Partnership in Social Welfare
: the United States of America

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PARTNERSHIPS FOR SOCIAL WELFARE: THE EXPERIENCE OF THE UNITED STATES OF AMERICA

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Unlike many European nations, the United States is not a fully developed welfare state. Nevertheless, following the introduction of President Franklin Delano Roosevelt's New Deal programs in the years before the Second World War, it was widely accepted that the government should be the primary agent for promoting the welfare of the country's citizens. Many social policy experts agreed with the New Deal premise that the Federal government (working together with state governments) was the most effective provider of social services. While individual and voluntary effort was not denigrated, the preference for statism tended to minimize the significance of the many non-profit agencies that had for many years been providing a plethora of social welfare services. At the time, the idea that these services should be provided commercially by profit seeking firms was not even considered.

Today the situation has changed dramatically. The rise of Radical Right ideology (Glennerster and Midgley, 1991) has been accompanied by an expansion of the for-profit sector, by greater competition among voluntary agencies for funds and budgetary cutbacks as political leaders insist that citizens, instead of governments, be responsible for social welfare. As the Federal government seeks to reduce social spending further, there is no doubt that the ideology of welfare statism has been seriously undermined.

The welfare statism of the decades following the Second World War has now been replaced by an unambiguous welfare pluralism in which different 'sectors' are recognized as contributing to the welfare of the American people. Of course, the American welfare system had always been pluralistic but in the ideological climate of New Deal state welfarism, this fact was not often recognized. Indeed, it was only some years after the election of President Reagan, that Professor Shiela Kamerman's (1983) significant paper on the 'mixed economy of welfare' was published. This paper focused attention on multiple social welfare sectors and established, once and for all, the existence of a pluralistic welfare system.

THE PARTNERSHIP MODEL IN THE UNITED STATES

It is today recognized that the well-being of individuals, families and communities in society is affected by major social welfare institutions which play a positive role in meeting social needs and solving social problems. However, some researchers place more emphasis on some institutions than others. In their study of social welfare policy in the United States, Karger and Stoesz (1994) focus on government and the voluntary and for-profit sectors but they have little to say about informal support networks or individual or family effort. Nor do they mention Titmuss's (1958) famous discussion of the 'social divisions of social welfare' in which the role of fiscal measures and occupational social provisions are contrasted with conventional public social services to emphasize the diverse sources of social welfare in society. On the other hand, Gilbert and Specht's (1983) widely used book on social policy in the United States discusses welfare pluralism with reference to Titmuss but makes few references to informal support networks in social welfare.

In the absence of any standardized model of American welfare pluralism, it is difficult to identify a systematic partnership model by which government harmonizes the different sectors of the welfare system. As Karger and Stoesz (1994) point out, the country's welfare system is comprised of a vast array of services which often overlap, duplicate and confuse resulting in what is sometimes referred to as a 'welfare mess' rather than a welfare system.

Nevertheless, it is possible to identify the key features of this system. It is widely recognized that the major institutional arrangements for promoting social well-being include individual and family effort, informal social support networks, the non-profit voluntary sector, the for-profit commercial sector and finally, the government. When discussing partnerships in social welfare, it is the governmental, voluntary and commercial sectors that are usually examined. It is primarily through the actions of government that linkages are created to harmonize public provisions with the voluntary and commercial sectors.

It is within the framework of this pluralistic system that a discussion of partnerships in social welfare should be pursued. However, it is important to recognize that while government has adopted policies to establish partnerships, the system is not highly organized or carefully planned. Instead, the partnerships that have emerged between government and the other social welfare sectors are characterized by complex relationships, diverse policy approaches and different *ad hoc* arrangements that have emerged at different periods of time to create a complicated set of interactions.

This pattern is consonant with the political and cultural traditions of the country where centralized control and comprehensive planning are distrusted. The country's federal system of government and strong sense of community and individual autonomy also contribute to the relative absence of a highly planned system in which a single, coherent partnership model may be discerned. Unlike many some countries where governments have instituted a schematic, easily comprehensible partnership system, the American experience of welfare partnerships is complex, multifaceted and even haphazard.

For this reason, the welfare partnership model of the United States may be described as *minimally planned welfare pluralism*. It is characterized by different legal regulations, fiscal incentives and administrative arrangements. This is not to suggest that the system is a chaotic one. It has a rationale in which different policy instruments serve distinct goals. But, it is important to emphasize again that it is a complex system in which diverse mechanisms are utilized by government to foster the ideal of welfare pluralism. These mechanisms can best be understood when the historical emergence of the American welfare system is outlined.

