

10 SOCIAL SERVICE NONPROFITS

Navigating Conflicting Demands

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NONPROFIT ORGANIZATIONS HAVE LONG DOMINATED the social services sector in the United States. Historically, social services provided by nonprofits have often been conceptualized as residual, addressing gaps unfilled by government, but that view is not quite accurate (Salamon 1987a). The growth of the modern welfare state (particularly one that is hesitant and largely privatized) has resulted in a parallel growth in the social service nonprofit sector that functions primarily as a complement to government action and a tool for enacting the safety net. Growth in the social service nonprofit sector has come through shifts in the safety net toward service provision and away from cash-based assistance, and in an ongoing preference toward contracting out government-funded social services to nonprofit organizations. As a result, most social service nonprofits in the United States substantially depend on the government to sustain their operations, and they play increasingly important roles in policy formulation and implementation.

In this chapter I argue that this sectoral blurring between the roles and responsibilities of government and social service nonprofits has also blurred the distinction between nonprofit activity and market activity. Specifically, the concerns regarding accountability and impact found in such a principal–agent relationship has led to government-set incentives for social services nonprofits to look, feel, and act increasingly like for-profit businesses, and the sector has responded affirmatively (Maier, Meyer, and Steinbereithner 2016). Today, except for their funding model, many social service nonprofits are almost indistinguishable from for-profit businesses at the ground level in regard to their attention to the bottom line, level of professionalization, and ambivalence toward their larger civic role. At the same time, they have increasing power in governance arrangements and as representatives of marginalized populations. The resulting tension is reflected in the inconsistent policies, practice recommendations, and even scholarship associated with the sector.

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Why should we care about this turn toward a market model for social service nonprofits? As Walter W. Powell (Chapter 1, “What Is the Nonprofit Sector?”) notes, nonprofits are often seen as tools to accomplish a task (generally determined by a funder) and also as “a medium for the expression of values and commitments” (to promote well-being, community development, civic engagement, voluntarism, etc.). In other words, although they perform an important *instrumental* task in delivering social services, they are also ascribed key *expressive* functions, such as providing community cohesion, advocating for the vulnerable, and promoting ground-level solutions to important social problems. This tension between instrumentality and expressiveness is particularly fraught in the social services sector, as demands to meet outcome goals (related to their instrumental role) have become more dominant and process goals (related to their expressive role) are sacrificed to professionalization, efficiency, and impact.

This “entanglement of the growth of voluntary associations and the nonprofit sector with the development of capitalism and the corporate order” (Soskis, Chapter 2, “History of Associational Life and the Nonprofit Sector in the United States”) has led to worries about accountability and capacity, and thus a growth in demands at the field level to pursue *impact* and *efficiency* as central values. These demands are often

- only proven through increased use of data and performance measurement schemes
- framed as proper stewardship of limited resources
- supportive of funding being directed toward measurable programmatic functions rather than civic engagement and advocacy
- co-constitutive with professionalization
- tied to the growth of evidence-based practice and the resulting tensions between that movement and more “traditional” nonprofit notions of person-centered care, co-production of services, and deeper connections to community

The embrace of market values presents a number of challenges for the sector. For example, consolidation and mergers have increased as big, multiservice organizations are increasingly best situated to compete in the data-driven, professionalized marketplace. Although the sector continually generates smaller providers that attempt to recreate or enact a more community-led or community-engaged style, there are few external rewards for that type of work, and competition is fierce. Thus, traditional “economic” theories of the sector (Hansmann 1987; Steinberg 2006; Weisbrod 1988) are called into question. Are social service nonprofits really serving niche needs because of close connections to religious, ethnic, or geographic communities? Do they really inspire more trust?

Additionally, most advocacy by social service nonprofits is now focused primarily on maintaining government financial support in particular industries or subfields (Mosley 2012). This calls into question the ability of the sector to promote substantive social change, as it is in the self-interest of most social service nonprofits to maintain the status quo. Traditional “political” theories of the sector will have to be adjusted if many organizations are functioning more as interest groups supporting an industry than as representatives of marginalized communities (Clemens 2006; Eikenberry and Kluver 2004).

At the same time, we are seeing a larger role for nonprofit social service providers in governance, largely through their participation in collaborative governance processes. Collaborative governance is a term that describes the various ways that nonprofits are

involved in multistakeholder decision making about public policy and processes. Nonprofits are increasingly asked to participate in such processes—often termed task forces or advisory groups—in order to help meet accountability challenges at the administrative level, fill in for the “hollow state” associated with contracting regimes, provide needed expertise, and promote coordination across fragmented policy areas (Ansell and Gash 2008; Emerson and Nabatchi 2015; Milward and Provan 2000). Their participation is often also conceptualized as a proxy for the participation of citizens, and thus a way of advancing democratic norms (Levine 2016; Mosley and Grogan 2013). These processes are being given increasing power over regulatory, funding, and implementation matters, but the degree to which social service nonprofits are adequately representing the populations they serve is unknown. Given the changes we have seen in advocacy norms and the incentives for those running the processes—generally government administrators—to exclude dissenting voices, the democratic impact of their participation is unclear (Dean 2018).

Collaborative governance is not the only way in which social service nonprofits participate in networks that have community-wide effects, however. Social service nonprofits face strong pressures from funders to participate in both intra- and intersectoral collaboration, including signing on to packaged, promoted concepts such as the collective impact model (Kania and Kramer 2011). Strong networks are important for effectiveness in both service provision and advocacy. But the field is currently challenged to create large scale collaborations that don’t result in creaming of participants (e.g., selecting clients based on their likelihood of success) and deepening inequities between providers (Wolff et al. 2017).

Private philanthropy is behind some of this push toward increased collaboration, even while it plays a relatively small role in the overall budget of most social service organizations. Currently, social service nonprofits are usually more dependent on government dollars than on private philanthropy and often look to individual donors as a secondary source of income. This is based on the common belief that foundation dollars are as difficult to get as government dollars but don’t last as long and are generally for lower amounts. Foundations still play important roles in shaping current conditions in the sector, though, by focusing their dollars on “innovation” and in leading the charge toward greater demands for impact and output evaluation (Brest and Harvey 2018). By serving as conveners and thought leaders, organized philanthropy has been shown to radically reshape what service technologies are in vogue, what issues are important to address, and even what organizational types are best suited to address them (Dunning 2018; Tompkins-Stange 2016). In this way, philanthropic foundations have a powerful hand in shaping the market for nonprofit social services.

