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# Race, Welfare Reform, and Nonprofit Organizations

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*This article presents research on the impact of welfare reform on 90 nonprofit organizations in Southeast Michigan. Utilizing a refined survey instrument, in-depth interviews and focus groups with agency executives and staff, and the analysis of agency documents, it assesses how the racial characteristics of agencies' client populations affected the organizational consequences of welfare reform. The study confirmed that welfare reform has affected the ability of nonprofit organizations to meet the increased expectations generated by recent legislation. These effects have been particularly pronounced among agencies serving a high proportion of racial minority clients.*

## Introduction

For many years, race has played a significant role in the development of various U.S. public policies, especially those related to public assistance (Brown, 1999; Lieberman, 1998; Thompson, 1998). Federal and state welfare policies have directly or indirectly discriminated against racial minorities, particularly African Americans, from the provisions of the Social Security Act of 1935 to the implementation of the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Even during eras of social reform, such as the 1960s, the focus on race produced both discriminatory policies and substantial white backlash, which, in turn, inhibited the creation of progressive policies for the working poor (Quadagno, 1996).

Since the 1960s, social scientists have debated the relative significance of race or class factors in determining the socioeconomic status of racial minorities in the U.S. including their disproportionate representation on the welfare rolls (Massey and Denton, 1993; Wilson, 1996). At the same time, significant alterations in welfare policies have had a dramatic and disproportionate impact on people of color. These include the adoption of work requirements—from the 1967 Social Security Amendments to the welfare reforms of 1996—and the contraction or elimination of a broad range of supportive services (Schiele, 1998; Abramovitz, 1998). Bobo and Smith (1998) characterize these trends as a new “laissez faire” racism in the nation’s welfare policies based on the perceived inferiority of African American individuals and culture.

The association of welfare status with racial minorities is perpetuated by stereotypical portrayals in the media and the use of racial codes for political purposes (Schiele, 1998; Edsall, 1991). The persistent image of the so-called “welfare queen,” despite ample contradictory scholarship, further reduces public support for welfare programs (Clawson and Trice, 2000; Gilliam, 1999; Zucchini, 1997). Ironically, the effects of recent welfare reforms appear to be turning some of these myths into reality as, for the first time, racial minorities begin to comprise the majority of welfare recipients in certain regions (Bischoff and Reisch, 2000). At the same time, the decline in the size of the welfare rolls since 1996 has created more sympathetic attitudes towards those who receive public assistance (DeParle, 1998).

Although persons of color, particularly African Americans, have historically comprised a disproportionately high percentage of the AFDC/TANF population, this difference has become even more pronounced since the mid-1990s. National statistics reveal that the proportion of white recipients dropped from 37.4% in 1994 to 30.5% in 1999, while, during the same period, African Americans went from 36.4% to 38% of the welfare population and the proportion of Latinos increased from 19.9% to 24.5% (U.S. Department of Health and Human Services, 2000). In addition, welfare caseloads are becoming increasingly concentrated in urban counties, with 10 counties comprising 33% of the entire nation’s welfare population (Allen and Kirby, 2000).

There is also ample evidence that welfare reform has had a major impact on communities of color, especially the African American community, and the organizations that provide services to them. Recent research demonstrates that welfare reform has already and will continue to intensify the economic and social problems confronting low-income neighborhoods, with particularly deleterious effects on individuals and families most dependent on the services nonprofit community-based organizations provide (Albelda, 1998; Kittay, 1998; Meyer and Cancian, 1998; Swigonski, 1996; Jencks, 1996).

This is partly because the PRWORA changed the structure as well as the substance of U.S. social policy. By devolving responsibility for welfare programs to states and localities, it increased the role of the private sector and faith-based organizations in program implementation and service provision (Cnaan, Wineburg, and Boddie, 1999). The act affirmed the three-decade old partnership between government agencies and non-profit human service organizations but made a range of services provided by nonprofits both more critical to clients' success and more complicated to access (Bloom, 1997; Burt, Pindus, & Capizzano, 2000).

