



Center on
FAITH IN COMMUNITIES

Will Conservative Welfare Reform Corrupt Religious Charities?

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Policy Review, Fall 1995

Welfare reform, says Governor John Engler of Michigan, is not "just about reforming a broken system, but about reforming what is broken in the human character." Engler is one of a growing number of policymakers who seek to shift responsibility for helping the poor from government bureaucracies to civil institutions -- particularly religious ones -- that can address the underlying moral and cultural aspects of chronic welfare dependency. Indeed, amidst the flurry of federal and state initiatives to scale back the welfare state, religious nonprofits are becoming the new provider of choice for funding and delivering social programs.

Engler has approved a multimillion-dollar contract with the Salvation Army to care for the state's homeless population. Mississippi governor Kirk Fordice has established a "Faith and Families" project in which state social-service agencies work with churches to "adopt" welfare families. The federal government provides some 350 grant programs for social-service nonprofits, many of them with religious roots. U.S. Senators John Ashcroft and Dan Coats have proposed legislation allowing individuals a dollar-for-dollar tax credit for donations made to charities, including religious groups, that serve the poor.

The enthusiasm for religion-based providers is well-deserved. Christian-based substance-abuse recovery programs, for example, reportedly boast a 70 to 80 percent success rate, whereas secular therapeutic programs report an average success rate of 6 to 10 percent. Research by Roger Freeman of Harvard University shows that black inner-city youth who attend church are 47 percent less likely to drop out of school, 54 percent less likely to use drugs, and 50 percent less likely to engage in criminal activities than those without religious values. Columnist William Raspberry of the *Washington Post* recently asserted that the most successful social programs "are those that are driven -- even if only tacitly - - by moral or religious values."

So it's beginning to look like the secular state wants some old-time religion. But what impact will increased state funding have on religion-based programs? Will more money allow them to help more needy people, or will it dilute -- or pollute -- their ability to exert the moral and spiritual influence that makes them uniquely successful?

In Michigan, where Engler has aggressively collaborated with religious nonprofits, the results are mixed. State agencies tend to treat these nonprofits not as equals, but as subcontracting functionaries doing the government's bidding. State contracts almost

always come with conditions -- regulations that sometimes diminish a religious group's best assets: its personal involvement, its credibility with the community, and its commitment to addressing not only physical needs but spiritual ones as well

Moreover, religious nonprofits that contract with the state may, as a result, shift their purpose from the transformation of lives to the mere delivery of services. The most effective groups challenge those who embrace faith to live out its moral implications in every significant area of their lives, from breaking drug or alcohol addictions and repairing family relationships to recommitting themselves to the value of honest work. But state social-service contracts aren't mainly concerned with such outcomes; they focus on the number of meals served, beds available, and checks cashed.

Engler Calls in the Army

The aim of his welfare-reform efforts, Engler says, is to smash the entitlement mentality, promote the idea that aid entails responsibility, and empower the private sector (particularly the religious community) to deliver welfare services. To accomplish the first two goals, Michigan in 1992 began requiring recipients of Aid to Families with Dependent Children (AFDC) to sign a "social contract" with the state that committed them to work, job training, or volunteer service for at least 20 hours per week. To accomplish the third goal, Engler has increased collaboration with and funding of religiously based social-service groups.

Some public-private partnerships in the state are still too young to afford solid conclusions about their effects. Nonetheless, the most formal and visible partnership in social welfare in Michigan -- the state's annual \$9.5 million contract with the Salvation Army to assist the homeless -- sheds some light on the deficiencies of public-private collaboration.

In December 1991, the Michigan Department of Social Services (DSS) awarded the Salvation Army a \$3 million grant to provide emergency shelter and two meals per day to homeless individuals, either in its own facilities or by "subcontracting" with other private shelter operators. The partnership resulted from the expectation that homelessness would increase following Engler's most dramatic welfare reform: terminating the state's General Assistance (GA) program. Until October 1991, the GA program had provided about \$240 million annually to childless, able-bodied, nonworking adults. Critics charged that without assistance, many of these individuals would become homeless. State officials wanted an inexpensive but effective initiative to prepare for such a contingency.

