Rethinking the safety net: Gaps and instability in help for the working poor

Scott W. Allard

Scott W. Allard is Associate Professor in the School of Social Service Administration at the University of Chicago, and an IRP affiliate.

Introduction

The "safety net," a term we use to describe a system of security that ensures no one falls below a minimum standard of living, can be thought of as the bundle of government and nongovernment antipoverty programs intended to help the roughly 60 million low-income Americans who lack adequate income, food, housing, or access to health care.[1] Quite often poverty research and policy discussions of the safety net revolve around its governmental components, particularly those programs designed to reduce the prevalence of material poverty. For example, public assistance programs such as Food Stamps, Temporary Assistance for Needy Families (TANF) welfare cash assistance, and the Earned Income Tax Credit (EITC), which together provide about $80 billion in total aid to working poor families, receive substantial attention from researchers and policymakers. Medicaid, which provided coverage to roughly 30 million non-aged, nondisabled families in 2003 at a cost of about $70 billion,[2] is also prominent in policy debate.

Less salient in the public mind or in poverty research, but critical to how the safety net helps working poor populations, are social service programs that promote work activity and greater personal well-being through job training, adult education, child care, temporary emergency food or cash assistance, and substance abuse or mental health treatment.[3] Social service programs are funded primarily by federal, state, and local governments, but nonprofit organizations play a key role in service provision through the contribution of private program resources and essential street-level service delivery. Discussing the modern safety net, Smith (2002) concludes that "nonprofit social service agencies have a more central role in society's response to social problems than ever before" (p. 150).[4] In total, social services now likely receive somewhere between $150 and $200 billion in public and private financing annually.[5]

The prominence of social service programs in the contemporary safety net has numerous implications for policy and research. Here, I focus on two. First, delivery of social service programs is very different from delivery of cash assistance programs. Whereas welfare or food stamp benefits can be delivered directly to recipients through the mail or an electronic benefits transfer (EBT) card, most social services cannot be mailed or delivered to an individual at home. Instead, clients typically visit a service agency, often several times, to receive assistance. Social service programs have a fundamentally local character and can vary more widely by place than we often realize. Poor individuals who do not live near relevant service providers may lack information about available services or may find it difficult to access programs. This may be particularly true for low-income populations with limited access to transportation. For these families, inadequate access to providers may be the equivalent to being denied social service aid.

The next implication of the prominence of social service programs in the contemporary safety net is that funding of social service programs, more so than most safety net assistance, can change from year to year. Whether due to changing needs, fluctuation in available revenues, or shifts in public priorities, the allocation of government and nongovernment program funds for social services can be inconsistent or unpredictable from one year to the next. Because funds typically contract during economic downturns and budget crunches, just when demand for assistance increases, public and private social service programs have poor countercyclical properties. The uneven provision of social service funds also fosters instability in the delivery of assistance to poor individuals and destabilizes the nonprofit sector that provides many services. Thus, inadequacies in both accessibility and consistency have the potential to adversely affect social service provision for working poor populations.

Despite these realities, few studies examine the spatial or financial context of social service provision. In this article, I examine these issues through the lens of the Multi-City Survey of Social Service Providers (MSSSP) completed with executives and managers of nearly 1,500 public, nonprofit, and for-profit organizations in three metropolitan areas (Chicago, Los Angeles, and Washington, DC) between June 2004 and August 2005. Capturing the wide variety of community-based organizations that administered programs to working-age adults in households with incomes near or below the federal poverty line, the MSSSP collected information on location, services, clients, funding, and organizational characteristics

Table 1
Characteristics of Social Service Providers in the MSSSP

Characteristic	Chicago	Los Angeles	Washington, DC
Type of organization			
Government	23	36	24
Nonprofit	71	60	74
Primary revenue source for nonprofit service organizations			
Government grants and contracts	44	33	26
Private giving	5	15	11
Nonprofit grants	9	6	13
Annual budget			
More than $1 million	59	43	35
$1 million–$200,000	28	31	38
$200,000–$50,000	9	15	19
Less than $50,000	4	11	8
Percentage of clients living within three miles of the service provider			
+75%	41	39	41
51–75%	24	26	20
26–50%	20	20	21
0–25%	16	16	18
Total number of service providers	444	548	399

Source: Multi-City Survey of Social Service Providers (MSSSP).

