both VRS regulators and service providers hold an important moral and legal responsibility.

VRS providers and customers deserve a process that guarantees the long term stability of the service by providing sufficient funds and oversight.

#### All VRS Providers should:

- Meet with OPEIU and agree to an organizing agreement that includes card check and neutrality to ensure that ASL interpreters have the ability to organize a union without retaliation from management.
- Ensure that staff retention is a priority by offering additional pay and benefits, improved scheduling, guaranteeing breaks, and physical/mental health support
- 3. Implementing the recommendations by the NYS Common Retirement Fund to guarantee improved labor rights and long term success through employee retention
  - a. ZP Better Together specifically should:
    - i. Reopen call centers closed recently and offer rehire to all former employees.
    - ii. Withdraw from and commit to not use forced arbitration agreements.
- 4. Disclose all complaints made to them and all service interruptions or problems instead of claiming a trade secret exemption.

Additionally, the FCC should engage its additional rulemaking processes left open specifically in the 2023 rate announcements or plan to use the next round of rulemaking to:

- Increase rates with enforceable ties to actual wage increases.
- Expand transparency processes to ensure that all critical information about the quality of VRS providers can be reviewed by the public, including information about complaints and service outages.
- 3. Begin a process to review and provide/deny permanent approval to provide VRS for all providers.
- 4. Clarify the FCC position on TRS fund assets being used to pay debt service payments and establish a uniform process to investigate VRS providers debt obligations and an enforcement plan to ensure that VRS providers are not using compensation to pay down debt load.

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