The scale of this partnership is impressive. In the first year, the Army provided over 680,000 "nights of service" (a bed and a meal) to the state's homeless. The initial grant of \$3 million has increased each year to reach \$9.5 million in 1995. This works out to \$10 per day per client and allows the Army a modest administrative overhead of 3 percent. From the time GA was terminated until March of this year, the Army and its subcontractors provided nearly 2.9 million nights of service to homeless individuals.

From the state's perspective, this partnership has been, in the words of Rusty Hills, Engler's public-affairs director, "absolutely magnificent." In one fell swoop, Engler saved the taxpayers millions of dollars, dealt a significant blow to the entitlement culture, encouraged thousands of individuals to leave the dole and find jobs, and provided homeless people food and shelter far more cost-effectively than ever before. Despite the increase in homelessness that followed the GA cuts, state officials say, the Army and its subcontractors have risen to the challenge. Shirley Nowakowski, the director of energy, housing, and emergency programs for Michigan's DSS, says the Salvation Army partnership is a success because "everyone who wants a bed has a bed." Jerry Miller, the state's director of social services, agrees, noting that the Salvation Army is providing services far more cheaply than the state could.

Leonard Krugel, the Army's director of divisional services and the point man in the Army's contract with the state, is also pleased with the collaboration. He explains that the Army would have had to confront an increased homeless population anyway, and having state dollars helped pay the bills. More importantly, Krugel argues that the partnership has provided the Army "regulatory relief."

For example, city officials in Detroit recently passed a new ordinance requiring homeless shelters to provide, among other things, dietitian-approved menus, quiet study rooms for schoolchildren, and expensive fire-suppression sprinkler systems. The ordinance already has put some private shelter operators out of business, and critics say the regulations are excessive and unrealistic. But for the Army, Krugel explains, "all of [these regulations] are outside the sphere of this contract." Just Send the Checks?

Former Army staffers and outside observers, however, are less sanguine about the partnership. The Army has a long history of providing emergency shelter. But it also knows a lot about how to help the homeless break the cycle of dependency. Salvation Army chapters in Michigan offer drug rehabilitation programs, educational services, and job-training seminars. Nearly every Army center has a chapel on site, and Bible study classes and spiritual support groups are common.

The state contract, however, is limited to emergency services only. It includes neither the practical nor spiritual functions that have distinguished the Army over the years. With state-supplied funds, the Army subcontracts with shelters and certifies that they meet minimum standards of health and safety and provide the basic services of food and shelter. The Army neither provides consulting services to the subcontracting shelters nor assists them in designing programs to serve the homeless. It simply acts as a conduit for state funds, distributing money to 116 shelters (including religion-based ones) throughout the state.

The contract represents an enormous missed opportunity. On the one hand, state officials seemed to focus nearly exclusively on the cost effectiveness of turning over care of the homeless to the Army. On the other hand, Army staffers failed to insist that their emphasis on moral renewal be implemented in participating shelters.

"The Salvation Army has taken a very myopic approach to its role, that of being a fiduciary -- not a program monitor, just a 'pass through,'" says Dan Piepszowski, the Army's former director of social services in eastern Michigan who is now with the Catholic Archdiocese of Detroit. "I don't think the Army was able to fully integrate their church ministry agenda into the operation of the contract." Piepszowski says, for example, that there has been no clear ministerial role for core officers -- the heart of the Army's religious leadership -- at the shelters.

"They've got to figure out who they are in this collaboration," Piepszowski says. "Do we want to send the checks or do we want to work our magic? They've opted to send the checks."

It appears that the Michigan DSS also had a too-limited vision of what it wanted out of the partnership. Leonard Krugel, for example, does not know why the state chose to work with the Army rather than some other entity. When asked the same question, Shirley Nowakowski of the DSS said that the state selected the Army because it has corporate offices in several Michigan counties. She seemed unaware that the Army, as a religion-based provider, might address moral and behavioral problems underlying chronic homelessness more effectively than typical secular programs. Neither did state welfare director Jerry Miller. He said the fact that the Army is a religious organization never entered his thinking. Rather, according to these officials, they wanted to ensure that every Michigan citizen who needed emergency shelter would get it -- and they believed the Salvation Army could deliver.