Note: Numbers reported are percentages of organizations. Primary revenue sources are defined as those that compose at least 50 percent of a nonprofit organization's operating budget each year.

from a range of governmental and nonprofit social service providers. With response rates that exceed 60 percent at each site, these surveys are the most comprehensive and geographically sensitive data about social service provision currently available.[6]

Characteristics of service providers in three cities

Nonprofit organizations deliver a significant share of the assistance to poor individuals at the street level (see top panel of Table 1). More than 70 percent of providers in Chicago and Washington, DC, and 60 percent of providers in Los Angeles are nonprofits. One-quarter to one-third of all providers interviewed for the MSSSP are government organizations, most often local agencies and county branches of state agencies that operate a range of health and human service or employment-related programs. Although not shown here and excluded from the analyses that follow, I find that relatively few for-profit agencies provide services to low-income populations in these three cities.[7]

The MSSSP asked executive directors and program managers whether their organization currently offered one of eight core services to low-income adults at no or low cost: outpatient mental health counseling; outpatient substance abuse treatment; assistance finding affordable housing or paying rent; adult education; job placement or training; emergency assistance; food assistance; and assistance preparing tax returns or the EITC or assistance with financial planning, savings, or investment. Responses to these questions exhibit much similarity across the three metropolitan areas sampled by the MSSSP, probably reflecting the common needs of poor individuals in urban areas, the priorities and incentives of federal government programs, and societal beliefs about the types of assistance communities should provide to disadvantaged populations.

Although many providers in these three urban communities are nonprofit organizations, the second panel in Table 1 shows that government revenue sources are central to the funding of social service programs. Roughly one-third of all nonprofit agencies are dependent upon government grants or contracts, meaning that they draw at least 50 percent of their total budget from that revenue stream. There is modest variation in dependence upon public revenues across the three cities, with nearly 45 percent of providers in Chicago reliant upon government funds, compared to 33 percent in Los Angeles and 26 percent in Washington, DC. Nonprofits are far less reliant upon other common revenue sources such as private giving or grants from larger nonprofit organizations or foundations. About 10 percent of all nonprofits, mostly emergency assistance providers, report being dependent upon private giving; a similar percentage indicates dependence on funding from other nonprofit organizations.

About 46 percent of all providers, public and nonprofit, have annual budgets over $1 million, with some variation across the three cities. Nearly two-thirds of government agencies reported budgets above $1 million, compared to 43 percent of nonprofit organizations. Not only do the larger organizations provide many different services and retain sizable professional staffs, they also tend to provide more resource-intensive services such as mental health counseling, substance abuse treatment, and employment-related programming. Local safety nets also include a substantial number of small and modest-sized nonprofit service organizations, many of which are missed by typical sources of data such as IRS tax-exempt filings. Nearly one-quarter of all the nonprofit providers interviewed operate with annual budgets of less than $200,000, with about 9 percent reporting budgets under $50,000. Many of these smaller agencies focus on addressing temporary food and material needs of working poor families.

Consistent with the argument that access to service providers is an important determinant of service utilization, most agency caseloads are composed predominately of residents from the surrounding neighborhood. Six out of ten providers across the three cities maintain caseloads in which a majority of clients live within a three-mile radius. Even though the three cities vary in size and in type of public transit systems, there are few differences in the proportion of clients living within three miles. The City of Los Angeles covers 1,725 square miles—nearly three times the size of Chicago and more than ten times the size of the District of Columbia—yet the share of providers in Los Angeles that draw a majority of their clients from within three miles is almost identical to that found in Chicago and Washington, DC—65 percent.