THE HISTORY OF PARTNERSHIPS IN THE UNITED STATES

As in many pre-industrial societies, social welfare in North America relied extensively on family and community support networks. This was true of both the indigenous native American and the European settler communities. Although under-researched, the traditional welfare system of native Americans relied extensively on culturally determined obligations among extended families and communities to support those in need. Similar systems of family support existed among the early settlers although here, a special effort was made to encourage the emergence of systems of care in the new communities. Bremner (1988) reveals that on their journey to the New World, John Winthrop, the leader of the Puritan Pilgrim settlers, made a special plea to his followers to be ready to provide support to those members who faced hardship and needed help.

Eventually, these spontaneous forms of social support were augmented by the growth of formal voluntary associations. They were often created to provide charity to the poor or to build residential institutions for those in need. The first orphanage in the United States was established in New Orleans in 1729 and by the mid-18th century, several institutions including hospitals and asylums had been built in the major towns. In the first half of the 19th century, charitable activity increased, particularly in the larger cities such as New York and Boston where slums and poverty had become visible.

In the second half of the 19th century, these charities expanded rapidly often focusing their attention on the urban poor. It was in this milieu that the Charity Organization Society emerged. The Society is well known for implementing the concept of 'scientific philanthropy' that resulted in the emergence of professional social work. Many charities specialized focusing their services on particularly groups of needy people such as children, women or disabled people. Others engaged in social reform or transcended the poor relief approach which many charities had adopted. Among these were the settlements which had a community rather than individual focus. It was during this period also that organized, community level fund raising emerged. It was in the city of Denver in Colorado in 1887 that the local Charity Organization Society first began fund raising on behalf of its member associations. This idea became very popular and spread to many other communities. By the 1920, federated fund raising organizations had been established in more than 400 American cities. Today, these organizations are known as the United Way (Brilliant, 1990).

The growth of voluntarism in 19th century America was compatible with the country's communitarian cultural tradition.

It seemed that the United States had a more extensive network and more diverse range of voluntary associations than European countries. This was noted by De Tocqueville in his famous book, Democracy in America, which was published in 1835. In this book he stated that: "Americans of all ages, all stations of life, and all types of dispositions are forever forming associations." In France, he suggested, the government provides services. In England, it is usually some benevolent aristocrat who helps the needy. But in America, he pointed out, it is likely to be a voluntary association (Quoted in Heffernan et al, 1988, p. 370).

Despite De Tocqueville's comparison with France, voluntary effort in the United States was soon augmented by the growth of the public sector. By the turn of the century, government began to play a much more active role in social welfare. The Progressive Era, as this period of American history is called, resulted in the recognition that government has an obligation to educate, protect and foster the welfare of its citizens. It was during this period that many state governments introduced the so-called 'mother's pensions', constructed more public residential institutions for the needy, and extended social assistance provisions. During the 1930s, at the time of the New Deal, the Federal government entered the field, creating a national social insurance system and providing significant support for state social welfare programs. During the 1960s, with the introduction of President Johnson's War on Poverty programs, federal involvement in social welfare was well established.

Despite the growth of state welfarism, the Federal government in the mid-1960s significantly increased support for voluntary organizations, and particularly community based organizations serving the poor. The War on Poverty actively encouraged the growth of local community programs. In 1967, under amendments to the 1935 Social Security Act, the government permitted the states to contract with voluntary organizations to provide social services and in 1972, under Title XX of the Act, this practice was greatly extended. Of course, this was not a new development. As Salamon (1995) reveals, public support for non-profit associations to encourage them to carry out particular functions at the behest of government first emerged during the Progressive Era when the municipalities began to subsidize voluntary organizations. However, it was after the mid-1960s that this practice expanded rapidly. By 1971, as Salamon (1995) noted, almost a quarter of all social service expenditures were channeled through non-profit organizations. During the Reagan years, the Title XX program was replaced by the Social Services Block Grant Program which allocates funds to the states to utilize for social service programs through either direct government service delivery or contracting out to private providers.

Purchase of service contracting, as this practice became known, greatly extended the involvement of voluntary associations in the provision of services which would previously have been provided by government agencies themselves. It was a very important development which laid the foundation for the more extensive contracting out of services by both voluntary and commercial providers.