Sam Chambers, the director of social services in Wayne County (which includes Detroit), complains that the state was never interested in a genuine partnership in which the Army could pursue its holistic approach to homelessness. "Case planning wasn't part of [the partnership]. Rebuilding people's lives wasn't part of it. . . . All that was bought by the state was direct emergency services -- a 'cot and a hot.'" Critics say the Army's involvement is not helping Michigan transform homeless individuals into productive citizens, but is simply feeding and sheltering a dependent homeless population more efficiently. All that has changed, they maintain, is who signs the checks for the individual shelters.

The Dole and the Soul

The drawbacks of state funding go deeper than the loss to welfare recipients of the benefits of a spiritual ministry. The nonprofits themselves risk losing their unique capacity to help the needy. For example, a nonprofit's credibility in the eyes of its beneficiaries may be tainted by its association with state agencies. Rev. Eddie Edwards, who oversees a community-development organization in east Detroit called Joy of Jesus, explains: "When we are working with people in the community, helping them become self-sufficient, helping them get off welfare, it would be extremely difficult to tell them to get off welfare if we were on some kind of public assistance."

Other problems, though, exist largely because of the way public-private partnerships are now conducted. The impact of public funds on REACH, Inc., another church-based ministry in Michigan, illustrates several pitfalls into which such groups can stumble.

REACH began as the brainchild of several lay members of Detroit's 12th Street Baptist Church, who started an outreach to senior citizens in the surrounding neighborhood. The group established a day-care center, purchased and rehabilitated crack houses, and even opened up a local restaurant. Rev. Lee Earl pastored the church, and REACH's offices were housed in the church building. As the group's vision for community renewal expanded, some members wanted to pursue government funding. In its early years, church members and private companies had financed the ministry's work. Earl says he was not sure that "the benefits of government funding outweighed the challenges," but his was a minority voice.

In the early 1990s, the church won grants from the U.S. Department of Housing and Urban Development, the Small Business Administration, and the city government to expand its housing-redevelopment efforts and small-business training. But with the dollars came headaches. For one thing, bureaucratic sluggishness delayed their redevelopment program. Earl describes how government bureaucrats held up the processing of contracts because they lacked computer skills. "Their turnaround time might be a month and your turnaround might be a day," Earl says. "But you've got to move by their timetable."

Local government officials overseeing REACH's work also lacked "street sense," Earl says. When REACH rehabilitated homes with private money, it negotiated only with the city's building authority. "The building authority was flexible to the realities of rehabbing," he says. "For example, the houses have to have gutters and doors and other parts made of aluminum. But you can't put that stuff on until the house has people in it, because the crack heads will steal the aluminum and sell it for drugs." Building authorities typically approved the inspection as long as the materials were purchased and ready to be put on. Once the home was approved, the family could move in, and church volunteers put on the aluminum within 24 hours.

Once REACH received local, state, and federal funds, other agencies, including the community development department, assumed various responsibilities for oversight. According to Earl, the officials there did not understand the realities of rehabilitation in the inner-city. "They wanted [the aluminum] on the house before they would even come out and inspect it," Earl says. "They said, 'Put it on the house and we'll be out within seven working days.' Well, it wouldn't stay on the house for seven working hours!"

Up Close and Impersonal

One attraction of religion-based social-service groups is that they tend to be more personable than their secular counterparts. Workers in the religion-based providers often come from the local neighborhood and can relate well to clients. Moreover, ministry staff are often volunteers or are underpaid; they are there because they view their work as a

calling rather than a job. Nearly everyone in social service agrees that a friendly, supportive environment stimulates improvements in behavior among welfare recipients. Consequently, the "impersonalization" or "bureaucratization" of a ministry can severely undercut its effectiveness.

The process of "impersonalization" unfolds in a variety of ways. Ministries complain that government funding brings enormous paperwork that steals time away from face-to-face ministry. In addition, government often dictates that groups receiving public funds hire only staffers with specific educational degrees, such as a masters of social work (M.S.W.), or with certification in professional substance-abuse counseling programs. Such "professionalization" can undermine the informal, relational style that once prevailed between staff and recipients of care.

