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The Journal of Sociology & Social Welfare

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Volume 16  
Issue 1 *March*

Article 7

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March 1989

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### Recommended Citation

Blau, Joel (1989) "The Limits of the Welfare State: New York City's Response to Homelessness," *The Journal of Sociology & Social Welfare*: Vol. 16 : Iss. 1 , Article 7.

Available at: <https://scholarworks.wmich.edu/jssw/vol16/iss1/7>

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# The Limits of the Welfare State: New York City's Response to Homelessness

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*This research examines New York City's response to the growth of the homeless population. Reviewing the six policies that constitute the city's response, it identifies two patterns. These patterns—cost-reduction and preparation for work—are then explored as examples of the constraints on the development of policies for the homeless. Finally, three theories of the welfare state are advanced to analyze these constraints and illuminate New York City's behavior.*

Homelessness has become a prominent social problem. The population has grown rapidly, and this growth has been accompanied by a proliferation of policies, as different localities, states, and the federal government seek to shape a response. New York City's response has been one of the more intricate and complex. New York has the largest homeless population; its government provides the vast majority of beds. Yet despite having made the best effort of any unit in the American public sector, the number of homeless continue to increase. New York is certainly different, and care should obviously be exercised before any comparisons are made. Nonetheless, a case study of the inadequacy of New York's response is well worthwhile. By reviewing what the city did and did not do, it is possible to examine how political and economic factors constrain the welfare state and impede the development of social policy in this country.

New York City's homeless population first began to grow during the 1970s. The economy slowed; low-income housing became harder to obtain; and in the absence of adequate mental health services, many deinstitutionalized people walked the streets. Together, these three causes seem to have had a synergistic effect. As a result, homelessness, an urban phenomenon that had once been confined to the Bowery, was pushed over the

threshold into the category of a compelling social problem. New York City was then forced to respond.

### New York City's Six Policy Responses

Analysis suggests that the city's response consisted of six policies. These policies are (a) resistance to the implementation of a court decree granting a right to housing; (b) a preference for large over small shelters; (c) an emphasis on temporary rather than permanent housing; (d) encouragement of the work ethic, if not actual work; (e) partial differentiation of the homeless population; and (f) together with New York State, street outreach rather than long-term bed provision for the homeless mentally ill. Each of these policies must be more completely described in order to clarify some patterns in the welfare state's behavior.

#### *Resistance to the Implementation of a Court Decree Granting a Right to Housing*

In 1979, the Supreme Court of the State of New York issued a preliminary injunction ordering New York City to provide shelter to every man who requested it. Two years later, the city signed a consent decree in which it promised to provide minimally decent shelter if the advocates for the homeless would drop their demand that men's shelters be community-based (Hopper and Cox, 1982).

New York City has subsequently resisted the full implementation of this decree. As a consequence, advocates have had to go to court more than 30 times to enforce its terms (Daley, 1987). They have sued about overcrowding, the city's transportation policy, and the adequacy of shelter services. In addition, they have also had to wage a long battle so that the consent decree for men could be used as a legal precedent for the shelter rights of women and families (Coalition for the Homeless, Undated, p. 3; Koch, 1987, p. 22).

The city's reluctance has effectively undermined much of the decree's value. New York's homeless won a victory when they secured a right to shelter. yet the value of that right is significantly diluted when the city seeks to fulfill its responsibilities by housing 700 people in a shelter intended for a smaller number. The court may award rights, but it is only the city that, by allocating funds, can give those rights any real meaning.

*A Preference for Large Shelters Over Small Ones*

New York City has regularly demonstrated a preference for large rather than small shelters. In July, 1986, for example, only 2 of 21 shelters—the Park Slope and Kingsbridge Armories—had fewer than 100 residents. In contrast, the largest shelter—the Fort Washington Armory had a nightly census of 784 men, and 9 other shelters averaged more than 300 people (HRA, July, 1986). New York City secured the right under the consent decree to house its homeless in large shelters. It has fought the implementation of plaintiff's rights obtained through this decree. But it has exercised its own right to the fullest.

