

*Dimensions of Social
Welfare Policy*

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The Design of the Delivery System

“You’re very strict,” said the Mayor, “but multiply your strictness a thousand times and it would still be nothing compared with the strictness that the Authority imposes on itself. Only a total stranger could ask a question like yours. Is there a Control Authority? There are only Control Authorities. Frankly, it isn’t their function to hunt out errors in the vulgar sense, for errors don’t happen, and even when once in a while an error does happen, as in your case, who can say finally that it’s an error?”

Franz Kafka
The Castle, 1930

When Kafka’s hero wanders through a bureaucratic maze, continually confounded in his attempts to make sense of the system, his fictional world is not far removed from the real-life experiences encountered by many applicants for social welfare benefits. The system for delivering benefits is closed to certain applicants; others enter it only to find themselves shuffled from agency to agency without ever receiving appropriate help. And many will ask in despair for a “control authority” through which to seek redress for their grievances. At times the answer they receive closely approximates the quotation above.

This situation does not necessarily arise out of authoritarian mentalities or bad intentions. Indeed, there is no way to avoid some measure of bureaucracy in structuring services. Organization, to a considerable degree, requires bureaucracy. But there are important choices to consider in designing organizational forms, choices that provide policymakers and planners with opportunities to avoid some of the more Kafkaesque aspects of service delivery. In this chapter we will examine some of the choices and uncertainties involved in the design of social services delivery systems.

The delivery system, as noted in Chapter 3, refers to the organizational arrangements that exist among service providers and between service providers and consumers, in the context of the local community. We focus on “the local community” because this is where providers and consumers usually come together.¹ Service providers may be individual professionals, self-help associations, professional groups,

or public and private agencies acting separately or in concert to provide services in private homes and offices, community centers, welfare or mental health departments, hospitals, and so forth.

The number of choices involved in designing delivery systems is large. Consider, for example, the following seven options (which by no means exhaust the possibilities). Providers may:

Be administratively centralized	or	Decentralized
Combine services (e.g., health, probation, and income support)	or	Offer single services
Be located under one roof	or	Maintain separate facilities
Coordinate their efforts	or	Never communicate
Rely on professional employees	or	Employ consumers or paraprofessionals
Delegate authority to service users	or	Concentrate authority in the hands of "experts"
Be public administrators	or	Private contractors

Through the early 1980s, most of the literature on the design of social service delivery systems focused on the first six options, choices which concern structural arrangements to promote services coherence and accessibility. Since then, a new body of literature has emerged that is centered less around structural arrangements and more around questions related to service delivery under public or private auspices. In examining choices in the design of delivery systems, we will begin with the selection of administrative auspice—one of the most pressing issues in the planning and politics of services organization.

Privatization and Commercialization in Service Delivery

Analyses of auspice tend to focus on two levels of choice: (1) the broad issue of privatization, which addresses the alternative of having a service delivered directly by a public agency or indirectly through contracting with a private provider (voluntary and for-profit agencies), and (2) the narrower issue of commercialization, which addresses the choice between for-profit and nonprofit providers.

Privatization and the Future of Public Social Services

Since the early 1980s, there has been considerable growth in third-party purchase of service arrangements, through which public funds are used to pay for services delivered by private agencies.² This trend is expanding under welfare reform, with community organizations, often faith-based, receiving preference as TANF contract agencies.

Today's degree of enthusiasm for contracting out represents a level of commitment to community-based agencies that has not been seen since the community action movement of the mid-1960s. It is an enthusiasm inspired by the convergence of two popular assumptions—one suiting the free-market ideology of the right, the other satisfying the citizen participation/empowerment objectives of the left. Privatization is therefore linked both to the presumed advantages of the competitive marketplace and to the failings of public bureaucracies. Private agencies perform well, it is said, because they offer the most efficient approach to the production and delivery of social services.³ Public bureaucracies perform poorly, the argument continues, because they enjoy a monopoly in their areas of service; public consumers, a captive audience, must take what is offered.⁴

Although a competitive market *does* provide strong incentives to adopt cost-effective practices, the efficiency assumption nevertheless bears scrutiny. This is because the market metaphor does not exactly apply in the realm of social services contracting where the forces of competition responsive to consumer choice are undermined by third-party purchase of service arrangements.⁵ Under purchase of service contracts, the entire transaction is perceived neither by the individual consumer, who does not pay for the service, nor the purchasing public body, which does not receive the service. Moreover, social service consumers are often vulnerable—children, elderly, and poor—and less than well informed. In the absence of the market discipline imposed by knowledgeable consumers who pay for what they get, third-party contracting does not operate in the kind of environment that secures the cost and quality of services being delivered, a problem Hansmann describes as the “contract failure theory.”⁶