"Part of the criticism of us now is that we're too professional, too polished; that we can't relate to the things that [local residents] are going through," says Linda Smith, a REACH staff member since its inception. In the organization's early years, says former executive director Charlene Johnson, about 70 to 100 volunteers participated in various aspects of the ministry. Today, REACH's office "volunteers" number three -- all from the federally funded Americorps program. REACH's current director, Pamela Martin Turner, says the organization is "developing personnel policies, formalized job descriptions with job titles and salary ranges, and other things that happen when you become more bureaucratic."

Gary Bayer, who used to oversee a Detroit homeless shelter serving substance abusers, argues that ex-clients who have overcome their addictions make some of the best employees. They have walked the same streets as the drug abusers they now serve; they have the authority to challenge them, and teach them how to get off drugs and stay off them. But under the government's credentialing requirements, such "homegrown" leaders often aren't eligible for employment as counselors.

While credentialing requirements are appropriate in certain kinds of social-service work (no one wants volunteer "doctors" providing them medical care), they may be unnecessary elsewhere. In Detroit, DSS director Sam Chambers and his friends in the religious social-service sector are trying to design more creative programs with a greater role for paraprofessionals and volunteers. Unfortunately, such collaboration seems to be exceptional.

Organizational Drift

At its heart, a religion-based service provider aims to transform lives. Such a goal can be difficult to measure by objective, quantitative data. That's why program leaders, when conferring with supporters in the private sector, typically tell stories. Progress in personal transformation is often judged by such things as changed language, faithful attendance in education/training programs, increased punctuality and personal responsibility, willingness to work, improved social relations with staff, reaffiliation with family, avoidance of drugs, commitment to financial accountability, greater reliability, and

increasing initiative and enthusiasm. These often intangible and "qualitative" changes are the very ones credited with permanent socioeconomic improvement.

Government, by contrast, focuses on objective statistics, usually to measure the number of commodities provided to a needy person or neighborhood. Consequently, nonprofits receiving government funds start counting numbers and recording statistics. And to ensure continued receipt of state dollars, they may start investing more effort in programs that produce easily quantifiable results rather than in holistic ministry that produces qualitative change.

REACH's Linda Smith reports that the tone of the group's programs has changed. Before receiving major government grants, the ministry emphasized "human development," with great attention to moral and spiritual matters. "Our experience showed that if we didn't do this, we could move people into a house, but they'd trash it and not make the mortgage payments," says former director Johnson. Now the ministry's help is more "commodified" (providing people material goods such as houses) and its work is more project-oriented than relationship-oriented. Under Johnson's tenure, the ministry's largest annual budget was \$1 million, distributed across youth, family, and economic-development programs. Today, the thrust of REACH's energy is on housing rehabilitation and construction, programs for which they can obtain major federal and state grants. REACH recently secured a \$1.7 million grant for a major housing initiative.

"Government funding will not realistically finance your Christian, holistic, or evangelistic purpose. You can't use it for that," says Virgil Gulker, a guru of the religion-based service community who has founded numerous projects in Michigan for the poor. "So you end up evaluating quantitative things -- how many houses did you build, how many meals did you serve, how many jobs did you find -- that will have no impact on your organization's original purposes, other than to diminish that original purpose or mission."

Secularization

Gulker's insights touch on the crux of the issue of government funding of religion-based providers: the potential danger of secularization. REACH's current executive director, Pamela Martin Turner, admits quite openly that REACH has "evolved into a more secular, more ecumenical organization than in past years. . . . To some large extent, the work of the past was primarily based on faith, on a commitment to spiritual and religious values. Whereas now, on the staff level, there may be some internal spiritual value that compels people to come to work, but that's not the explicit understanding. People come to work because it's their job and they're expected to do a good job."

The de-emphasis on the spiritual comes with a cost: REACH staffers are less likely to bring their religious convictions to bear in addressing, confronting, and meeting the needs of the needy. "We do not talk about the spiritual needs at all," says Smith. "When we worked out of the church, I knew every day, without a doubt, why I was there." Now, she says, "some days I come to work and people come in and I feel like I can't help them

because they need more than to just talk about putting them in a house. It's a struggle for me."