Access to service providers

To provide insight into the accessibility of service providers to concentrations of need in these three cities, I calculate a service accessibility score. The score reflects a residential census tract's access to social service opportunities within three miles relative to the average tract in that city, weighting for the number of poor individuals within three miles to control for potential demand. I use these service accessibility scores to make comparisons among different types of census tracts or neighborhoods. For example, Neighborhood A, with an access score of 1.10, is located within 3 miles of 10 percent more service opportunities than the metropolitan mean tract. If Neighborhood B has an access score of 0.90, it is located near 10 percent fewer service opportunities than the metropolitan mean tract. Neighborhood A thus has access to 22 percent more service opportunities than Neighborhood B (1.10 ÷ 0.90 = 1.22). If providers are more likely to locate near or within impoverished neighborhoods, then service accessibility scores will be at or above one in high-poverty neighborhoods. I report mean access scores pooled across the three cities for tracts with different types of race composition and poverty rates in Table 2. Below I distinguish between low-poverty census tracts (defined as having a poverty rate of less than 10 percent), moderate-poverty tracts (poverty rate of 11 percent to 20 percent), high-poverty tracts (poverty rate of 21 percent to 40 percent), and extremely high-poverty tracts (poverty rate greater than 40 percent).[8]

Table 2
Access to Social Service Providers in the MSSSP

Type of Census Tract	Mean Access to All Services
Poverty Rate	
0 to 10%	1.20
11 to 20%	0.92
21 to 40%	0.76
+40%	0.70
Percentage of Tract Population African American	
0 to 25%	1.11
26 to 50%	0.85
51 to 75%	0.73
+75%	0.58
Percentage of Tract Population Hispanic	
0 to 25%	1.09
26 to 50%	0.98
51 to 75%	0.81
+75%	0.76
Percentage of Tract Population White	
0 to 25%	0.63
26 to 50%	0.95
51 to 75%	1.07
+75%	1.25

Source: MSSSP; 2000 Census.

Note: Numbers reported are mean service accessibility scores reflecting access to all social service providers and controlling for potential demand in the surrounding area.

In each city there is evidence of mismatches in service accessibility; services are much more accessible in lower- than in higher-poverty areas. On average, census tracts with high or extremely high poverty rates—those with the greatest demand or need for assistance—have access to about 30 percent fewer service providers than the average residential tract in each city. Although not reported in Table 2, these patterns persist in all three cities. For instance, high-poverty tracts in Chicago, with a score of 0.70, have access to 30 percent fewer service providers or service opportunities than the average tract in Chicago. Similarly, extremely high-poverty tracts in Los Angeles and Washington, DC, have access to 33 percent and 31 percent respectively fewer social service opportunities than the mean tract.

Table 3
Volatility in Funding and Service Provision among Government and Nonprofit Organizations

	Percentage of All Government and Nonprofit Organizations[a]
Report Decrease in Funding from Any Revenue Source in Previous Three Years	39%

	Percentage of Government and Nonprofit Organizations Reporting a Funding Decrease[b]
Reduced Staff in Previous Year Due to Funding Decrease	60%
Reduced Services in Previous Year Due to Funding Decrease	47
Reduced Clients in Previous Year Due to Funding Decrease	38
Temporarily Closed Site in Previous Year Due to Funding Decrease	7

Source: MSSSP.

Notes: [a] N = 1,323. [b]N = 510.