Even widespread community opposition has not deterred it. Some neighborhoods have expressed their willingness to accept a small community-based shelter (Hopper et al. 1982; Biber, 1984). Yet virtually everyone becomes adamantly opposed when faced with the prospect of a large institution. Any large institution changes the character of a neighborhood. When that institution is full of homeless men, the change is usually resisted with all the political resources the community can command.

New York City's commitment to this policy has been the subject of much speculation. The Koch Administration maintains that it would be politically impossible to scatter enough small shelters to house the population (Human Resources Administration, 1984). But since living in a large institution is less attractive to the homeless, many critics suspect that its deterrent value is one reason the city continues to insist upon them (Hopper and Hamberg, 1985; Hayes, 1985).

*An Emphasis on Temporary Rather Than Permanent Housing*

Closely related to the city's preference for large shelters is its attempt to use temporary facilities to address the homeless' need for housing. Armories and welfare hotels are the best examples of these temporary facilities, but the city has also converted schools, hospitals, and factories into housing that is equally makeshift. Temporary facilities for a "temporary population": well into the 1980s, New York operated on the assumption that the growth in the homeless population was merely a passing emergency.

More recently, though, the problem's persistence has compelled the municipal government to alter this assumption. The

clear need for some better temporary housing has resulted in innovative programs such as Andrew Cuomo's Brooklyn apartment building for 200 homeless families (Schmalz, 1987). This transitional facility has better living conditions than a typical welfare hotel, and the relative stability of its environment should help the residents in their search for permanent housing.

Their prospects, though, are not good. There are more than 5000 homeless families in New York City, an overall vacancy rate of just slightly over 2%, and an especially acute shortage of low-income housing. New York City public housing, for example, has a wait of 18 years: if you wanted a larger apartment in public housing because you were bringing an infant home from the hospital, that apartment would be available about the time the infant—now a teenager—had left for college. Transitional facilities like the Cuomo apartments obviously serve a vital need. But they cannot fulfill their intended function unless their residents can find adequate housing.

#### *A Policy of Encouraging the Work Ethic, If Not Actual Work*

Another major city policy revolves around the enforcement of work norms. The Koch Administration has implemented two kinds of programs for this purpose. One, the Work Experience Program, pays \$12.50 a week to 3000 homeless residents for 20 hours of maintenance and janitorial work in the city's shelters, parks, and subways. A second, typified by the Shelter Employment and Housing Project, found 727 jobs for the homeless in the competitive labor market over 2 years (Valleau, 1987). Virtually no money has been allocated for job training.

The omission of job training leaves a revealing policy mix. Either the residents are kept busy on a minimum stipend, or they get a SEHP job placement. SEHP jobs usually pay less than \$5 an hour (Shelter Employment and Housing Project, 1986). Very few people will be able to find housing outside the shelter on this salary.

Job training would undoubtedly be expensive. But it would also upgrade their employment skills. Without job training, there is too little real paid work for too few people. New York City says that its policies are designed to make the homeless self-sufficient. Yet what its policies really show is that there is a big difference between work and the enforcement of work norms.

### *A Policy of Partial Differentiation of the Homeless Population*

Since the late 1970s, New York City has gradually moved from an undifferentiated to a partially differentiated conception of the homeless. Its policies illustrate this shift. What was once seen as an amorphous and undifferentiated mass is now subdivided into a number of subpopulations, each with its own special characteristics. Most of this differentiation has occurred through the development and more careful targeting of services. By distinguishing between the employable and nonemployable subgroupings, work programs provide for one cross-section of the population. Shelter-based Community Support Systems for the homeless mentally ill provide for another. Inasmuch as both of these initiatives are relatively new, they demonstrate the city's recognition that some benefits flow from making these kinds of distinctions.

Yet this change has had its limits. In the work programs, for example, the city merely separates the nonemployables and the employables. Without a job training program requiring specific skills, however, it makes little attempt to classify them further. Similarly, while it is aware that the homeless mentally ill are scattered throughout the shelter system, it has placed CSS teams in only about one-third of the city's shelters (Barbanel, 1987).