Social service organizations operating according to market principles are unlikely to promote practices such as advocacy, co-production, community representation, civic engagement, and voluntarism. This calls into question the ability of the sector to make the contributions to civil society many people expect of nonprofits (Eikenberry and Kluver 2004). Without these contributions, vulnerable communities could suffer, and residents could potentially become more alienated from the kind of human, social, and political capital needed to improve their lives (Alexander, Nank, and Stivers 1999). Meanwhile, the participation of social service nonprofits in a growing web of collaborative relationships and governance gives them increasing power and responsibility but limits their ability to meaningfully resist market-oriented trends. In the following sections, I review how this

tension plays out through the current demographics of the sector, financing trends and tensions arising from government contracting, the relationship between contracting and performance, professionalization, and efficiency demands, and the resulting challenges described above.

Welfare states across the world engage and support third sector organizations in different ways (Esping-Andersen 2013; Salamon and Anheier 1998), and this chapter cannot review all of them; it largely focuses on the United States. There are similar trends elsewhere, however, as documented in work on blurring boundaries between nongovernmental organizations (NGOs) and government in Kenya (Brass 2016), on the marketization of the nonprofit sector in Europe (Bode 2017; Elstube and Poole 2014), and on the growth of social service nonprofit sectors due to increased contracting worldwide (Lu and Dong 2018). Given the already dominant role of government funding in the social service sector in the United States, a key question is whether the social service nonprofit sector can effectively bundle together the moral character that makes it appealing as an alternative to government with the expected cost savings of any outsourcing endeavor. The answer is crucial to the future of social services. Is contracting with social service nonprofits desirable simply because they are “not government”—private, and beholden to market forces—or is there something about the expressive character of nonprofits themselves that it is important to maintain?

Current Demographics and Financing

Social service nonprofits include a broad range of organizations that primarily provide services intended to promote well-being, improve life and living conditions, ameliorate inequalities and disparities, or otherwise assist individuals, families, and communities in need. In practice, they provide services such as mental health and legal aid, job training and employment assistance, food assistance, services for the homeless, child welfare services, and adult day services. Social service nonprofits can be understood as a subset of the larger human services field, which also includes education and health care nonprofits. Those organizations are generally studied separately, however, as they typically have substantially different financial models, operate in fields that are more mixed when it comes to sector (i.e., a stronger role for for-profit and public organizations), and serve a more universal clientele.

Although it is imperfect, the National Taxonomy for Exempt Entities (NTEE) is the dominant system used to categorize nonprofit organizations by their field of practice (Fyall, Moore, and Gugerty 2018; Grønberg 1994). In this system, social services are generally operationalized as codes F, I–M, O, and P (including but not limited to mental health, crime and legal services, employment, food and nutrition, housing, disaster relief, and youth development).

As seen at the bottom of Table 10.1, compared to education or health care nonprofits, social service organizations are relatively high in number but small in size. There are over five times as many social service nonprofits in the United States as there are health care nonprofits, but they are, on average, about a twentieth the size of a health care nonprofit (and about half the size of an education nonprofit). From 2006 to 2016, in social services, revenue grew much faster than the number of organizations. Every social service field,

Table 10.1 Size and scope of social service nonprofits in the United States, 2006–2016

	<i>Total number of organizations, 2016</i>	<i>Percent change in number of organizations, 2006–2016</i>	<i>Mean/median revenue, 2016</i>	<i>Percent change in mean/median revenue, 2006–2016</i>
Mental health and crisis intervention (F)	17,106	–0.7%	\$3,391,936 / \$284,912	74.1% / 114.5%
Crime and legal (I)	20,899	1.5%	\$960,272 / \$130,497	81.8% / 187.7%
Employment (J)	32,876	–17.3%	\$2,418,644 / \$260,880	91.5% / 149.7%
Food, agriculture, and nutrition (K)	18,016	22.8%	\$1,897,841 / \$137,686	143.4% / 127.7%
Housing and shelter (L)	33,618	–1.7%	\$1,222,854 / \$243,164	76.2% / 102.1%
Public safety, disaster preparedness, and relief (M)	23,150	4.8%	\$298,254 / \$102,761	64.6% / 89.2%
Youth development (O)	32,795	41.1%	\$839,890 / \$128,385	64.5% / 144.0%
General human services (P)	98,297	13.5%	\$2,764,556 / \$241,815	64.0% / 129.7%
ALL SOCIAL SERVICES	276,757	7.1%	\$1,972,487 / \$190,178	73.5% / 122.3%
<i>In comparison:</i>				
Education (B)	210,559	10.1%	\$4,132,595 / \$96,246	95.0% / 194.5%
Health care (E)	45,130	1.5%	\$38,997,141 / \$497,421	92.6% / 90.6%

with the exception of disaster preparedness and relief, saw a doubling (at least) in median revenue over that ten-year period. Revenue is growing even in fields that are declining in number (like employment services), which demonstrates consolidation. In terms of numbers of organizations, broken down by field, we see particular increases during that time in youth development and food, agriculture, and nutrition, and a moderate decrease in the field of employment services.

Financing in Social Service Nonprofits

Social service nonprofits are typically financed through a mixture of government grants and contracts (~65 percent), private foundations and individual donors (~18 percent), insurance payments and fees for services (~6 percent), and other sources of revenue (e.g., investment and business income) (~10 percent) (Morris and Roberts 2018). This mixture varies considerably by field (some fields attract more or less government or private dollars) and region, depending on the pool of public and private funding available in different states and localities. Each type of funding comes with challenges and opportunities for organizational independence, stability, and mission alignment.

The ability to earn money through fees paid for services (either directly or via insurance or Medicaid/Medicare) varies greatly by field. For example, mental health clinics and early childhood programs usually either charge on a sliding scale or are reimbursed by insurance or state programs. Medicaid reimbursements, in particular, make up an increasing proportion of revenue in some fields, especially substance abuse services (Allard and Smith 2014). In other social service fields, income derived directly from clients in the form of fees is typically low, as many social service nonprofits provide services to people with low incomes. Charging fees is either impossible (e.g., services for the homeless), or would compromise who is able to take part in the program (e.g., services for youth or employment-based services). Charging fees can also be controversial. Some argue that it may lead to stronger buy-in by participants, while others argue that it can lead to exclusion of the most vulnerable.¹ Fees, of course, are different than dues. Although rare, membership models of social services (like worker centers or self-help groups) often charge dues and, depending on the scope and cost of services, can achieve considerable financial independence in that way.