Competitive bidding for third-party contracts has been used in efforts to address the problem of contract failure, which stems from the absence of competition and consumer choice. Evaluations of the competitive bidding mechanism in several

CAPSULE 6.1 • *The Privatization Nostrum*

Today, government is beset with cynicism, conservatism, and libertarianism. “Privatization” is the magic nostrum to cure our public ills and two administrations have been industriously, if not always coherently, engaged in dismantling the structure they were supposed to be managing. “Bureaucracy” and even “government” have become pejoratives instead of descriptive terms. . . .

The pendulum has swung before and it will swing again. The attractions of libertarian-

ism, which views each human being as ensconced in a shell of isolation, will fade in the face of the world's great social problems of population, of environment, of energy, and the establishment of peace. We will learn again that we must live together, all jostled up on this little planet; and we will learn that government plays an essential and honorable role in the endeavor.

Herbert A. Simon and Victor A. Thompson, “Public Administration Revisited,” *Society* 28(5) (July/August 1991): 44-45.

CAPSULE 6.2 • *Public Service, Noble Purpose*

The monopoly provision argument assumes that public organizations have no ways to call forth good performance from employees other than the incentives typically available to private firms. This view ignores the role that the larger and—I do not hesitate to use the word—nobler purposes of many public endeavors can play in spurring employees to better performance. For example, the vast majority of people in our society who risk their lives on behalf of others in the regular course of

their jobs are government employees—police officers, fire fighters, soldiers, foreign service officers. Certainly not every public employee is motivated by saintly purposes, nor does every government agency have a large public purpose. But where public purpose draws people into government in the first place, it should be nurtured and consciously be made part of a strategy for public management, not dismissed as something for snickers or sarcasm.

Steven Kelman, "The Renewal of the Public Sector," *The American Prospect*, no. 2 (Summer 1990): 53.

service areas, however, suggest that the results neither reduce costs nor enhance quality.⁷ "Proxy shopping," another method recommended to introduce the discipline of market competition into purchase-of-service arrangements, involves contracting only with service providers who can attract paying customers (who serve as proxy-shoppers for public agencies). The reasoning here is that if consumers who have shopped around with money in their pockets are willing to pay for the service, the cost and quality should be competitive with that of other providers.⁸ Still, there must be enough suppliers to form a competitive market, which is often not the case when dealing with community-based agencies.

Even if competition can be introduced into purchase-of-service arrangements, the problem remains that the transaction costs of contracting are quite high; these costs include complicated measurements to determine the price of units of service being purchased and expensive procedures to then monitor the quality of what is delivered (these costs of holding providers accountable are discussed in more detail in the next chapter).⁹ One answer to this criticism is that the transaction costs of purchasing services from private agencies may be mitigated by contracting with community-based agencies. Why? The reasoning goes that community-based agencies will be accountable and responsive to their local consumer-constituency; these agencies are in essence local groups organized to serve their own communities. Thus, even though the consumers do not pay for the services they are receiving, they are nevertheless in a strong position to influence the quality of these services, often participating on the boards of the local agencies. Under these circumstances the transaction costs of contracting can be reduced because monitoring for quality would be conducted by the consumers who have the power to influence their local organizations.

Contracting, then, can be promoted not only as a method for efficient and effective delivery of services, but also as a mechanism for advancing the democratization of social services. Community-based agencies are mediating institutions—local, private, and responsive to the people served—that provide a cushion of civil society between

CAPSULE 6.3 • *The New Parlance of Community**Civil Society*

An intellectual revolution is underway concerning the nature of our social crisis. It is no longer credible to argue that rising illegitimacy, random violence, and declining values are rooted in the lack either of economic equality or of economic opportunity. These positions are still current in our political debate, but they have lost their plausibility.

America's cultural decay can be traced directly to the breakdown of certain institutions—families, churches, neighborhoods, voluntary associations—that act as an immune system against cultural disease. In nearly every community, these institutions once created an atmosphere in which most problems—a teenage girl “in trouble,” the rowdy neighborhood kids, the start of a drug problem at the local high school—could be confronted before their repetition threatened the existence of the community itself.

When civil society is strong, it infuses a community with its warmth, trains its people to be good citizens, and transmits values between generations. When it is weak, no amount of police or politics can provide a substitute. There is a growing consensus that a declining civil society undermines both civility and society.