This article presents the findings of recent research on the impact of welfare reform on 90 nonprofit organizations in two counties in Southeast Michigan, one urban and the other suburban/rural. Utilizing a refined survey instrument, in-depth interviews and focus groups with agency executives and staff, and the analysis of agency documents, it explores the changes produced by welfare reform between 1996–2000 on agency staffs, clients, programs, budgets, and inter-organizational relationships. One purpose of this study was to assess how the racial characteristics of agencies' client populations affected the organizational consequences of welfare reform.

### Review of the Literature

Although policy makers have acknowledged the potential effects of welfare reform on community-based organizations, most research to date has focused on its impact on individual recipients or public sector agencies (Michigan League for Human Services, 1998; Besharov, Germanis, and Rossi, 1997; Carnochan

and Austin, 1999). Few studies have examined nonprofits' role in implementing welfare reform or on the impact of policy change on the organizations themselves, particularly those that serve predominantly racial minority clients (Besharov, Germanis, and Rossi, 1997; Hassett and Austin, 1997; Perlmutter, 1997; Johnson, 1998; Briggs, 1999; Raffel, 1998; Riccio and Orenstein, 1996). Research on community well-being, however, has long established the relationship between poverty and organizational infrastructure at the neighborhood level, particularly in communities of color (Figueira-McDonough, 1995; Etzioni, 1996; Fellin and Litwak, 1968; Warren, 1983). For example, Cnaan, Wineburg and Boddie (1999) and others (Thompson, 1998; Schiele, 1998) found that churches, community organizations, and civic institutions may play a stronger role in communities of color, given the often damaging effects of public policy interventions. Few studies, however, have investigated the unique role community-based nonprofit agencies play in enhancing neighborhood survival strategies, building on community assets, and empowering communities in positions of resource and power disadvantage (East, 1999; Gerder, 1998; Edin and Lein, 1998; Coulton, 1996). Despite the growing support for faith-based services, it remains to be seen whether a combination of sectarian and non-sectarian organizations can fill the gaps created by the reduction in public sector support.

### County Comparison

In many ways, the two counties in which the research was conducted reflect the patterns of racial resegregation occurring throughout the U.S. Wayne County is densely populated and urban with over 2 million residents. Almost half of its residents (46%) live in Detroit, the nation's 10<sup>th</sup> largest city with a population of approximately 950,000. In comparison, Washtenaw County is comprised of smaller cities, such as Ann Arbor and Ypsilanti, and some rural areas. Its total population is approximately 323,000 (U.S. Bureau of the Census, 2000).

The racial composition of the two counties also varies quite significantly. The proportion of African Americans living in Wayne County is more than three times that of Washtenaw County, 42% to 12% (U.S. Bureau of the Census, 2000). While this

difference is substantial, the county level data obscure an even sharper contrast since the city of Detroit is predominantly African American (82% as of the 2000 census), while the surrounding suburbs that are part of Wayne County are predominantly white.

These differences are also reflected in the size and composition of the counties' TANF welfare caseloads. In 2000, African Americans comprised 81% of Wayne County welfare cases (up from 78% in 1994), while whites comprised only 14%, a drop from 19% just six years before (Allen and Kirby, 2000). In Washtenaw County, African Americans and whites comprised 60% and 32%, respectively, of the county's welfare caseload during the first quarter of 2000 (Family Independence Agency, 2000).

### Research Methodology

The research sample was compiled from several directories of nonprofit organizations in Southeast Michigan. All agencies met several criteria: (1) they provided health or human services to

Table 1

#### *County Comparisons*

	<i>Wayne County</i>	<i>Washtenaw County</i>
2000 Population	2,061,162	322,895
2000 Racial Composition		
% White	52%	77%
% African American	42%	12%
1997 Est. Poverty Rate	18%	9%
1997 Est. Child Poverty Rate	28%	12%
1997 Est. Median Household Inc	\$35,357	\$51,286
TANF Cases 4/00	31,593	1,088
TANF Rate/county resident 4/00	43 / 1000	10 / 1000
2000 TANF Racial Composition		
% White	14%	32%
% African American	81%	60%
Caseload Reduction 3/94-4/00*	66%	69%