The use of non-governmental agencies to provide services paid for by the government accelerated with the introduction of Medicaid and Medicare in 1965. Instead of developing a publicly owned system of medical services such as had emerged in Britain, the American government sought to deliver these medical services through private providers including non-profits, private practitioners and commercial firms. Karger and Stoesz (1994) point out that this development had a major impact on the emergence of commercial social services particularly in the field of nursing home care. Small private nursing homes suddenly had a new source of revenue and, as this was recognized, commercial entrepreneurs entered the field in large numbers. During the 1970s, expenditures on nursing homes increased rapidly and by 1980, a $ 25 billion a year industry had been established. By this time, 70% of nursing homes were operated on a commercial basis and today, the field is dominated by five or six major corporations.

The growth of the commercial nursing home industry facilitated the emergence of other for-profit social service operations. Today, as Karger and Stoesz (1994) point out, commercial providers are active in social service fields such as child care, home health, corrections and retirement care. The number of firms involved in social service delivery on a commercial basis has grown rapidly. As Karger and Stoesz reveal, more than 122 social service corporations reported incomes of more than $ 10 million in 1992. In 1982, only 34 social service corporations had incomes in excess of $ 10 million.

At about the time that contracting out was being developed, public interest in the voluntary sector was heightened by allegations that some Foundations were deriving excessive benefits from the country's tax laws. Congressman Wright Patnam claimed that the tax laws permitted wealthy families to benefit by establishing foundations and that some of them, such as the Ford Foundation, had a left-leaning political agenda. As a result of these criticisms, Congress passed the 1969 Tax Reform Act which strengthened accountability requirements and limited the influence founders and donors could have on the programs of the foundations (Brilliant, 1995).

Heightened public interest in the voluntary sector also facilitated the appointment of a national commission to study the voluntary sector. Known as the Commission on Private Philanthropy and Public Needs (or the Filer Commission after its chairman, Mr. John Filer), it published its report in 1975 urging greater support for the voluntary sector and more inclusiveness with regard to ethnic minorities and other marginalized groups. The Commission is remembered for coining the term 'third sector' to distinguish the voluntary from the public and commercial sectors. The Filer Commission also noted the growth of non-traditional activist organizations which campaign for social and political reforms. Their growth had become controversial since it was claimed that they were not voluntary associations but in fact political lobbying organizations. As Brilliant (1995) reports, President Reagan attempted unsuccessfully in 1981 to abolish tax concessions for these social action groups. The issue remains controversial today.

Under the Reagan administration, privatization became a new and important policy objective in social welfare. Privatization in this context had two meanings. First, it involved the contracting out of services funded by government to private providers. Secondly, it involved the abrogation of government responsibility for some social welfare functions and the transfer of these functions to private providers without government budgetary support. The Reagan administration pursued both objectives by increasing the contracting out of services and also by encouraging the growth of commercial providers and private markets in social welfare.

While the increase in contracting out favored both commercial for-profit and voluntary agencies, intense competition for contracts has fostered a much more commercial approach among traditional voluntary agencies. Cutbacks in federal funds for social service programs in the 1980s also resulted in the imposition of fees for services by many voluntary agencies. The reduction of government budgets and programs also fostered the growth of commercial services in fields such as mental health, child care and the care of the elderly in which consumers meet costs directly or through third party funding sources. The emergence of these new markets has not only stimulated the growth of for-profit agencies but fostered a new commercialism or 'marketization', as Salamon (1995) calls it, among non-profit agencies. As Brilliant (1995) notes, the increased commercialization of voluntary agencies may in the future jeopardize their tax exempt status.

By the early 1990s, there were in excess of 1.1 million voluntary organizations in the United States. This figure is obtained from the Internal Revenue Service master file of tax-exempt organizations. Of these organizations, a relatively small proportion (about 220,000) are conventional social welfare organization designed to serve members of the public. The largest groups (about 400,000) are what Salamon (1995) calls member serving organizations. They cater to the needs of their members and include social clubs, labor unions and member cooperatives. About 350,000 are religious organizations. Another 140,000 are social action agencies. A small number (about 30,000) are funding organizations such as foundations and the United Way that provide funds for philanthropic activities. These organizations spent about $ 398 billion on various services. Public giving to the voluntary sector reached $ 126 billion in 1993 (Brilliant, 1995).

As indicated earlier, there has been significant growth in the commercial, for-profit social welfare sector in the last 15 years. Unfortunately, research into this sector is still very limited. Karger and Stoesz (1994) report that for-profit firms are most active in medically related fields but, as was noted earlier, there has been significant growth in corrections, child care, employment training and services to disabled people. There is every indication that the commercial sector will continue to grow and diversify even further in the future. In view of the substantial budgetary reductions proposed by the current Republican controlled Congress, it is not certain that they will be able to rely as extensively on public resources as before. Nevertheless, as public programs are cut, private sources of funding will probably increase.