Although often lumped together in routine reporting (because of how this income is reported to the IRS), fund-raising from individuals and procuring grants from private foundations require very different organizational practices and have different benefits and challenges from a managerial perspective. First, soliciting individual donations that total a meaningful amount of money is a staff-intensive process. Each donor needs to be solicited individually, and large donors can be demanding in the kind of engagement they expect from the organization. Many small to medium-sized donors are needed to make up for just a few larger grants or contracts. Although individual donors typically do not insist on quantitative assessments of outcomes, they are often very resistant to giving money to “overhead.” Websites like Charity Navigator, with their rating systems that punish organizations that invest in infrastructure or capacity needs, underline the concern many donors have regarding efficiency and trustworthiness. This can greatly hamper organizations’ ability to grow and to retain flexibility to meet changing conditions on the ground. Individual contributions can also vary widely from year to year and may require

substantial board involvement (Hodge and Piccolo 2005). Finally, there is considerable competition for those dollars, as most individual donations in the United States are given to religious organizations and higher education (Giving USA 2018).

Philanthropic dollars are prized to the degree that they provide more opportunity for mission-driven programming and more flexibility than government contracts, while the funding is larger and less capricious than that of individual donors (Froelich 1999). Private foundations value innovation, whereas government funders generally favor already tested programming (Bushouse 2009). This can make foundation funding appealing for organizations trying out new models of service. On the other hand, because most private foundations see their strength as funding innovation, they tend not to fund long-term, safety-net, “charitable” services that many social service nonprofits provide (e.g., community mental health, food pantries, foster care) (Hammack and Anheier 2010). Grants from private foundations also tend to be smaller than government contracts but still require substantial data collection regarding performance and impact. They tend to be more time-limited (e.g., a two-to-three-year grant with a maximum of one renewal) and, like individual donors, sometimes sharply limit funding for general operating expenses. Finally, successfully raising money from private philanthropy depends on establishing connections and requires a high degree of professional skill. For these reasons, grants from private foundations compose a relatively small proportion of the financial portfolio for many social service nonprofits. Despite this, philanthropic foundations play an important role in setting an ideological agenda, which is discussed later in the section on current challenges.

Thus, for many social service nonprofits, the remaining funding category—government funding—is where the action is. Whether state, local, or federal, government funding has become prominent in this sector, and understanding its role and impact is vital to understanding the challenges faced by social service organizations moving forward. As noted previously, government funding comprises approximately 65 percent of the budget of the average social service nonprofit in the United States.

This figure obscures considerable variation, however. In some subfields, like child welfare or homeless services, that average is much higher—closer to 90 percent—whereas in other fields, like legal services for undocumented immigrants, the percentage may be close to zero. Dependence on government funding also varies significantly by state. The federalism of government contracting perhaps matters for no other part of the nonprofit sector more than social services. Government funding can come in multiple forms (e.g., grants, fixed-price contracts, pay-for-performance arrangements, vouchers) and from federal, state, or local sources. The type and the origin of the money matters a lot for how consistent and sufficient it is, who might be eligible for services, and what it can be spent on.

Government funding generally offers the largest dollar figures and is the most consistent (e.g., contracts are generally renewable). In some fields, such as child welfare, a government contract is the only way to access the population of interest. In other fields, such as services for the formerly incarcerated or people who are homeless, donations from individuals or foundations are low relative to the cost of the service provided. Government support may be the only funding available. Shifts in policy that favor providing services in lieu of cash aid,² along with the shift toward federal block grants to states, have led to an increase in the types of programs governments fund.

Despite these advantages, however, social service managers are highly critical of government grants and contracts. Applications for funding and the mandated reporting requirements are complex and time-consuming, midstream changes to the contracts occur, and payments are often late—all of which disadvantage smaller organizations with less capacity to weather funding volatility and less professionalized organizations that may be challenged to meet application and reporting requirements (Boris et al 2010). Perhaps the most serious challenge associated with government funding, however, is that it generally does not pay for the full cost of services, which forces organizations to supplement the funding through other means (e.g., taking on debt, increasing private contributions, spending down reserves) (Boris et al. 2010). This “deficit model” of social service financing leads to lower service performance, reduced financial stability, and threats to the social rights of recipients (Marwell and Calabrese 2015).

The 2012 bankruptcy and closure of Hull House, Jane Addams’s legendary settlement house, after 123 years of providing social services in Chicago, Illinois, is a prime example of the troubles that can result from overreliance on government funding, given the problematic partnership characteristics described earlier (Clemenson and Sellers 2013). Accounts of Hull House’s demise generally note that at the time of its closure, it was more than 90 percent government funded and more than \$3 million in debt. This debt is generally attributable to the organization taking out bridge loans to cover late payments³ for government contracts that didn’t cover the full cost of service in the first place. At the time, the state of Illinois had a backlog of about \$4 billion in delayed payments to contractors and was taking over six months on average to pay vendors.

Because of the size of many government contracts, organizations easily become overly reliant on them and experience the negative effects of resource dependence (Pfeffer and Salancik 1978). Many contracts include mandates regarding who is eligible for services (e.g., specific ages or diagnoses), what service technologies or program models are appropriate, and what outcomes are preferred. All of these may run counter to an organization’s mission, but once dependence has set in, there is little managers can do. In order to promote organizational stability and avoid resource dependence and mission drift, social service nonprofits are typically advised to diversify their funding profiles (Carroll and Stater 2009; Froelich 1999), either across revenue types (donations, grants, contracts, etc.) or within type. To diversify within type, an organization might seek government contracts from different agencies at different levels of government—for example, maintaining federal contracts to deliver Head Start programming while also maintaining state child welfare and early education contracts (typically administered by different agencies with different levels of political support). Some evidence exists that this strategy may be growing, as government funding becomes both more necessary (for maintaining capacity needs) and more precarious (with ongoing state budget crises) (Park and Mosley 2017).

Tensions Involved in Government Contracting

The day-to-day issues that social service nonprofits experience are concerning for many, but they can also obscure a much deeper set of tensions about the role of the sector and how that role may be shifting in response to increased enmeshment with government.