\* National caseload reduction (1/94-12/99) 53%

Sources: Michigan's Family Independence Agency

U.S. Census Bureau

U.S. Department of Health and Human Services

potential TANF populations (young children and/or their caretakers); (2) they were located in either of the two counties; (3) they had been in operation at the time of the 1996 legislation's passage; and (4) they were all independent 501 c (3) organizations. Based on these criteria, an initial sample of 215 organizations (84 in Washtenaw County and 131 in Wayne County) was developed. Further scrutiny reduced this sample to 201 agencies. Ultimately, eighty-two organizations returned the survey questionnaire (35 from Washtenaw County and 47 from Wayne County)—an initial response rate of 41%. In addition, three focus groups were conducted—two in Wayne County and one in Washtenaw County—involving 32 participants from 30 agencies. Eight of the organizations represented at the focus groups did not return a survey. Therefore, a total of 90 organizations—45% of the modified sample—participated in the project in some way.

The survey and focus group questions sought to determine whether organizational changes had occurred during the past four years and to assess the extent to which there was an actual or perceived relationship between these changes and welfare reform. Responses were analyzed along several different organizational dimensions including the proportion of racial minorities served by each agency. The agencies were divided into three groups with low (<30%), medium (30–70%), and high (>70%) proportions of racial minority clients. Since the racial characteristics of the clients served differed significantly between agencies located in the two counties, geographic location was controlled for when analyzing responses.

Throughout the article, statistical significance is reported at the  $p \leq .05$  level. For categorical analyses, independence was tested by computing chi-square and, where necessary, Fisher Exact Test (when low cell frequencies occurred). Association between ordinal level data was determined by computing Kendall's Tau.

### Characteristics of Participating Organizations

The proportion of racial minority clients served by the respondents ranged from 0% to 100%, with a number of different minority groups represented. Overall, 24% of the organizations served

a small proportion (less than 30%) of racial minority clients, 31% served a moderate proportion (30–70%), and 45% served a large proportion of minority clients (greater than 70%). Two-thirds of all the responding organizations served a client population that was comprised of at least 50% racial minority clients. The vast majority (90%) of the organizations that served predominantly racial minority clients provided services primarily to African Americans. The remaining 10% consisted of a few organizations that targeted predominantly Latino, Native American, or Middle Eastern communities.

There were substantial differences in the racial composition of clients served based upon the location of the organization. In Washtenaw County, 50% of the organizations served a small proportion, 43% served a moderate proportion, and only 7% (two organizations) a large proportion of racial minority clients. By contrast, only 9% of Wayne County organizations served a small proportion, 23% served a moderate proportion, and 68% a large proportion of racial minority clients.

## Findings

### *Staff Changes*

While nearly half (49%) of the respondents ( $n = 77$ ) indicated that staff and volunteer composition changed as a direct or indirect result of welfare reform, agencies serving high proportions of racial minorities were the most likely to have experienced at least some changes in staffing. By contrast, there was little variation based on client characteristics in regard to changes in staff responsibilities or workload.

There were some interesting differences among respondents based on the proportion of racial minorities they served in their interpretation of the causes of staff changes. Over half (58%) of all respondents ( $n = 72$ ) indicated that changes in welfare policy were directly or indirectly responsible for changes in staff workload and/or responsibilities. In comparison, 47% of the organizations serving a small proportion of racial minority clients as compared to 67% of organizations serving a moderate or large proportion of racial minority clients related the changes in staff workload and/or responsibility to changes in welfare policy. This finding is



suggestive as there were no differences among respondents based on organizational location.

### *Program Changes*

While there were no substantial differences based on client demographics in the *quantity* of agency program activities, there was a significant difference in certain aspects of programs, such as duration of client contact. Overall, there was a significant association between the proportion of racial minority clients served and an agency's relating changes in welfare policy to changes in agency activities—31%, 41%, and 69%, respectively ( $p = .004$ ). Among Wayne County organizations, as the proportion of racial minority clients served increased, the percentage of organizations indicating that changes in welfare policies resulted in changes in their program activities increased from 25% to 36% to 68% ( $p = .021$ ). Agencies with under 30% racial minority clients were somewhat less likely (56%) to have changed program objectives than other agencies in the sample (56% vs. 70%).