POLICY OPTIONS FOR PARTNERSHIPS

The model of minimally planned welfare pluralism described earlier is based on a number of policy instruments which foster mutual interactions between the state and voluntary and commercial sectors. These policy instruments are primarily fiscal or budgetary in nature. Unlike many other countries where mandatory systems of registration of voluntary organizations are in force, the United States relies primarily on fiscal measures. Mandatory registration permits extensive control, coordination and planning of voluntary organizations.

This is not to deny the efforts that have been made at the community level in the United States to coordinate voluntary effort. However, such efforts are primarily directed by the voluntary sector itself through the United Way or similar bodies and are not mandatory. This approach is compatible with the country's liberal traditions and it is doubtful whether a highly organized system of mandatory control and coordination could ever be instituted. Instead, fiscal measures are preferred. However, as noted earlier, these measures do not comprise a neat, highly organized system of mutually reinforcing supports. Nevertheless, they do drive the system and operate in different ways to insure that partnerships are established.

These major policy instruments for promoting partnerships are as follows:

(1) <u>Tax Incentives</u>

Like many other countries, the United States encourages voluntary effort through providing fiscal incentives of various kinds thought its tax code. The first of these provides tax incentives to individuals and corporations to make donations to philanthropic organizations. The second, grants tax exemptions to voluntary organizations to facilitate their activities. Under this provision, voluntary organizations are exempt from paying taxes on the income they receive or generate. As noted earlier, more than 1.1 million organizations enjoy tax exemptions of this kind.

While the actual tax laws governing these organizations are complex, they are an important policy instrument for fostering the involvement of voluntary effort in social welfare activities.

(2) Direct Payments and Subsidies

The government also encourages voluntary effort through making direct grant payments to voluntary organizations. Direct grant payments from the Federal government take the form of subsidies to national bodies such as the National Endowment for the Arts. Similar systems of payments exist in different states. These forms of payments and subsidies are, however, very limited.

(3) Competitive Grants for Research and Demonstration Projects

Various federal and state agencies have systems of competitive grants to fund research and demonstration projects designed to collect information or test particular social service initiatives. Usually, funding agencies advertise potential awards and encourage competitive applications which are reviewed by external experts. Universities are major recipients of these awards but many voluntary organizations also compete. State governments also compete for federal awards of this kind.

(4) Contracted Payments for Service Delivery

This approach is by far the most common and extensively used policy instrument for fostering partnerships between voluntary and commercial agencies and the government. It is based on the Social Services Block Grant system which allocates federal funds to the states for social services. The states may use this money to provide services themselves or to contract out these services to voluntary or commercial providers. Many states make extensive use of contracting out and this practice today accounts for the largest proportion of income to many voluntary agencies. In a study of several local communities in the United States, Salamon (1995) found that typically, state and municipal social service agencies spend about 40% of Block Grant money while the remaining 60% goes to voluntary and commercial private agencies on contract. Salamon also found that these funds remain the single largest source of income for voluntary organizations in the United States. Clearly, the use of purchase of services contracting is a powerful policy instrument for forging partnerships between government and private agencies.

(5) Payments for Services Consumed by Individuals

Another major source of income is government reimbursed payments made through individuals using services provided by voluntary and commercial organizations. The key to this approach is that individuals use their entitlements to obtain services from voluntary or commercial organizations. The most common example is medicare and medicaid which reimburses providers for the services consumed by individuals. As Salamon (1995) notes, reimbursement to health care and nursing homes through these programs are the single largest source of income to the commercial social services sector.

ISSUES, CONTROVERSIES AND LESSONS

As has been shown, the partnership model which has emerged in the United States is characterized by a complex set of policy instruments and relationships and by a primary emphasis on fiscal measures as incentives for the involvement of voluntary and commercial agencies in the provision of social welfare. This approach has obvious weaknesses but it also has strengths. The fragmentation and excessive commercialization of the system has been adversely commented on but, at the same time, its pluralistic nature and combination of public and private effort has been commended.

Nevertheless, there are obvious tensions within the system. The growing competition for scarce resources is a major concern. As Congress seeks to balance the budget, it is likely that social service budgets will be further reduced creating even more pressures. These pressures may well undermine the whole system. Only time will tell whether the existing partnership will survive and whether it offers a useful model for other countries.

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