As Ted Lechterman and Rob Reich (Chapter 6, “Political Theory and the Nonprofit Sector”) note, political attitudes determine the roles that the nonprofit sector plays. Pri-

vately provided social services, funded by government, have become standard partly because this arrangement is appealing to people across the political spectrum. This development reflects the larger adoption of neoliberal thought and the attendant growth of market-oriented interventions in every sphere of life (Birch and Siemiatycki 2016). As suspicion of government's ability to solve social problems grows—and citizens are increasingly being conceptualized as consumers—a nonprofit sector that is governed according to market principles (efficiency, competition, etc.) has emerged as an obvious alternative to government-provided social services. Evidence suggests that in the United States, most people prefer nonprofits to government, trust the sector more, and often do not realize that government funding makes possible such a robust social service nonprofit sector (Mettler 2011; Park, Mosley, and Grogan 2018).

Although in the United States the popular conception of social service nonprofits includes a rhetorical focus on the moral character of the sector, privatization resolves two other, perhaps more central, concerns. These are (1) the deep suspicions many people have of the state interfering with private matters—and almost all social services address such matters—and (2) the desire of the state to save money and outsource responsibility. These concerns suggest that it is indeed the *privateness* of nonprofit organizations that has led to increased privatization (as opposed to their *goodness*). They are “moral” partly because they are private. To that extent, the notion that people prefer them to government because of their moral character is a myth, perpetrated by both sides so as to grow the contracting relationships that both sides have become dependent on.

In the United States, the state has long contracted nonprofits to provide social services (Salamon 1987b; S. R. Smith and Lipsky 1993). Privatized child welfare services date back to the early 1900s. Likewise, many services that we consider privatized were never public in the first place. They were developed after private contracting of public welfare services was established as the default mode of delivery. Examples of these include domestic violence and HIV/AIDS services, both of which came about after long advocacy campaigns by people working in the field. In other words, fields that develop through private funding can work to convince policymakers to take up their causes, encoding them as statutory appropriations. Thus, what we have seen is more aptly described as a growth in government funding of social services—and the mechanism of contracting out to deliver them—rather than privatization per se. There has also been a shift in providing help to the poor and disadvantaged in the form of social services, rather than direct cash aid. Of course, that shift has led to yet more contracting and engagement from private social service nonprofits.

Despite this long history, numerous scholars and critics have decried the effects of contracting on the nature of social services (Alexander et al. 1999; Eikenberry and Kluver 2004; Hasenfeld and Garrow 2012)—some going as far as to label the phenomenon the “nonprofit industrial complex” (A. Smith 2007). Others, however, have praised the relationship as one of “partners in public service,” in which nonprofits gain resources and legitimacy while government gains greater flexibility and efficiency (Berger and Neuhaus 1977; Salamon 1995). When assessing this controversy, two issues are conceptually distinct: first, the theoretical and pragmatic rationale for contracting, and second, the nature of how contracts are currently awarded and administered. Although they are often discussed in tandem, they need to be understood separately, as the second is far thornier than the first.

On the first point, contracting is unlikely to slow down for both pragmatic and philosophical reasons. It is baked into the U.S. welfare system in such a way that dismantling the apparatus would be next to impossible, and it is based on arguments harking back to notions of government, market, and voluntary failure that few people disagree with (Steinberg 2006). Wide distrust of the government to provide services sensitive to and targeted at community needs—along with government’s reticence to take on the cost—means that it is unlikely to adopt a larger role in directly delivering social services. And despite the growth in social entrepreneurship, it is not feasible to think the for-profit sector will take on a *comprehensive* role in social service provision outside of contracting relationships because there is little money to be earned directly from social service consumers. With private donations constituting only about 20 percent of the total revenue for the sector—and little evidence of crowd-out (Bekkers and Wiepking 2010; Payne 1998)—in order to maintain our current level of social services, government contracting is generally seen as necessary.

The second point—the nature of how those contracts are awarded and administered in practice—is much more controversial. This goes significantly beyond the funding insufficiencies and poor partnership practices engaged in by many public-sector agencies (themselves underfunded). Because competition is embedded in the contracting relationship—it is, in fact, part of its appeal to many—the controversy really stems over beliefs about what that competition is based on: *efficiency* or *effectiveness*.

To social service nonprofits, contract competition often seems to be about blind efficiency—which organization can provide the greatest amount of services for the lowest cost (Boris et al. 2010). Those who see it this way typically believe that cost concerns actually discourage the kind of innovation and investment that may allow for greater effectiveness over the long run. Others, particularly proponents of New Public Management—a movement to make government more “businesslike”—frame contract competition differently. Although they mention efficiency and cost savings as benefits, they present contracting as a way to boost effectiveness by raising performance, promoting innovation, and increasing responsiveness (Heinrich and Choi 2007; Kettl 2011).

Research shows that contracting does not necessarily save money or improve performance—in fact, in health care it has been shown to do the opposite (Duggan 2004). Other research indicates that public–nonprofit partnerships have no effect on efficiency, effectiveness, or equity (Andrews and Entwistle 2010). But either way, if managers of social service nonprofits believe they are being rewarded primarily for efficiency, that is what they will aim for, potentially leading to the perverse outcome of sacrificing effectiveness.

This is troubling because evidence suggests that in social services, competition may actually be more myth than reality (Lamothe and Lamothe 2009; Van Slyke 2003). In many locales, there are not enough providers to create meaningful competition, and lack of capacity in administrative agencies means that contracts are poorly overseen. These findings strengthen the argument that contracting may be less a rational choice than a symbolic and political one. Regardless, as a result of mandates embedded in contracts, social service nonprofits are currently experiencing an uptick in demands for performance measurement, professionalization, and efficiency that many are struggling to adapt to. Furthermore, these demands—drawn from market-oriented thinking but driven by

government—are ironically what is leading social service nonprofits to become more businesslike in their practices, potentially threatening the character of the sector that is held up as part of the purpose for contracting in the first place.

Performance, Professionalization, and Efficiency Demands

Critics have long accused social service nonprofits of underperformance and inefficiency, and not without some justification. Thus, growth in contracting has raised significant concerns about accountability, not uncommon in principal–agent relationships. The impression of waste in public agencies and suspicion regarding social welfare participants, who are often constructed to be lazy, dependent, scamming the system, or unable to be rehabilitated (Fraser and Gordon 1994), only heightens these concerns. Given this level of distrust all around, social service nonprofits now widely use quantitative performance measures to demonstrate proper stewardship of limited resources and provide evidence of effectiveness on which future funding can (theoretically) be based. Grounded in principles of New Public Management, a vast international literature describes how the habits and incentives of both individuals and organizations have shifted as a result of a growing audit culture (McLaughlin, Ferlie, and Osborne 2002; Power 2003).