Further evidence of this pattern is found in the city's 1986 shelter initiative (New York City, 1986). On the one hand, the city proposed a shelter system with a relatively high degree of differentiation, one that offers separate housing for the elderly, employables, substance abusers, and the mentally ill. On the other, all this housing is to be provided in shelters whose size do not enable staff to develop a helping relationship. Subsequently, the city cut shelter staff for its FY' 87 budget, leaving only understaffed large shelters to implement the plan. Significant differentiation cannot occur under these circumstances.

### *A Policy of Street Outreach rather Than Bed Provision for the Homeless Mentally Ill*

Another distinct pattern is evident in the city's mental health policy. With hospital psychiatric wards at 100% of capacity, there is a shortage of acute care beds. New York State also has only about one-third of the 10,000 long-term supportive residences it needs (Barbanel, 1985). And while the city has used

Community Support System funds to provide mental health services to some shelters, its street outreach teams are clearly the most innovative programmatic development for the homeless mentally ill.

Evaluations of these programs have generally arrived at a consensus. While these programs were considered quite effective in engaging homeless people on the street, several studies have found that once they were off the street, there was a dearth of long-term services to which they could be referred (Barrow and Lovell, 1982, 1983). It is significant that the mental health system should have evolved in this particular manner.

Together, all these policies epitomize crisis management and a residual approach. Resisting the implementation of court orders, New York City has waited until the immediate needs of the homeless became absolutely critical. Then, emphasizing their transient status, it has opened large, temporary shelters, often against the community's will. Without job training, its work programs address the symptoms rather than structural dimensions of the homeless' unemployment; without other referral options, its street outreach teams remove only the most conspicuous evidence of the homeless mentally ill. True, New York City has moved toward greater differentiation of the homeless population. But undermined by staff reductions, its own policy of crisis management has remained intact.

### The Policies Reconceptualized

Laying out the attributes of these policies enables us to explain them at the next level of abstraction. From this perspective, the city really has two sets of policies. One set is directed at reducing the cost of maintaining the dependent population. The other set is intended to keep the potentially employable part of the homeless population ready for work and to place some small fraction of them in competitive jobs.

#### *Reduction of the Cost*

All the policies except those that are explicitly work-related can be identified as part of the effort to reduce the cost of maintaining the dependent population. Resistance to implementation of the court order granting housing represents an attempt to slow

the development of an increasingly costly program. Similarly, the city prefers large over small shelters because large shelters achieve some economies of scale and are cheaper to operate. By keeping the homeless in armories and other large, temporary shelters, the city has effectively deterred both the homeless *as well as* other poor people from relying on the public sector for permanent housing. And while New York City began to differentiate among the homeless, it had to fall back on a cheaper, less differentiated policy when, despite all the extraneous social costs, it could not afford the necessary shelter staff. Lastly, in the category of cost reduction and savings, there is the city's policy toward the homeless mentally ill. Within the context of the state's inadequate financing for acute and chronic care beds, the city has certainly funded programs that get the most disruptive of the homeless mentally ill off the street. However, its failure to provide sufficient long-term services suggests that once they are off the street, the principle of cost-reduction still holds.

#### *Work-Ready and/or Working*

The driving force behind these five policies is the desire to save money. The city's work programs, by contrast, seem to be otherwise impelled. If the purpose of the Work Experience Program is to keep the homeless who are potentially employable job-ready, the function of programs like the Shelter Employment and Housing Project is to increase the competition for low-paying jobs. Hence, in this interpretation, the city's policies keep a sizeable portion of the homeless population primed for the demands of the labor market and prepared to work. But by increasing the total supply of labor, they also serve to deflate the cost of wages, especially among low-paying jobs.