Living in neighborhoods highly segregated by race—often high-poverty or extremely high-poverty neighborhoods—significantly diminishes access to the safety net. The disparities in access scores between neighborhoods with large percentages of racial minorities and those with smaller percentages are quite striking. Census tracts that are predominately African American—that is, where the percentage of African Americans exceeds 75 percent—have access to 42 percent fewer service opportunities than the average tract and less than half as much access as tracts where more than 75 percent are white. Similarly, predominately Hispanic tracts are proximate to 24 percent fewer service providers than the average tract, and have access to 60 percent fewer service opportunities than tracts that are mostly white.[9]

A number of factors shape the location decisions of social service agencies and affect their accessibility to high-poverty neighborhoods. Perhaps most importantly, agencies find it difficult to locate affordable and adequate office space near or within high-poverty areas. Location choices may be driven by the need to access sources of government revenue, fee-based income, or private support. At times, agencies can run into difficulty finding a suitable location when confronted with "not in my backyard" sentiment. This attitude leads landlords or residents to resist the establishment of new social service programs or agencies in their immediate community out of concern that programs for low-income populations will attract individuals viewed as undesirable to the area. Nonprofit service organizations can also be attracted to neighborhoods with strong community-based institutions and high levels of civic engagement or social capital. Location incentives also vary across different service sectors. For example, job-training programs might locate closer to employers than to low-income program clients because proximity to employers may be critical to build the relationships necessary to place clients. Employment service agencies may also choose to locate away from high-poverty areas in order to help clients learn how to cope with the challenges of commuting to a job. Such providers may be more likely to locate in outer urban or inner-tier suburban areas because recent job growth in many communities has occurred outside of the central city. In the end, service providers must locate with the interests and needs of multiple stakeholders, constituencies, and obligations in mind. Proximity to clients is only one of many considerations when deciding on a location.

Volatility of funding and service delivery

Because access is likely to be shaped by the availability of program funding, it is important to note that many government and nonprofit social service providers report reduced program funding in recent years (Table 3). Cuts in funding occurred fairly consistently across the three cities. About 40 percent of government and nonprofit providers in Los Angeles and Chicago experienced a decrease in funding recently, as did 30 percent of providers in Washington, DC.

Instability of social service program funding affects the consistency of assistance that agencies deliver to the poor. Fewer resources or less reliable resource flows will be accompanied by fewer or less predictable services. To provide insight into the impact of lost program funding, service providers were asked whether they had pursued any of the following four responses to recent funding losses: reductions in staffing levels, reductions in services offered, reductions in numbers of clients served, or temporary closure of their facility. Seven out of ten government and nonprofit service providers experiencing a decrease in funding reported pursuing at least one of the four coping strategies, and almost half of them pursued more than one.

Funding reductions were most likely to trigger cuts in staffing. Sixty percent of public and nonprofit service organizations experiencing decreases reported reducing the number of paid staff as a result. Staff salaries and benefits are large line items in agency budgets, and it can be difficult to find grants that cover such administrative costs. By reducing staff, agencies can balance budgets and attempt to maintain service delivery levels with fewer personnel. Given that service organizations typically are understaffed, however, the loss of staff is likely to shrink the organization's capacity to serve over time. For agencies providing staff-intensive services or those unable to draw upon volunteers, client caseloads can expand only so far before the agencies are unable to deliver services in an adequate and timely fashion.

Given the difficulty of finding replacement funds for an entire program, the loss of funds from a key revenue source may force agencies to simply shut down a program. Again consistent with expectations, service reductions are quite common among agencies experiencing funding cuts. Nearly half of all government and nonprofit service providers reporting funding decreases reduced services to low-income clients. Highlighting the connection between programs and staffing levels, 84 percent of agencies reducing services also reported reducing staff.

Funding cuts may affect caseload sizes directly. Over one-third of providers reduced the number of clients served in response to lost income. The MSSSP does not probe to find out how agencies cut caseloads, but there are several possibilities. Some agencies may restrict new clients or put caps on caseload sizes, limiting the access of new applicants. In other instances clients may need to spend more time on waiting lists; this option avoids denying assistance to anyone in need, but it provides less immediate help. In yet other settings, an agency may simply eliminate a program midstream and cut off clients currently receiving help.