—Senator Dan Coats

Senator Dan Coats, “Can Congress Revive Civil Society?,” *Policy Review*, no. 75 (January/February 1996): 25.

Robert D. Putnam, “The Prosperous Community: Social Capital and Public Life,” *The American Prospect*, no. 13 (Spring 1993): 35, 41.

Social Capital

By analogy with notions of physical capital and human capital—tools and training that enhance individual productivity—“social capital” refers to features of social organization, such as networks, norms, and trust, that facilitate coordination and cooperation for mutual benefit. Social capital enhances the benefits of investment in physical and human capital.

Our political parties, once intimately coupled to the capillaries of community life, have become evanescent confections of pollsters and media consultants and independent political entrepreneurs—the very antithesis of social capital. We have too easily accepted a conception of democracy in which public policy is not the outcome of a collective deliberation about the public interest, but rather a residue of campaign strategy. The social capital approach, focusing on the indirect effects of civic norms and networks, is a much-needed corrective to an exclusive emphasis on the formal institutions of government as an explanation for our collective discontents. If we are to make our political system more responsive, especially to those who lack connections at the top, we must nourish grass-roots organization.

—Robert Putnam

the individual and the state. Seen in this light, minimizing the role of government in the delivery of social services will give “mediating institutions, once again, the space to flower, reclaiming their rightful place at the center of a revitalized civil society.”¹⁰ In the mid-1990s, this “civil society” theme engendered considerable discussion about ways to reinforce local community structures to build the “social capital” necessary to promote democracy, local networks, and responsive helping systems.

There is however another less sanguine view of the value and the potential of community-based agencies. Abstract discourse on civil society, local responsiveness,

social capital, and citizen empowerment tends to ignore the harsh fact that there is often a dense concentration of social problems in communities with the highest proportions of residents in need of social services. Fred Wulczyn, finding that one out of eight children born in some of New York's poorest neighborhoods are admitted to foster care as infants, estimates that the cumulative rate of foster care placement in these communities may be approaching 20 percent.¹¹ Plagued by high levels of child abuse, family disorganization, and crime, these communities not only have few natural "civic" resources, they would be extremely difficult to organize for constructive local agency participation.

Effectiveness and local responsiveness aside, however, the plain fact is that community-based agencies often deliver social services for lower costs than public bureaucracies. They deliver services for less because they *pay* their workers less. Public bureaucracies, after all, represent one of the last strongholds of the union movement in the United States. Community-based organizations can also often rely on volunteers, keeping their personnel costs down.

Ironically, efforts to revitalize civil society through support of geographically based mediating institutions are being promoted at the cost of functionally based communities of organized labor, which *also* constitute powerful mediating institutions of civil society. Indeed, in his classic analysis, Emile Durkheim noted, "A nation can be maintained only if, between the State and the individual, there is intercalated a whole series of secondary groups near enough to the individuals to attract them strongly in their sphere of action."¹² With organizations based on territorial divisions (villages, districts) becoming less important, Durkheim envisioned occupational groups emerging to fill the void and re-create a sense of social solidarity.

Philosophical arguments about the place of geographic- and functional-community institutions in civil society will not mitigate the increasing fiscal pressures on state public assistance agencies to contract out the delivery of services under TANF block grants. As policy analysts consider the shift from the public social services to community-based delivery structures, the assumptions underlining privatization should be carefully examined and the trade-offs should be made explicit, particularly the implications for organized labor. Private services may be less costly, but whether community-based agencies are more *effective* in delivering social services isn't at all certain. To date, research findings on the effectiveness of social services delivered under public and private auspices haven't yielded a definitive answer.¹³ As Kamerman and Kahn observe, the evidence runs both ways, "varying with field, time, context, and scale."¹⁴ Although private community-based agencies reside close to the people being served, are less bureaucratic, and are more responsive to local influences than public bureaucracies, this does not guarantee greater effectiveness in service delivery.¹⁵

Faith-Based Services

Religious institutions—nearly half a million churches, synagogues, and mosques in the United States today—constitute the largest component of the American voluntary sector, and a critical element in our civil society. Yet the role of religion in social welfare has always been an ambiguous one, and subject to great controversy.

In the early years of the American welfare system, religious institutions played dominant roles. Much of the urban antipoverty effort of the late nineteenth century, for example, was founded on religious conviction. While usually operating informally, through personal charity and volunteer do-gooding, a number of formal organizations were vital to the social health of the cities. Urban missions such as the Salvation Army, for example, addressed slum conditions and alcoholism and destitution via the Bible and material relief. Catholic and Protestant hospitals and orphanages and old-age homes evolved to serve society's dependents.