Performance data is requested and used in different ways, with different effects for organizations. Coercive pressures for such data from funders for accountability purposes has led to a growth in shared institutional norms around the value of such data for determining impact. This is a value that social service nonprofits are expected to share and thus produce data that can be used for internal continuous improvement processes, as well as externally oriented accountability (Lynch-Cerullo and Cooney 2011). In addition, although most contracts demand some kind of data regarding performance outcomes, there has also been a growth in performance-based contracting and pay-to-succeed models, in which the nonprofit's payment is based on its ability to meet preset targets (McBeath and Meezan 2010)—a significant step up in accountability expectations.

Social impact bonds are another form of performance contracting attracting substantial attention. Social impact bonds are multiparty contracts between governments, private investors, and social service nonprofits in which the investors provide much of the initial capital for the program but have more say in how it is run and stand to reap profits if the program is successful (Olson and Phillips 2013). These initiatives have been praised for their ability to inject needed capital into the sector and for rigorously evaluating performance. Critics, however, find fault with the notion that private investors benefit from the performance of nonprofits at the expense of taxpayers (and staff salaries), and they do not agree that everything important about a program can be quantifiable as a “social return on investment” (see Brest, Chapter 16, “The Outcomes Movement in Philanthropy and the Nonprofit Sector”).

Although performance measurement has grown substantially in both scope and practice, its effectiveness in actually improving services is questionable. For example, Pierre Koning and Carolyn Heinrich (2013) find that as contracts move from partially performance-based to fully performance-based, organizations are more likely to try to game the system through creaming and other strategies for artificially raising performance numbers, but they do not find evidence of improved program outcomes. Instead, they

find that although fully performance-based contracts led to increased performance on short-term measures of success (e.g., job placement), they did not lead to improvements on long-term measures (e.g., job duration).

Because we know that performance measurement can lead organizations to unhealthy practices, yet resisting measurement entirely also seems unhealthy—after all, organizations want to be effective, be confident in their approach, and invest in things that work—a large portion of the literature on performance measurement is focused on how to “do it right.” People worry about improving indicators, what to measure, connection to mission, how to create a new culture of data use, and more (Janus 2018). At the same time, demands on organizations to “do more with less” and the fact that their survival depends on ever-improving outcomes incentivizes organizations to decouple performance metrics from day-to-day practice (Meyer and Rowan 1977). Organizations may engage in outright falsification or simply take up the common practice of doing case notes and other paperwork at the end of the month (meaning it is not actually used for treatment purposes, merely for auditing, leading to inefficiencies). Social service nonprofits often work with stigmatized and powerless populations and feel stigmatized and powerless themselves, leading to not only decoupling but also the hoarding of resources and a mind-set focused more on short-term survival than long-term impact.

Considerable work exists showing sharp divisions between frontline workers and the data systems with which they are coerced to comply. Workers often perceive a mismatch in beliefs about the nature and goal of the work between their organization and their funder (Meagher and Healy 2003). These divisions lead to staff feeling discredited and alienated, sometimes believing that programmatic decisions do not match long-held priorities (Spitzmueller 2018). Accountability demands are often tied to restrictions on how funding is directed internally, which can change the nature of the services provided or the program mix overall. For example, funding may be restricted to measurable programmatic functions rather than civic engagement and advocacy. From a clinical perspective, funding is often tied to the use of specific evidence-based practices. Such practices, often routinized and with insufficient attention given to cultural or contextual differences between target populations, can conflict with the traditional value that social service practice places on person-centered care and co-production of services.

Lehn Benjamin and colleagues (Benjamin 2012; Benjamin and Campbell 2015) further direct our attention to misalignments between accountability demands, the nature of frontline practice, and the role of clients. They argue that frontline social services generally entail working in partnership with clients in ways that fundamentally resist measurement, because social service practice is nuanced, not replicable, and based on social and professional skill, not routine. In other words, some components of good practice—or some types of practice—cannot be quantitatively measured but are still worth doing, such as helping clients maintain trusting relationships or build confidence, helping communities take ownership of decisions, or building certain kinds of social capital. In this view, social service *programs* are not equivalent to social service *practice*, improvements in which are unlikely to be gained through more rigorous measurement systems.

At the same time, performance measurement, data demands, and reporting requirements all require increased professionalization in the sector (Suárez 2011). They are, in fact, co-constitutive with it, as professional training is often needed to keep up with analytic

and strategic trends but also pushes those trends further as leaders and organizations compete. Although professionalization was already on the rise as a response to other types of institutional pressures, the perceived need for professional leadership makes it difficult for some smaller, community-based organizations to maintain ties to the community and internally reflect the client base they serve. It may also be leading to decreased voluntarism. Many social service nonprofits are almost completely professionalized, involving very few volunteers, because of requirements regarding confidentiality, specialized training, and the need for accountability.

Navigating Conflicting Demands

Ultimately, these trends of professionalization, performance measurement, and efficiency demands have led to social service nonprofits looking and acting much like for-profit businesses, largely at the demand of government (and sometimes private philanthropy). Outcome goals are prized over process goals, which creates internal conflict for organizations whose missions rely on a nuanced, indeterminate, nonstandardized process.

Figure 10.1 demonstrates the relationship between government funding, the accountability and performance demands discussed earlier, and the challenges to social service nonprofits’ expressive roles (generally seen in a commitment to voluntarism, strong community connections, promotion of civic engagement, and participation in advocacy). Essentially, contracting regimes have raised concerns about accountability, which has led to increased performance assessment and professionalization. Those demands have, in turn, led to an emphasis on instrumental, market-oriented outcome goals and the devaluing of expressive roles and process goals.