In the most extreme scenario, agencies may not be able to persevere with strategic staff layoffs, service cutbacks, or limits on client caseloads. Instead, they may have no choice but to close their doors temporarily or permanently. In addition to the 15 percent of agencies that were no longer operational when the MSSSP tried to contact them, another 7 percent of all government and nonprofit service agencies interviewed had closed their sites temporarily in the past year because of funding problems. Taken together, these findings suggest that as many as one-quarter of all agencies that report offering assistance to poor individuals at a given time will close for at least a short period and perhaps permanently.

Policy and research implications

Evidence presented here indicates holes in the safety net. Areas most in need are mismatched from the local government and nongovernment agencies that deliver assistance. A low-income household living in a high-poverty neighborhood or a predominately minority neighborhood has access to far fewer service providers than a low-income household located in an affluent, predominately white neighborhood. Not only is the safety net mismatched, but it is also volatile and unstable. Many providers report lost program funds in recent years that have forced cutbacks in program offerings, staff, or the number of clients served. Combined, these results suggest that social assistance for poor people is not as well matched or well suited to social needs as we might otherwise expect.

Improved access to the safety net will hinge on building information technology systems that better link individuals in need with community resources and service providers. More attention should be paid to the space and facility needs of service organizations. Efforts to provide agencies with a mix of technical assistance for facilities planning, data resources to aid facility placement decisions, and access to financial resources that can help acquire or expand facilities may be particularly useful in closing mismatches between available help and those seeking help. Improving service access will also require paying greater attention to how changes in the geography of poverty affect the manner in which communities fund and provide social assistance. Declining poverty rates in many central city neighborhoods and increasing poverty rates in nearby suburban communities pose complications for providers.[10] Agencies operating in areas with substantial declines in poverty may become even more vulnerable rather than better able to serve the community. Increased numbers of poor individuals in outer-urban areas and inner suburbs, where there may be few public or private resources available to increase service provision, will lead to increased demands for assistance that will outpace the ability of these communities to provide help.

In addition, public financial commitments to social service programs should be maintained, particularly at a time when poverty and income inequality are on the rise. Decreases in government social service funding will hamper the ability of low-income populations to achieve greater economic self-sufficiency, and their failure to do so will place additional burdens on both the public and private elements of the safety net. As important, cuts in public expenditures will increase the vulnerability of local nonprofits, lynchpins of the contemporary American safety net. A retrenchment of social welfare programs, therefore, jeopardizes the foundations of the safety net more profoundly than is commonly realized. In addition to maintaining or increasing public commitments to the safety net, I argue that we must also increase private commitments. One step toward strengthening the nonprofit service sector would be to cultivate greater and more durable fund-raising capacity. Given the dependence of nonprofits upon government sources of revenue and the instability of revenues from year to year, diversifying the nonprofits' funding portfolios will increase the stability of the agencies and the services they provide.

In spite of the central role that social services have come to play in local safety nets, we have relatively little information about social service organizations and how they provide services. Research exploring government and nonprofit social service provision, therefore, will also play an important role in identifying how governments and communities can best deliver assistance to working poor populations. While this article generates important insight into issues of service delivery, future research should seek to develop more precise measures of program accessibility, particularly measures that can be more sensitive to the adequacy of service provision relative to need and to program quality. To permit meaningful comparisons across communities, we should pursue data collection efforts that are geographically representative of several different regions or metropolitan areas and that would allow us to assess the spatial dimensions of the social service sector. Finally, there is need for further inquiry into the needs of working poor families and the factors shaping utilization of social service programs to address those needs.

Through a combination of private and public efforts, we have the opportunity as a nation to achieve a uniquely American safety net that is compassionate toward the needs of the poor. Communities can work together to provide bundles of services that support work and provide assistance through periods of economic uncertainty. Better coordination and planning of social service programs can reduce the mismatches, inefficiencies, and instabilities currently present in local safety nets. Ultimately, by strengthening both our public and private commitments to helping the poor, we can provide a safety net that offers support to those in need while remaining true to traditional American values of individualism, efficiency, and equitable access to opportunity. ■

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[1]This article draws upon the author's book *Out of Reach: Place, Poverty, and the New American Welfare State* (Cumberland, RI: Yale University Press, forthcoming 2008).