With the rise of the welfare state, the role of religion in social welfare declined. Early proponents of public welfare were aggressively secular, viewing religious helping as parochial, amateurish, and moralistic. And while religious agencies continued to provide valuable services, they increasingly operated much like any other kind of voluntary nonprofit—as formal 501(c)3 agencies with professional staffs and broad nondenominational missions. Catholic Charities USA, for example, became a billion dollar enterprise serving the broad community and receiving more than 60 percent of its funding from government contracts.

Today's faith-based organizations—the term developed in the mid-1990s—have been undergoing a significant renaissance since the enactment of welfare reform in 1996. A provision in that legislation authorizing “charitable choice” permitted states to contract with religious agencies to assist welfare clients. This was a significant break with previous practice that largely prohibited contracting with organizations that were overtly religious—organizations, for example, that displayed religious symbols or used religious criteria in selecting employees. Under TANF, not only would secularized agencies like Catholic Charities be eligible for support, but also more overtly faith-oriented groups. One of George W. Bush's first initiatives as president was to embody his philosophy of “compassionate conservatism” in new initiatives to promote the social welfare efforts of religious and community organizations. Believing that the faith-community had been improperly inhibited by bureaucratic red tape and funding restrictions, new Centers for the Faith-Based and Community Initiative were established in seven federal agencies to make sure that local agencies could compete on an equal footing for federal dollars, receive greater private support, and face fewer bureaucratic barriers.

As a result, significant numbers of churches and associated bodies provide job training, literacy development, fatherhood programs, drug and alcohol treatment, and residential programs for unmarried mothers. So long as they do not actively evangelize or discriminate against non-believers, these agencies can receive state funding. While these limitations do not satisfy strict “separationists” who view “charitable choice” as a dangerous violation of the First Amendment boundary between church and state, a broad coalition has come to view faith organizations as valuable instruments for social welfare, either as partners with government (the view from the left) or as substitutes for government (the view from the right). While liberals and conservatives increasingly recognize the importance of adding a spiritual dimension to social service programs, liberals see government and religious charities coexisting in the promotion of a welfare-sensitive civil society while conservatives see religious agencies based on morality, private charity, and direct compassion replacing bureaucratic, inefficient public programs.

Commercialization: Services for Profit

Prior to the 1960s, social services were delivered almost exclusively by public and voluntary nonprofit organizations. When they were addressed, questions of auspice addressed the relationship between public and voluntary nonprofit providers.¹⁶ With today's increasing involvement of commercial agencies in the delivery of social services, new questions have emerged concerning how well social welfare objectives can be served by providers motivated by profit.

Social welfare advocates view the emergence of profit-oriented agencies with a jaundiced eye.¹⁷ There is a strong suspicion that the profit motive is not morally compatible with the ethos of social welfare provision. Yet, moral objections would be difficult to sustain if it could be shown that profit-oriented agencies were the most effective and efficient means for delivering social services. If, on the other hand, profit-oriented agencies were shown to be *less* efficient and effective than nonprofit providers, moral objections would be unnecessary to deter the privatization of services. Assessing the efficiency and effectiveness of social services, however, is a complex business. Service objectives are often multiple and vague. They are no less important for these qualities, but they frequently defy precise measurement.¹⁸

CAPSULE 6.4 • *Taking Faith Seriously*

In recent years there has been an explosion in empirical research on faith-based social programs. Most studies, including the most scientifically rigorous, find that faith moves social and civic mountains.

Consider the latest scientific literature on religion and crime.

A 1997 study by Byron Johnson, director of the Center for Research on Religion and Urban Civil Society, reports that New York State prisoners who participated intensively in Bible studies were less likely to be rearrested:

Participants were only a third as likely to be arrested a year after release as otherwise comparable prisoners who did not participate.

On average, eight years after release, the Bible studies participants remained arrest-free over 50 percent longer than the parolees in the comparison group.

Likewise, in a study of a faith-based program in a Texas prison, Johnson reports:

Two years after release, participants were less likely to be arrested than inmates paroled early from the program and than otherwise comparable inmates who did not participate in the program.

Only 8 percent of the Prison Fellowship program graduates, versus 20 percent of the matched comparison group, were incarcerated within two years after being released.

So, whether with respect to reducing recidivism rates, improving public health outcomes, accelerating volunteer mobilization, or other objective measures, the empirical evidence has become weighty enough for numerous top scientific organizations to begin taking religion seriously.