There appeared to be a statistically significant trend in regard to the relationship between welfare policies and changes in program objectives among agencies based on their percentages of racial minority clients ( $n = 66$ ;  $p = .039$ ). Only 27% of agencies with relatively small minority client populations reported changes in program objectives, compared with 40% of "mid-range" agencies and 59% of agencies whose populations were over 70% minority. When only agencies that reported changes in program objectives were analyzed, only  $\frac{1}{3}$  of the agencies with fewer than 30% minority clients attributed program changes to welfare policy shifts, compared to 62% of agencies with more than 30% minority clients.

No significant differences appeared among agencies, however, based on client demographics in regard to changes in program outcomes. Over 70% of respondents ( $n = 67$ ) indicated that their program outcomes had changed during the past four years. Slightly under  $\frac{1}{3}$  of respondents ( $n = 62$ ) indicated that their program outcomes had changed due to welfare policy revisions. Small differences were found among agencies based on the proportion of minority clients they served. When only those agencies that reported changes were analyzed, the gap based on the proportion of minority clients served narrowed somewhat.

Table 2  
*Agency Staffing*

	Total %	Location		% Racial Minority Clients			<i>(p value)</i>
		Wayne	Wash.	Low < 30%	Med. 30-70	High > 70%	
Organizations reporting changes in staff/volunteer composition as a direct or indirect result of changes in welfare policy. (n = 75)	49	55	39	29	45	65**	.010
Organizations reporting changes in staff responsibilities during the past four years. (n = 76)	84	90	76	78	95	85	x
Organizations reporting changes in staff workload during the past four years. (n = 76)	93	96	90	89	95	94	x
Organizations reporting that the nature of staff workload and/or responsibility changed as a direct or indirect result of changes in welfare policy. (n = 67) <sup>a</sup>	61	61	63	47	67	67	x

\*\* Significant linear association ( $p \leq .01$ )  
<sup>a</sup> Includes only organizations that indicated changes in staff workload/responsibility.

Table 3  
*Agency Programs*

	Total %	Location		(p value)	% Racial Minority Clients			(p value)
		Wayne	Wash.		Low < 30%	Med. 30-70	High > 70%	
Organizations reporting that changes in welfare policies altered their primary program activities. (n = 72)	50	57	39	x	31	41	69**	.004
Organizations reporting changes in program objectives during the past four years. (n = 70)	66	71	56	x	56	68	71	x
Organizations reporting that changes in welfare policies affected program objectives. (n = 66)	44	56	22§	.008	27	40	59*	.039
Organizations reporting changes in program outcomes during the past four years. (n = 67)	70	74	63	x	63	79	73	x
Organizations reporting that changes in welfare policies affected program outcomes. (n = 62)	33	38	23	x	27	33	37	x

\* Significant linear association (  $p \leq .05$  )

\*\* Significant linear association (  $p \leq .01$  )

§ Significant Chi-square difference (  $p \leq .01$  )

### *Agency Budgets*

There was a significant positive association between the proportion of racial minority clients and the degree to which welfare policies affected agency budget changes ( $n = 69$ ;  $p = .008$ ). In fact, 31% of agencies with large proportions of minority clients indicated a considerable/great effect on budget size, as compared to 12% and 5% of low and medium category agencies, respectively. When agencies reporting any changes were analyzed, 35% of agencies with small proportions of racial minority clients reported budget changes due to welfare policy, as compared to 43% of mid-range agencies, and 69% of agencies with large proportions of racial minority clients ( $p = .019$ ). The proportion of racial minority clients served was also positively associated with the degree to which changes in welfare policy affected budget sources ( $p = .039$ ).

### *Organizational Responses to Budget Changes*

While nearly half (47%) of the agencies sampled ( $n = 77$ ) reported making some substantial organizational adjustments as a consequence of welfare reform, certain suggestive differences existed among agencies based on the racial composition of their clients. For example, only agencies with over 30% minority clients engaged in any rationing or elimination of services (11%) or indicated an increased reliance on earned income (15%). Similarly, agencies with large minority client populations were about twice as likely to have made staffing adjustment (25% vs. 11%). The sample, however, was too small to show statistical significance in these areas.