People of faith, of course, are concerned about the threat of secularization. But others ought to be worried as well, for the dilution of a ministry's religious distinctiveness may remove the very element that makes it so effective in addressing social problems.

Even ministries known for their spiritually integrated approach are susceptible. The Detroit-based Joy of Jesus accepts no government funding, but financial problems led it to incorporate a separate, not explicitly religious, nonprofit partner organization called R-3 that solicits state funds. These are used principally in the organization's housing-redevelopment program. The ministry also moved its job training program to R-3 because private donations were insufficient to maintain it. Instructor Kevin Feldman reports that he used to integrate biblical principles in the training curriculum and pray with his students, but had to stop once the organization received government funding. In Feldman's view, the result has been that "our success rate has dramatically declined." Fewer individuals are completing the program and fewer are finding and retaining jobs.

After reviewing this ledger of potential pitfalls, some faith-based groups in Michigan have decided that accepting government funds is too risky. "In general, there's a need for collaborative effort between the public and private sectors," says Joel Samy of American Family Hope, a Michigan nonprofit that helps the working poor. "But it's in the best interests of a church-based ministry to have minimal involvement with government at the funding level." Like Virgil Gulker and others, Samy worries that religion-based providers will exchange their original mission -- with its emphasis on spiritual awakening—for a governmental agenda.

Exceptions to the Rule

Although the problems afflicting religious nonprofits in their collaboration with the state of Michigan are serious, they do not seem to be inevitable. Some religious agencies have been able to work with government entities, accept tax dollars, and avoid the pitfalls identified above. If Michigan builds on these successful examples of collaboration rather than replicating its faulty models, then Engler's goal of transforming lives by cooperating with nonprofits in social welfare could be advanced.

Detroit Rescue Mission Ministries (DRMM) provides substance-abuse programs and emergency shelter for homeless men and women. It enjoys excellent relations with Wayne County's Sam Chambers and has collaborated for decades with the county department of social services. Chambers has established a community-wide planning board, including several religion-based providers, to discuss policy. Chambers welcomes input from the religious nonprofits. These groups, he explains, are closer to the needs, more "user-friendly," and less bureaucratic and intimidating. Noting that Detroit has 4,000 churches but only 33 welfare offices, Chambers says it is obvious he can meet needs more effectively by tapping into the religious sector. Such groups "do a better job because they tend to treat the whole man," he says.

Aware of the church-state issues involved, Chambers says his evaluations of the religious nonprofits his department works with are "outcome-based." His office enforces health and safety regulations and conducts financial audits, but does not interfere with ministries' internal policies and procedures. There is no attempt to force groups to change their holistic approach or extirpate their religious sensibilities. Chambers says he works with DRMM because the ministry's track record is stellar: It has helped turn around the lives of some of the toughest clients in the welfare system.

This partnership works not only because the approach Chambers takes is one of genuine, respectful, and pragmatic collaboration, but also because DRMM has a clear vision for its ministry and strong leadership. Its president, Don DeVos, says he'll refuse any government grant that compromises the ministry's commitment to holistic ministry. So far, it seems, he has.

In Grand Rapids, Bethany Christian Services works with the Kent County Department of Social Services to provide foster care for at-risk children and residential care for abused and neglected children and juvenile sexual offenders. Its relationship with government is, like DRMM's, cordial and long-standing. John Cole, the program manager for the local DSS, is the ministry's principal government contact. Like Chambers, Cole takes a results-oriented and respectful approach to the partnership. Cole says he "doesn't implement any policy without first developing it in draft form and asking the private groups what they think about it." His staff meets with BCS staff monthly, and he meets personally with BCS leaders quarterly to discuss policy design and implementation.

Unfortunately, according to Cole, this kind of genuine and broad-based collaboration is rare in Michigan. He says that, despite the governor's strong support for privatization, most county welfare offices are biased against purchasing welfare services from private nonprofits. Because of the entrenched state bureaucracy, Cole explains, "There's a preference for county departments to provide their own services." And even when local welfare departments do purchase services from nonprofits, they do not do so as part of a broad, genuine, partnership. "They may purchase services but I don't think they really believe that that's the way they ought to go. I've been in meetings where they [government officials] are very critical of the [private] agencies," Cole says. And at the state level, he says, "the arrangements are very much businesslike and one-sided," even "adversarial" at times.