[2]J. Holahan and A. Ghosh, "Understanding the Recent Growth in Medicaid Spending, 2000–2003," *Health Affairs: The Policy Journal of the Health Sphere*, Web exclusive, http://content.healthaffairs.org/cgi/reprint/hlthaff.w5.52v1, p. W5–59; S. Zedlewski, G. Adams, L. Dubay, and G. Kenney, "Is There a System Supporting Low-Income Working Families?" *Low-Income Working Families Series*, No. 4, Urban Institute, Washington, DC, 2006.

[3]Social services are defined slightly differently in other research settings; see S. R. Smith, "Social Services," in *The State of Nonprofit America,* ed. L. M. Salamon (Washington, DC: The Brookings Institution Press, 2002).

[4]S. R. Smith, "Social Services."

[5]To arrive at this figure, I draw upon data from the Congressional Research Service (2003) that finds federal, state, and local government to spend about $110 billion annually on a variety of social services, including job training, housing, adult education, and energy assistance programs. See Congressional Research Service, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY2000–Y2002*, Report No. RL32233, 2003. In addition, I estimate that the employment service and human service nonprofit sector has revenues of about $80 billion each year, much of which comes from government funding sources. This estimate of the nonprofit service sector is based on Internal Revenue Service data of tax-exempt nonprofit employment and human service organizations drawn from the National Center for Charitable Statistics at the Urban Institute. These estimates include only organizations with National Taxonomy of Exempt Entities codes likely corresponding to provision of direct services. I exclude mental health and substance abuse service providers, housing and shelter, and civil rights or legal aid programs because it is difficult to discern which agencies within these categories are most likely to provide direct services to working age adults on-site or in an outpatient capacity. Thus, it is likely that this is a lower-bound estimate of nonprofit social service revenues.

[6]Respondents were drawn from databases of government and nongovernment service agencies constructed for each city or rural region from community directories, social service directories, county agency referral lists, phone books, and Internet searches. Agencies were included in the study if they advertised programs for nondisabled working age low-income adults. MSSSP interviews in metropolitan Washington, DC, included agencies located in the District of Columbia, as well as in Prince George's County and Montgomery County in Maryland to the northeast and communities in northern Virginia (Alexandria, Arlington, Loudoun County, Fairfax County, and Prince William County).

[7]Only 4 percent of all providers interviewed reported for-profit status.

[8]I calculate city-specific service accessibility scores with data from the MSSSP as follows. First, I determine which nonprofit and government agencies currently are operating programs on-site available to nondisabled working poor adults. Next, I total the number of clients served by all agencies or a particular type of agency located within three miles of each residential census tract (using tract centroid-to-centroid distances). To account for potential demand for services, I sum the number of individuals with income below the poverty line within three miles of each residential tract, and then divide the number of clients served by the total number of persons in poverty. Thus I calculate a set of demand-, distance-, and organization-weighted service accessibility scores as follows: $A_i = \Sigma(CS_i) \div \Sigma(P_i)$, where A_i is the initial access score for tract i. CS_i reflects the number of providers offering a particular service (S) to low-income adults within three miles of tract i, multiplied by the number of clients served in each agency in a typical month (C). To account for potential demand, I divide by the total number of persons living below the poverty line (P_i) within three miles of tract i. To be able to compare tracts to each other, I divide this tract-specific access score by the average of that access score for the metropolitan area.

[9]Although here I report access to all service providers in the three cities together, findings are similar within each city and across different service areas.

[10]A. Berube and E. Kneebone, "Two Steps Back: City and Suburban Poverty Trends, 1999–2005," *Metropolitan Policy Program, Living Census Series*, The Brookings Institution, Washington, DC, 2006; P. A. Jargowsky, "Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s," *Metropolitan Policy Program, Living Census Series,* The Brookings Institution, Washington, DC, 2003.