Agencies with larger proportions of racial minority clients were also somewhat more likely to increase their use of volunteers. In addition, organizations with over 30% racial minority clients were much more likely (13% vs. 0%) to have relocated. By contrast, organizations with fewer racial minority clients were twice as likely to report making changes in agency structure (22% vs. 11%).

### *Inter-Organizational Activities*

Most of the respondents (84%) indicated that they collaborated voluntarily with other organizations and 43% reported that

Table 4  
*Welfare Policy and Agency Budgets*

	Total %	Location		% Racial Minority Clients			<i>(p value)</i>
		Wayne	Wash.	Low < 30%	Med. 30-70	High > 70%	
Organizations reporting that changes in welfare policies had an impact on the size of the agency's budget. (n = 69)	52	60	41	35	43	69*	.019
Organizations reporting that changes in welfare policies had an impact on the sources of the agency's budget. (n = 69)	45	46	43	33	38	57*	.039

\* Significant linear association (  $p \leq .05$  )

they engaged in collaborative activities that were required by funders. Nearly all organizations with 30–70% minority client populations collaborated voluntarily (96%), as compared with slightly over  $\frac{3}{4}$  of those organizations with under 30% minority clients and slightly over  $\frac{4}{5}$  of those organizations with over 70% racial minority client populations. Organizations with higher proportions of racial minority clients were slightly more likely to engage in such collaborative activities.

### *Advocacy Coalitions*

Although nearly  $\frac{2}{3}$  of all respondents indicated that they worked with other organizations in advocacy or coalition-type activities, organizations with higher proportions of minority and welfare clients were more likely to do so. Over  $\frac{3}{4}$  of the agencies with high percentages of minority clients reported such efforts as compared with 55% of other agencies.

### *Training and Technical Assistance*

Nearly half of the respondents (48%) indicated that they collaborated with other organizations for purposes of training and technical assistance. Organizations with larger proportions of minority clients were substantially more likely to participate in collaborative activities for this purpose. Less than  $\frac{1}{4}$  of agencies with lower proportions of minority clients did so, as compared with nearly half (44%) of mid-range organizations and  $\frac{2}{3}$  of the agencies with over 70% minority clients ( $p = .004$ ). Agencies in the latter category participated in such collaborations twice as frequently as did all other agencies ( $p = .001$ ).

### *Information and Resource Sharing*

Over 90% of the respondents indicated they cooperated with other organizations for purposes of information sharing. There were only slight differences among agencies in this regard based on the proportion of racial minority clients. Similarly, slightly over  $\frac{1}{3}$  of the respondents collaborate with other organizations for purposes of raising or sharing resources. There was no clear pattern among agencies based upon the proportion of minority clients. Agencies with 30–70% minority client populations were nearly twice as likely to engage in collaborative fundraising as

were agencies with under 30% minority clients (44% vs. 24%), and slightly more likely to do so than agencies with over 70% minority clients (36%).

### *Changes in Inter-Organizational Relationships*

While slightly over  $\frac{1}{3}$  of the respondents ( $n = 73$ ) reported that the purposes of their inter-organizational relationships had substantially changed during the past four years, there was no discernable pattern among agencies based on the proportion of racial minority clients they served. Yet, there were strong associations between the proportion of racial minority clients agencies served and the likelihood that welfare policies had affected their inter-organizational relationships.

Almost half of the respondents ( $n = 54$ ) indicated that welfare policy changes had affected the purposes of their inter-organizational relationships. Yet, only 10% of agencies with under 30% minority clients reported a connection between welfare policies and the purpose of their inter-organizational relationships. By contrast, approximately half of the other agencies reported this connection ( $p = .03$ ).

### *Competition for Clients and Resources*

Nearly half of the respondents (44%;  $n = 75$ ) indicated that they competed at least to some extent with other organizations for clients and over  $\frac{3}{4}$  of the respondents (77%;  $n = 75$ ) reported competition with other organizations for resources. While there were few distinctions on the basis of client demographics in regard to the former, an interesting pattern emerged in regard to competition for resources. Agencies with less than 30% racial minority clients were the *least likely* to be engaged in competition for resources with other organizations while agencies in the mid-range were the most likely to experience such competition. Agencies with the largest proportion of racial minority clients were slightly less likely to be involved in competition.