Redefining the Relationship

Some of the most fruitful state collaborations with religion-based social welfare groups in Michigan appear to rest largely on the goodwill of certain government officials who treat nonprofits as equals and are more interested in enabling religiously based organizations to transform lives than they are in rigorously enforcing a church-state divide. This is a shaky foundation for the partnerships, since such individuals could be replaced by less sympathetic officials. Clearly, a stronger foundation for public-private partnerships is needed. And it must be built soon, before, in our zeal for welfare reform and

"devolution," a whole superstructure of arrangements between government and nonprofits is erected.

Some religiously rooted groups will, of course, continue to avoid any involvement with state contracts as they offer help to the needy, and their effectiveness bolsters the case for others to do likewise. But some ministries believe that relying on public funds through state and federal agencies is desirable and potentially beneficial. My investigation into private non-profits in Michigan suggests several steps that both government and faith-based providers could take to guard the integrity of groups that seek out government grants and contracts.

To start, state lawmakers and agency officials need to listen more attentively to the good Samaritans on the front lines. When big government imperiously issues decrees from on high, its private "partners" bust their budgets trying to conform. Genuine collaboration would mean, at best, that ministries would have some say in designing the regulations. Or, at least, that government entities would allow their grassroots partners flexibility in achieving the intentions of the regulations, if not the letter of the law. Otherwise, "working together" means that ministries accomplish less with the "help" they receive from government than they would have in the absence of a state contract.

Politicians must redefine "public-private partnership" to go beyond the "delivery system" model, which is principally concerned with saving money, not transforming lives. In this model, the state decides what services will be offered and then pays private groups to deliver them. Some recent initiatives by Engler suggest he is on the right track. For example, Engler's "Clergy Summit" in October shows an awareness not only of the cost-effectiveness of outreach by the religious community, but also of that community's moral authority in low-income neighborhoods. At the meeting, state officials are expected to solicit the help of pastors in publicizing welfare services. Says an Engler spokesman, "If we can tap into the moral authority and trust that the pastors have, we are much more likely to reach people than if we just hope that some bureaucratic edict from the impersonal state government is suddenly going to make things happen." Absolutely right.

In addition, state officials are now discussing how to broaden their arrangement with the Salvation Army. Social service director Jerry Miller says the state now recognizes the partnership should go beyond the provision of emergency services: "We need to work to get [the homeless] into transitional housing" -- and, eventually, permanently off the streets. It remains to be seen whether the Army can conduct this additional work in a way that takes full advantage of its strengths as a religion-based provider of social services.

The Engler administration can go even further. It can hold up the work of officials like Sam Chambers and John Cole as examples of a smart way to develop genuine, effective partnerships with religious organizations. It's not enough for Engler to praise collaboration with these nonprofits. His administration must clearly define the kind of collaboration that is desirable -- and it should look more like the partnership between Wayne County and the Detroit Rescue Mission than the current partnership between Lansing and the Salvation Army.

Finally, government officials must acknowledge the value of a religion-based, holistic approach to serving the needy, and take the necessary actions to ensure that ministries agreeing to work with the state do not thereby stumble into the traps discussed. The government welfare system has failed, not only because it is a poor deliverer of the standard package of welfare benefits, but because the package itself is flawed. Cash and commodities are not the things that transform poor people's lives. Religious welfare providers have a better record in changing lives not only because they deliver services more effectively, but because their services are different. They provide "goods" like love, emotional support, spiritual instruction, trust, accountability, moral authority, hope, character training, and basic life skills—all in the context of personal relationships with the poor. They suffer with and walk alongside needy people until those people are able to walk out of the underclass.

Any arrangement with state agencies that fails to give this level of autonomy to religiously grounded outreach efforts may serve the interests of government bureaucrats or certain activists for the poor. But it will not, in the long run, help the needy to help themselves.