#### *Minimizing the Cost, Maximizing the Use*

New York City's management of the homeless may therefore be described as a push-pull mechanism. This push-pull mechanism consists of an effort to manage the relationship between the underclass and the working poor. New York City's policies of deterrence keep the cost of maintenance down and push some of the homeless into the labor market; its employment programs exist to tug at those who demonstrate both a capability and a



willingness for work. If the purpose of these policies is to manage the relationship between the underclass and the working poor, its net effect is to reduce both the cost of maintenance and the cost of labor.

Minimizing the cost of the homeless and maximizing their use: this is, in essence, what New York City has done in response to the growth of the homeless population. In some ways, of course, such a response is not unusual. Social policies have always intervened in the relationship between nonworking poor and the labor market. By giving more or less in response to changing political and economic conditions, they have sought to alter the equation of factors that incline some people to choose work or dependency. The elements of this choice are never work or dependency alone, but rather their comparative benefits. Thus, New York City may have had to grant a right to shelter in order to address the problem of homelessness. But when the shelter population grew dramatically, work programs were necessary to bring the comparative benefits of work and dependency back into line.

### Theories of the Welfare State

This analysis of the relationship between homelessness and social policy has significant implications. It suggests that there are limits to social reform—limits to what the American welfare state can, and cannot, do. In fact, there are several theories of the welfare state that reenforce and enrich this interpretation. Three, in particular, are especially relevant. They are (a) the need to maintain business confidence, (b) the concept of relative autonomy, and (c) the notion that maintenance of the dependent population and reproduction of the labor force constitute one of the welfare state's primary functions. Each of these theories will be discussed in turn.

#### *The Need to Retain Business Confidence*

The first theory is predicated on the need to retain business confidence. It is derived from the premise that the policies of the municipal government toward the homeless are rooted in the relationship between that government and a private enterprise economy. As an institutional entity, New York City's govern-

ment depends for its functioning on the economy's health. This statement is true both generally and as a matter of practical politics. In a general sense, of course, taxes from the economy finance the government. Beyond that fact, though, as a matter of practical politics, a failing economy is likely to result in an electoral debacle for the city's political leadership. For this reason, New York must always retain the confidence of business (Block, 1977).

Yet the need to retain business confidence creates its own conflicts. For, as James O'Connor argues in *The Fiscal Crisis of the State* (1973), the welfare state performs two essentially contradictory functions, namely, accumulation and legitimization. While the state, he suggests, must foster conditions favorable to the accumulation of capital, it cannot function in a manner that casts doubt on the legitimacy of the society.

Obviously, there is a lot of tension between these two responsibilities. Too much attention to the issue of accumulation undermines social harmony. But social harmony won at the price of many social benefits can limit the potential for capital accumulation. The state must therefore balance these responsibilities, shifting its attention from one to the other as the occasion demands.

This need goes a long way toward explaining the city's choice of policies. In an effort to compete for investment with other cities, New York sought to change its image as a welfare capital. In an attempt to create a hospitable climate for business, New York tried to reduce dependency upon the government. Thus, when New York City responded to the homeless, it opened shelters that would get the population off the street. These shelters were the cheapest, temporary solution to the problem. They were the solution demanding the fewest tax dollars relative to the problem's size.

This cost-effective method of managing the homeless population is part of New York City's "accumulation" function. New York must create a favorable environment for the conduct of business, and it must create this environment in an economy where some other locales can offer stiff competition. By providing a service to the homeless while sharply circumscribing its nature and extent, the public sector's response to the problem

squashes any expectation of further dependence upon it. Hence the delivery of the service implies its own limit: a shelter bed is no harbinger of permanent housing.

If these constraints on the size of the public sector are necessary for the purpose of accumulation, they are counterbalanced by pressures for fairness and social harmony. This is the legitimization side of the equation, whose expression in New York City took a somewhat rarefied form. There was no mass protest demanding services for the homeless. Instead, an inequity was redressed by a ruling of the judiciary in favor of the advocates' legal arguments. Popular opinion was also an important factor, because the homeless' disruption of public space made people feel that something had to be done about them.