There were sharp differences on the basis of whether agencies' clients were under or over the 30% racial minority mark. About  $\frac{2}{3}$  (65%) of the former group reported being engaged in competition for resources, as compared with 82% of those with over 30% racial minority clients. Among the latter, over half (54%) reported

they were engaged in such competition considerably or to a great extent ( $p = .011$ ). When agencies experiencing considerable or a great deal of competition were combined, the differences were also significant ( $p = .03$ ). In addition, while 61% of respondents ( $n = 64$ ) reported that competition for resources had increased during the past four years, agencies with over 30% minority clients were substantially more likely to have experienced increased competition during this period (33% vs. 71%;  $p = .009$ ).

Finally, 75% of the respondents ( $n = 36$ ) reported that welfare policies had contributed to this increased competition at least to some extent. While there were some differences among agencies based on their proportion of racial minority clients, there was no clear pattern or statistically significant difference. Ironically, agencies with larger proportions of racial minority clients were the least likely to attribute increased competition to welfare policies (63%).

### Relationships with Government Agencies

#### *Increased Accountability*

Nearly  $\frac{2}{3}$  of the respondents ( $n = 71$ ) indicated that accountability requirements had increased during the past four years with agencies that had under 30% racial minority clients being somewhat less likely to do so. When all agencies with over 30% racial minority clients were combined and compared with those whose racial minority client populations were under 30%, the results were marked (71% vs. 47%) but significant only at the  $p = .085$  level. Agencies with higher proportions of racial minority clients, however, were more likely to indicate a need for information or technical assistance ( $p = .019$ ). This mirrors the finding reported above regarding inter-organizational collaboration for such purposes.

#### *Adversarial Relationships*

Although welfare policies have often generated increased organizational strain, less than  $\frac{1}{4}$  (23%) of the respondents reported that their relationships with government staff in such state departments as the Family Independence Agency (FIA) had become more adversarial. Ironically, agencies with smaller proportions of



Table 5  
*Inter-Organizational Work & Competition*

	Total %	Location		(p value)	% Racial Minority Clients			(p value)
		Wayne	Wash.		Low < 30%	Med. 30-70	High > 70%	
Collaborations for service provision (voluntary) (n = 75)	84	85	83	x	77	96	82	x
Collaborations for service provision (required) (n = 75)	43	50	31	x	35	44	49	x
Advocacy/Coalition work (n = 75)	64	76	45 <sup>§§</sup>	.006	59	52	76	x
Training/Technical assistance (n = 75)	48	63	24 <sup>§§</sup>	.001	24	44	67**	.004
Information sharing (n = 75)	91	94	86	x	88	91	94	x
Fundraising/resource sharing (n = 75)	35	41	24	x	24	44	36	x
Organizations reporting substantial changes in the purpose of interorganizational relationships during the past four years. (n = 73)	34	35	33	x	24	48	33	x

Organizations reporting that changes in welfare policy substantially changed interorganizational relationships. (n = 54)	44	53	28	x	10	52 <sup>#</sup>	.031
Organizations reporting competition with other organizations for clients. (n = 75)	44	50	35	x	53	43	x
Organizations reporting competition with other organizations for resources. (n = 75)	77	80	72	x	65	87	x
Organizations reporting increased competition during the past four years. (n = 64)	61	68	50	x	33	77	.023
Organizations attributing the increase in competition to changes in welfare policies. (n = 36)	75	73	80	x	100	81	x

\*\* Significant Chi-square difference (p ≤ .01)

§ Significant Chi-square difference (p ≤ .05)

§§ Significant Chi-square difference (p ≤ .01)

# Significant Chi-square difference (p ≤ .05) exists when these two categories are collapsed.

racial minority clients were more likely to report *an increase in* adversarial relationships with government staff than were other agencies with larger minority client populations. This probably reflected the finding that agencies in Washtenaw County, as a whole, reported more of an increase in their adversarial relationships with government, while Wayne County organizations had a longer history of such adversity. As a consequence, over half of the respondents (55%) reported increased client advocacy within government agencies during the previous four years. Agencies with larger proportions of racial minority clients were somewhat more likely to report increased client advocacy than the rest of the sample.