Arguments that nonprofits are becoming more like for-profit or market-oriented organizations are not new (Weisbrod 1997), but the recent emergence of hybrid organizations and social entrepreneurship models in the for-profit sector has led to a resurgence of interest in the topic. Using Richard Scott’s (2014) theory of the three pillars of institutions (regulatory, normative, and cultural–cognitive), Curtis Child, Eva Witesman, and Robert

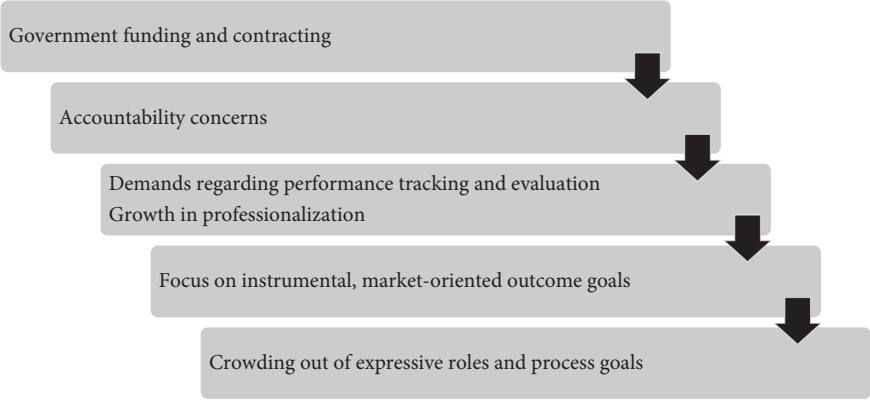


Figure 10.1 Relationship between increased government funding of social services and crowding out of nonprofits’ expressive roles

Spencer (2016) argue that although sectoral convergence is a reality to some extent, strong institutional norms uphold sectoral differences in the minds of practitioners. Over time, however, they find that perceptions of how sectors differ legally (in terms of regulations and funding) are stronger than perceptions of how they differ in their expressive roles.

Patricia Bromley and John Meyer (2017) also take an institutional view of sectoral convergence. They focus our attention, however, on the way that all sectors are changing—not just nonprofits—and note that these changes are generally cultural in nature. It is not that nonprofits are passively responding to pressures put on them by government, but that all three sectors are responding to a larger set of cultural shifts, starting in the wake of World War II, that place a high value on scientific rationality, whereas some practices assumed to be “businesslike” in the nonprofit sector—such as bureaucratic structure and codes of conduct—have their origin in government and higher education.

Thus, although sectoral differences continue to shape regulation (e.g., how organizations are allowed to generate and spend resources, individual vs. board governance), I argue that the normative and cultural-cognitive institutional expectations of the proper expressive role for social service nonprofits may be relaxing. First, normative expectations about the “right” way to behave (either externally or internally imposed) are now largely the same for all sectors—efficient, entrepreneurial, and operating at a professional remove. Second, in the cultural-cognitive sense, it is now taken for granted in the nonprofit sector that a focus on performance (as opposed to expressive functions such as community connection or voluntarism) is needed, that larger grants and contracts demonstrate a more sustainable operation (as opposed to relying more on smaller donations originating from the local context), and that cost-benefit assessments are a valid way of evaluating the worth of a program. Thus, sector matters in that it remains relevant and consequential to the financial viability and revenue model of nonprofit social service organizations. It is less clear that it matters in terms of their internal operations, staffing patterns, program models, and relationship with community members. It is difficult to see how traditional expressive commitments to voluntarism, strong community connections, promotion of civic engagement, and participation in advocacy will be maintained even if those are the things that drew many people to the nonprofit sector in the first place.

Contracting and accountability pressures leave social service nonprofits in a liminal position, as the multiplex beliefs behind contracting fundamentally conflict. Government enters into contracts with nonprofits because of their community-based character but also because contracting is supposed to be more efficient. Thus, it makes sense that nonprofits would be held to traditional expectations of the nonprofit sector but *also* expectations not unlike those that we would place on for-profit organizations (Sanders 2015). We somehow believe that sector *should* make a difference in expressive character but that it should *not* in instrumental roles. Although nonprofit scholars and practitioners often make normative claims about the value of the sector for advancing civil society and promoting the public good, when it comes to social service nonprofits, funders emphasize getting the job done, done well, and done as cheaply as possible.

The Case of Faith-Based Social Services

The case of faith-based social services shows that even when expressive characteristics are prized, the institutionalized nature of social service provision is a powerful force. The

faith-based social services subsector received a great deal of attention in the early 2000s for its hypothesized ability to provide better results precisely because of its explicitly “values-based” approach (Kennedy 2003). Faith-based organizations are occasionally pointed to as emblematic of the expressive quality of the nonprofit sector (Olasky 1992).

Although there is initial evidence indicating that, given the right match between organization and consumer, faith-based social services may be more effective (presumably due to the way the service is provided) (Monsma 2006), overall evidence on this point is limited and mixed. For example, Robert Wuthnow, Conrad Hackett, and Becky Hsu (2004) found no differences in recipients’ perceptions of the effectiveness and trustworthiness of faith-based versus nonsectarian nonprofits. Most research shows that, ultimately, faith-based nonprofits are not all that different from secular ones (Sosin and Smith 2006; Wuthnow 2004). In general, their openness to a secular world and responsiveness to the same set of institutional pressures is likely as important in shaping the nature and character of their programming as whether they receive government funding or the fact that they are faith-based (for an exception, see Vanderwoerd 2004).

In perhaps the strongest test of this argument, Mark Chaves and William Tsitsos (2001) find unequivocally that the social services that religious congregations provide are not more holistic or intensive than those of other nonprofits, and congregations that collaborate with government are not less likely to provide those kinds of personalized services. They firmly conclude that “religiously based social services are, in general, hardly an alternative to secular nonprofit or government-supported social service delivery. They are, rather, part of that world, likely to rise and fall with it rather than in counterpoint to it. Like the rhetoric portraying nonprofits in general as an alternative to government, the rhetoric portraying religious organizations as carriers of a social service alternative that is peculiarly holistic and transformational obfuscates the empirical reality” (680).

Current Challenges Resulting from Blurring of Roles

The consequences of this blurring of roles between sectors are many. This section reviews three of them: (1) consolidation, (2) changes in advocacy norms and an increased role for social service nonprofits in governance, and (3) new roles for private philanthropy and collaborative efforts.

Consolidation and Mergers

Increased competition for funding, the need for substantial reserves, and demands for performance and accountability data all have put significant pressure on small, community-based social service organizations. At the same time, contemporary social service management has become significantly more professionalized, executive directors are typically rewarded primarily based on organizational growth rather than consumer satisfaction, and board members are often recruited for their connections and ability to broker funds rather than for subject area expertise. These trends have resulted in an increase in mergers and takeovers in the social services nonprofit sector, a consolidation resulting in large, professionalized organizations operating at some remove from the communities they serve. Consolidation also advances institutionalization, as generally the norms and practices of the dominant organization override those of the weaker one in any merger or takeover (Field and Peck 2003).