#### *The Relative Autonomy of the Welfare State*

The second important theory that helps to explain New York City's behavior is the concept of the state's autonomy. Business, obviously, is not merely one undifferentiated interest. The requirements for retaining business confidence may therefore be quite different for New York City's fading industrial plant than they are for the real estate sector. Industries want a labor force that can obtain affordable, local housing; the real estate sector wants the very kind of freedom in the marketplace that drives up the cost of housing and creates homelessness. A measure of state autonomy is required to reconcile these different business interests, as well as looking out for the system's long-term stability by, among other things, knowing when there is a need to enact a social reform.

This concept can even be carried a step further. When a significant degree of autonomy is granted to the state, it becomes so detached from the direct influence of the business class that it appears to be acting out of its own self-interest (Block, 1977; Skocpol, 1980). According to this view, business is not conscious of its interests as a class: businessmen may be conscious of their own individual interests, but they do not know how to reproduce the social order. Since state managers possess this skill, the interests of business and the state converge. Business needs the state to reproduce the social order, and the state needs business because it is dependent on a healthy economy.

This perspective has direct implications for New York City's

response to the growth of the homeless population. While the municipal government's policies flow from its relationship with the private sector, it is not necessary to argue that it enacted these policies at the explicit direction of the business class. Instead, New York City's policies are clearly the product of a basic political and economic constraint that limits the possibilities of the American welfare state. As a result of the strength of business relative to the forces opposing it, too much cannot be given to those who do not succeed on the market's terms, and the standard of social benefits for housing, health care, and income security is set comparatively low. Because this constraint is so profoundly structural, any response to homelessness as a social problem will surely run up against it.

*Maintenance of the Dependent Population, Reproduction of the Labor Force*

The third theory that helps to illuminate New York City's response ascribes yet another function to the welfare state. This function can be formulated most accurately as the reproduction of labor and the maintenance of the nonworking population (Gough, 1979; Moscovitch, 1980; Dickinson and Russell, 1986). All social programs, except those for the permanently retired, help to reproduce labor. Some, such as a health program for those who are now working, reproduce current labor, while others reproduce a future labor force, either by helping children or maintaining a part of the dependent population until jobs are available. In a welfare state organized around universal rather than selective principle—one where full benefits and services are provided even if the recipient is working, some programs may even do both.

Since New York City's response to homelessness is hardly modeled on universal principles, its maintenance of the nonworking population is evident in the social benefits it provides to the homeless. This is especially true of the city's programs for homeless individuals, whom the benefits sustain until some fraction return to work. Consequently, these benefits to individuals serve to reproduce labor, much as assistance to homeless families both maintains them and preserves the possibility of their children participating in a future workforce.

These three theories of the welfare state share an emphasis

on the importance of business' role, but they are not perfectly coterminous. Arguments about business confidence differ in the degree of autonomy that they grant to the welfare state, an issue that is rarely treated by most theories of state's role in reproducing the labor force. Yet because the latter usually analyze how labor is reproduced, they generally provide a more systematic analysis of the functions of specific social programs. It would be wrong, therefore, to collapse these interpretations into one "theory" of the welfare state. Despite their shared outlook, each has its special emphases and concerns.

### Homelessness and Social Policy

Thousands of homeless people have been helped by the policy developments of the 1980s. Without these developments—without the shelters, without the hotels, without the outreach programs, many homeless would still be on the streets. This reality should be noted and given its due weight. But other perceptions intrude, for New York City did not merely address a need: it sought to handle a social problem in a particular economic and political context. This economic and political context was constraining, and these constraints permeated the making of social welfare policy even as that policy helped the homeless.

This point is perhaps the real conclusion of this study. Although homelessness is a conspicuous problem whose very prominence raises serious questions about the organization of American society, the public sector does not have a free hand in choosing its response. Rather, as this research shows, there are constraints placed on its development of policy. Analyses of homelessness should stress this fact. The homeless get some benefits in order to defuse the most unsettling questions about wealth and poverty. But they do not get more because a truly adequate response would conflict with powerful forces in the American political economy.

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