### Summary and Implications

This study found that the effects of welfare reform have been particularly pronounced among agencies serving a high proportion of racial minority clients. They are more likely to have experienced changes in staff composition (e.g., turnover), program objectives, agency budget size, and budget sources. In addition, such agencies were also significantly more likely to regard welfare reform as a direct or indirect cause of such changes.

At the same time, no significant differences were found among such agencies in regard to changes in staff responsibilities or workloads and program outcomes. One implication of these findings is that nonprofit agencies that serve predominantly racial minority populations are under greater organizational strain as a consequence of the legislation's impact. This strain is a result, in part, of attempting to provide new and more extensive services with unstable resources and staff. Another possible implication is that the effects of welfare reform are beginning to create conditions in some agencies that serve lower proportions of racial minorities that resemble those of organizations with a largely racial minority clientele.

These effects are also reflected in the nature of organizational responses to the consequences of welfare reform. Agencies with larger proportions of racial minority clients were much more likely to respond to the impact of policy changes by rationing or eliminating services, relying on earned income, making staffing

adjustments, using volunteers, and relocating their services. They were much less likely to have made changes in agency structure. This may reflect the need for such organizations to make tactical, rather than strategic responses to the changing policy environment.

Changes in the inter-organizational activities of respondents also mirror these differences. Organizations with higher proportions of racial minority clients were more likely to engage in collaborative activities and to join with other organizations for purposes of advocacy or coalition building. They participated in collaborative activities for purposes of training and technical assistance with far greater frequency and were equally likely to cooperate with other agencies to share information. Organizations with larger racial minority clienteles also appeared to have a slightly greater tendency to engage in collaborative fundraising or resource sharing. These findings may be explained by their greater likelihood of experiencing competition over resources, a likelihood that has increased over the past four years.

Finally, agencies with larger proportions of racial minority clients experienced greater changes in the past four years in their relationship with government agencies. These changes included an increase in reporting (accountability) requirements, a need for information and technical assistance (including the interpretation of legislative or regulatory changes), and government controls. While such agencies were less likely to report increasingly adversarial relationships with government staff, focus group comments indicated that this probably reflected the relative lack of change in an already adversarial relationship. The finding that these agencies were somewhat more likely to report increased client advocacy gives credence to this interpretation.

### Conclusion

This study confirmed previous research that welfare reform has had a substantial impact on the ability of nonprofit organizations to meet the increased expectations generated by recent policy changes (Alexander, 1999; Bischoff and Reisch, 2000; DiPadova, 2000; Withorn, 1999). These effects have been particularly pronounced among agencies serving a high proportion of racial

minority clients. Many respondents frequently expressed concern that their agencies were unable to keep up with increases in client demands—demands that they attributed to welfare reform. They believe that current statutory requirements are detrimental for clients and staff, and that many clients are struggling to survive with minimal or no safety net supports. These effects have been particularly pronounced among people of color and are reflected in the increased need for foster care, the growing marginalization of substance abusers, lack of access to health care, and the inability of many clients to obtain the survival skills needed to remain in the job market. They are also reflected in the large increases in client referrals reported by most agencies, especially for emergency services.

These findings have serious implications for the future of nonprofit service provision in the United States. Nonprofits that are most likely to address the most severe economic and social consequences of welfare reform—those that primarily serve racial minority clients, whether in urban or non-urban settings—are increasingly unable, despite their best efforts, to respond adequately to the serious challenges they face. Small agencies and those that respond to clients' emergency needs are particularly vulnerable in the current environment. Unlike their larger and more mainstream counterparts, they have less access to critical information, less flexibility in developing alternative staffing patterns, and fewer options to generate new resources. Yet, as comments from more stable, better funded organizations indicate, their presence in the overall social service nexus is critical to the survival of low-income individuals and families and to the success of welfare reform. As Congress debates the pending reauthorization of the PRWORA and considers expanding the role of faith-based organizations in social service delivery, this gap among nonprofits needs to be addressed in order to avoid creating another structural impediment to racial equality.

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