Because small social service organizations often have at least a few contracts with the state and sometimes own valuable real estate, they have become targets for acquisition by larger social service agencies trying to consolidate their market position. Although an acquisition is sometimes presented as a way of enhancing client services or impact, it generally also stems from the dominant partner's desire to reduce competition and improve visibility, perhaps in a new field or geographic location (Benton and Austin 2010). Such a move is a classic way of managing the external environment (Pfeffer and Salancik 1978).

Consolidation among social service organizations calls into question traditional economic theories of the nonprofit sector (Hansmann 1987). Organizations are caught between (1) traditional expectations of close community and personal connections that facilitate trust in conditions of information asymmetry and (2) the need to make business-oriented decisions to maintain and grow programs that are funded by the state and jettison programs that are not lucrative—a key consequence of most mergers. These conflicting demands often result in decision making based on profit-making calculus—similar in essentially all respects to a for-profit company. In this case, what difference does nonproftiness make? At the same time, the political and civic role of the sector is also challenged; although a merger may increase capacity in the areas of data and performance measurement, marketing, government relations, and fund-raising, it is unlikely to facilitate civic engagement efforts, client involvement in the organization, or more legitimate representation of community needs.

Changes in Advocacy Norms and Increased Role in Governance

Some argue that the advocacy and representation role that nonprofits have traditionally played on behalf of their constituents is what distinguishes them from the for-profit sector (Berry and Arons 2003). Traditionally, people have pointed to advocacy engagement as evidence of nonprofits' commitment to mission and willingness to stand with and for the communities they serve. Does the advocacy that social service nonprofits carry out really demonstrate this?

Research shows that dependence on government funding is associated with advocacy that largely supports the status quo (Mosley 2012). Instead of focusing on substantive policy change, given the reliance on contracts in the sector, advocacy has become an important way for managers to influence their funding environment and maintain organizational stability (Marwell 2004). Organizations that rely on government funding are strongly incentivized to advocate in order to build support for preferred practice ideologies, increase legitimacy with different stakeholders, and work to support increased public funding in their area of service. This advocacy is largely built on establishing trusting, reciprocal relationships with key administrators and legislators and is focused largely on insider tactics.

To the extent that the sector has become an arm of the state, it cannot effectively present a meaningful counterforce to it (Hasenfeld and Garrow 2012). Rather than helping to modify power imbalances in society by using their own power and legitimacy on behalf of the populations they serve, social service organizations frequently seek to consolidate their power in the system—resembling a traditional interest group rather than an advocate for social justice.

Along with a greater focus on insider tactics and maintenance of government funding, social service nonprofits are increasingly playing an important role in collaborative governance regimes. Defined as a “mode of governance that brings multiple stakeholders together in common forums with public agencies to engage in consensus-oriented decision making” (Ansell and Gash 2008:543), collaborative governance is an essential public management tactic in which public agencies collaborate with private stakeholders, like social service nonprofits, to improve service coordination, implement policy, and promote accountability across sectors. Representatives of government join stakeholders from the community, including representatives of social service nonprofits, to form advisory boards, task forces, or steering committees. These collaborative governance entities are growing in number, and social service organizations in fields like mental health, child welfare, homelessness, and early childhood education are active and involved participants.

Collaborative governance opens up considerable opportunities for social service nonprofits to be involved in the policy process, provide input on crucial decisions, and share expertise because it quite literally gives them a seat at the table. Although perhaps unconventional for those who think of advocacy as standing on the steps of the statehouse with a sign and a microphone, participation in collaborative governance provides a new advocacy venue, and emerging evidence suggests that providers see it as such (Mosley 2014).

This larger role in governance, however, raises a variety of long-standing questions about independence and legitimacy of representation (Levine 2016). Advocacy can be used to improve democratic representation, raising the voices and the interests of those who are not well represented in formal politics. But that can happen in a legitimate way only if clients are involved and have an opportunity to give input—which is rare in an increasingly professionalized social service sector (Mosley and Grogan 2013). Leaders of social service nonprofits are often asked to speak on behalf of their community or clients, but they can end up speaking instead for the interests of their organization or their industry. How different is this from Astroturf advocacy carried out by corporate interest groups (Lyon and Maxwell 2004; Walker 2016)? Granted, participation in a governance role is different from lobbying government (Marwell and Brown, Chapter 9, “Toward a Governance Framework for Government–Nonprofit Relations”), but intentions and the legitimacy of the resulting representation still need to be interrogated. Collaborative governance processes can also lead to exclusivity and divisiveness (Johnston et al. 2011). Which organizations are chosen to participate? If organizations can freely join, which have their voice taken seriously? To what extent are divisions in the field—between larger, professionalized organizations with substantial government funding and more community-based organizations—reflected in those discussions?

Interestingly, social service providers’ pursuit of more reciprocal relationships with contract managers—to move those relationship from a principal–agent model to a principal–steward model (Van Slyke 2007)—and growth in collaborative governance has led to increased advocacy opportunities and the potential for greater influence. As a result, advocacy is increasingly part of everyday practice for social service nonprofits. Contrary to some assumptions, government funding incentivizes advocacy engagement rather than suppressing it, and closer relationships with government agents provides increased opportunity and access (Chaves, Stephens, and Galaskiewicz 2004; de Graauw

2016; Mosley 2010). At the same time, advocacy is likely to be more amicable, less oppositional. There are increased opportunities for collaboration and impact through formal and informal channels, but at the same time, there is an increased risk of co-optation (Piven and Cloward 1977).

In some ways, social service nonprofits have become “the loyal resistance”: advocacy is present but mostly aims to work within state-sanctioned systems, hoping to gather a larger slice of the pie—rather than growing the pie for all or challenging basic assumptions about the social rights of citizens. This clearly calls into question traditional political theories of the nonprofit sector and its ability to maintain an independent voice (Clemens 2006).