Despite the difficulties of empirical measurements, there is a body of research comparing the relative effectiveness of profit versus nonprofit providers.¹⁹ Some studies reveal that nonprofit providers are more sensitive to client needs; others show service areas in which profit-oriented agencies do the best job; still others find no significant differences between profit and nonprofit agencies. On the whole, findings on the relative merits of for-profit and nonprofit service providers, like comparisons between public and private providers, are indeterminate.

In the absence of decisive empirical evidence, theoretical analyses of the distinguishing features of profit and nonprofit organizations offer a variety of guidelines for choice. Theoretically, nonprofit organizations have greater public accountability than profit-oriented organizations because their structure of governance requires boards of directors composed of people who are expected to promote the broad interests of the community. In contrast, the directors of profit-making agencies are expected to protect the financial interests of owners. In nonprofits, therefore, there is less temptation to exploit vulnerable service consumers for material gain. Finally, there is a charitable ethos associated with nonprofits that is at variance with the capitalist spirit of profit-making enterprises.²⁰

These differences suggest several practical conclusions for choosing between profit-making and nonprofit providers:²¹

1. Standardization of service—Services that involve uniform procedures and standard products, such as public health vaccinations, readily lend themselves to the economic planning skills and business initiative of profit-making organizations. At the same time, the uniform character of these services allows the purchasers to monitor their delivery for potential abuses more easily than services that require a technology that is custom tailored to each case (such as therapeutic services).
2. Client competence—Many social services deal with client groups that are highly vulnerable to exploitation. Children, the mentally retarded, and confused and emotionally upset people do not have the ability to hold service providers accountable for the quality of their services. To the extent that public accountability and the charitable ethos influence the behavior of nonprofit agencies more than that of profit-making agencies, the nonprofit form is preferable for delivering services.
3. Coerciveness of service—Services invested with coercive powers, such as protective services for children and work with parolees, pose a significant threat to personal liberty. In these cases, the service provider's degree of public accountability is of foremost importance. With the clients' freedom at stake, the lack of public accountability of profit-making organizations would not seem to offer the most adequate form of protection.²²
4. Potency of the regulatory environment—Profit-oriented and nonprofit providers would seem equally preferable in delivering services that are under sufficient public regulation to ensure the maintenance of standards and client protection. We should note, however, that the scope and potency of regulatory activity in the social services are limited.

CAPSULE 6.5 • Profit Versus Nonprofit

Patients enrolled in profit-making health insurance plans are significantly less likely to receive the basics of good medical care—including childhood immunizations, routine mammograms, pap smears, prenatal care, and lifesaving drugs after heart attacks—than those in not-for-profit plans, says a new study that concludes that the free market is “compromising the quality of care.”

The research, conducted by a team from Harvard University and Public Citizen, an ad-

vocacy group in Washington, is the first comprehensive comparison of investor-owned and nonprofit plans. The authors found that on every one of 14 quality-of-care indicators, the for-profits scored worse.

“The market is destroying our health care system,” said Dr. David Himmelstein, the study’s lead author. “We have had a decade or more of policies aimed at making health care a business, and they have failed.”

Sheryl Gay Stolberg, “Report Says Profit-Making Health Plans Damage Care,” *The New York Times*, July 14, 1999.

Although these conditions tend to favor nonprofit agencies, there are clearly service areas where this general proposition does not hold, such as transportation for the handicapped and elderly. In choosing between profit and nonprofit providers, the essential issue is not to seek the universally superior form of organization, but to determine the particular conditions under which profit- or nonprofit-oriented agencies may best serve social welfare clients. In assessing these conditions we must consider not only the points noted, but also the nature of the purchase-of-service arrangement, especially the extent to which funding agencies can design grant requirements to ensure compliance with their objectives (an issue that will be addressed in Chapter 8).

***Promoting Coherence and Accessibility:
Service Delivery Strategies***

Whether social services are delivered under public or private auspices, issues remain about how to structure the delivery system in ways that foster coherence and accessibility. Broadly speaking, efforts to promote coherence and accessibility address three kinds of questions concerning the structural arrangements for service delivery: (1) Where shall authority and control for decision making be located? (2) Who will carry out the different service tasks to be performed? (3) What will be the composition (the number and types of units) of the delivery system?

Attempts to answer these questions often stir controversy as they respond to the tug and pull of conflicting social values. In addressing questions about where authority should be vested, for example, the value of consumer participation may be emphasized regardless of its impact on the efficiency of service delivery. Issues having to do with efficiency compete with other values that may be equally important to