New Roles for Private Philanthropy and Collaborative Efforts

A “hollow” state that lacks internal capacity and is more focused on contracting out than on program design has led to opportunities for ideological leadership on the part of private philanthropy. In this way, elite interests are reproduced in the sector, which is used as a trial ground for new ideas (Reich 2016). Charter schools are the example that comes to most people’s minds (Reckhow 2013), but this phenomenon happens in social services too, notably in social entrepreneurship models of service and the promotion of specific intervention models. Social service nonprofits have long been pulled to respond to multiple stakeholders: community members, consumers of services, activists, board members, individual donors, philanthropic patrons, and others. Often there is alignment—but when stakeholders’ interests, desires, or beliefs conflict, which group is given deference? In order to maintain both legitimacy and nonprofits’ bottom line, it is usually funders or potential funders (DiMaggio and Powell 1983; Pfeffer and Salancik 1978). In this sense, although philanthropy does strengthen the innovative capacity of the sector, it is also channels attention and ultimately likely has a larger impact on social services through its ideological leadership and investment in concepts and programmatic innovations than it does through direct donations to social service nonprofits themselves (Bushouse and Mosley 2018; Reckhow and Tompkins-Stange 2018).

One way we have seen growth in the influence of private philanthropy is through initiatives to grow collaborative approaches. Collaboration across social service fields is considered critical to solving wicked problems (like homelessness or substance abuse) by reducing fragmentation, promoting a holistic approach, and facilitating mutual learning (Thomson and Perry 2006). Funders value participation in collaborative efforts because it signals legitimacy, a support system, an understanding of the complexity of problems, and acknowledgement of risk sharing.

One of the best known of these collaboration efforts is the Collective Impact model, a structured form of interorganizational collaboration (Kania and Kramer 2011). Generally funder driven, collective impact takes much of what the scholarly literature on collaboration has been arguing and repackages it in a practitioner-friendly way. It has seen wide uptake in just a few short years as a tool to bring communities together, coordinate efforts, and demonstrate outcomes through shared measurement systems. This type of collaboration comes with a host of warnings and critiques, however. Some questions that have arisen include the following: Does most of the credit and funding, because of internal power dynamics, go to the biggest organizations and required “backbone” organizations?

Which organizations are brought to the table? Do they adequately represent the communities concerned? Have issues of equity and racial justice been seriously considered? Does the collaboration channel efforts in a predetermined direction, ultimately stifling the work of ground-level activists (Wolff et al. 2017)?

With independent funding to promote ideas and preferences, philanthropy continues to be able to exercise its expressive role, but social service nonprofits are often seen as philanthropists' instruments—tools or sites in larger schemes for enacting social change. Top-down innovation doesn't generally allow for learning, which could take place from seeing what nonprofits on the ground are doing and what is effective in different communities. It also tends to depend heavily on professional and managerial expertise instead of field-based and localized knowledge and is designed to transcend culture and context (Ganz, Kay, and Spicer 2018). It has a veneer of neutrality, but the rationalized framing usually omits the perspectives and experience of those closest to the problem (Tompkins-Stange 2016). When innovation is seen only when it comes as a high-profile, disruptive force, rather than the resourcefulness and creativity enabled by deep expertise and extensive training, philanthropy becomes more removed from an authentic and democratic understanding of the problems it is trying to solve (Tufekci 2018).

Conclusion

Ultimately, social service nonprofits are not just deliverers of services but part of a much bigger web of governance in their roles as advocates, collaborators, and ground-level innovators. However, there is a real tension in the field as to whether social service nonprofits should be seen as gap fillers responding to market and government failure or as vehicles for strengthening communities and making policy more responsive and equitable. Currently, social service nonprofits are challenged to meet the normative expectations many citizens have for the nonprofit sector regarding voluntarism, community connections, and independence from government. They have strong incentives to become more professionalized, larger, more data driven, and more attentive to resource availability than community needs.

The application of market logic to social service nonprofits emphasizes that attention to the bottom line is simply good management and essential to capacity and quality. What distinguishes the sector is less the nature of the programmatic offerings and more the *personality* or *character* that social service nonprofits bring to their work. The challenge, then, in the face of this logic, is how to stay focused on mission and relational work when the market becomes ever more present in their work.

Optimists assert that robustly defining the outcomes that matter, with funding that is well-aligned to those efforts, could help social service nonprofits meet both instrumental and expressive goals. Certainly, the capacity to use data well will continue to be a skill that separates successful organizations from those who struggle (Janus 2018). One suggestion is for nonprofits to lean into their expressive, value-driven nature and highlight it as a unique strength. Unlike for-profits optimized for instrumentality, nonprofits can leverage community connections and a client-centered approach as strengths, potentially making them more competitive than their for-profit peers in tackling more complex, barrier-rich social issues (Frumkin and Andre-Clark 2000).

Pessimists argue that a healthy civil society is simply incompatible with nonprofit dependence on government funding. In this view, the pursuit of government funding creates perverse incentives for nonprofits that lead them to become ever more focused on meeting the desires of funders rather than the community members they see every day (Dolsak and Prakash 2015). At the same time, the federalized nature of government contracts keeps nonprofits from collectively organizing, as does the fact that the social services are highly siloed by program area (mental health, child welfare, etc.). These aspects of policy design not only make it difficult for nonprofits to have a strong advocacy voice but actively discourage individuals (nonprofit staff and consumers alike) from getting involved or seeing their fates as linked (Michener 2018).

Nonprofit dependence on government funding has notably come about precisely through the rejection of government as a tool to solve problems (and, in fact, sometimes as the source of them) and the embrace of market principles as an alternative. Solutions to social problems are, in turn, seen as technical and knowledge-based rather than political and power-based (Ganz et al. 2018). Recognition of the inequalities baked into our current political system would mandate increased involvement of social service nonprofits in civic engagement and citizen mobilization. Our current focus on innovation, data, and performance measurement, by contrast, privileges the short-term, individual-by-individual approach to meeting social needs and thereby favors the status quo.

Increased enmeshment with government gives social service nonprofits more power and responsibility while limiting their ability to resist marketization trends. This phenomenon can be seen in other fields as well, such as health care and education. Growing austerity and contract competition limit possibilities for dissent and alternative conceptions of the sector (Dodge 2010). Current relationships with government have been conceptualized as principal-agent in nature, implying vertical accountability. If, through changes in collaborative governance and collaborative practices generally, social service nonprofits are to have a larger voice and exercise more control over the social service system, we will need new theorizing of horizontal accountability in the social services (Hill and Lynn 2005; Van Slyke 2007). The future of the social service nonprofit sector is uncertain but could be telling for other parts of the nonprofit sector that are not yet as fully enmeshed with government partners.