The Logic of The Market versus The Logic of Social Work: Whither the Welfare State?

Mimi Abramovitz, City University New York
Jennifer Zelnick, Touro College, New York

1 Introduction
Human service agencies are well known for the quality of services they provide to individuals, families, and communities. However, during the last three decades in both the U.S and Europe conservative economic and social policies have restructured the welfare state in ways that affect the capacity of both human service organizations and workers to deliver services as well as the well-being of service users.

Scholars from various disciplines and many countries have studied the impact of the conservative-market driven strategy on the scale and scope of social welfare programs, the hollowing out of the welfare state, and/or the slow-down of the economy. Others have examined its impact on the well-being of different groups in the population, especially the poor, low-wage workers, and service users. Yet too few researchers have looked at the impact of the current paradigm on capacity of human service organizations and workers to serve to people in need. That is, we rarely study ourselves.

Neoliberal policies are transforming the structure, operation and impact of the welfare state in the US and Western Europe. However, we know very little about how Neoliberal policies are affecting the provision of social services by non-profit agencies. This paper presents the conceptual frames that can usefully inform our understanding some of the historical forces that gave rise neoliberalism and the impact of privatization a key neoliberal strategy on non-profit service providers.

2 The Expansion and Contraction of the US Welfare State

Neoliberalism, is neither accidental nor simply mean-spirited. Rather it emerged in the mid-1970s in response to the second economic crisis of the 20th century/ The first crisis--The Great Depression--surfaced in the late-1920s when the laissez-faire institutional structures in place since the 1890s no longer fueled profits, economic growth, and economic security. With the collapse of the economy, the working class, the incipient labor movement, and national elite all demanded more active government. The resulting New Deal replaced the laissez-faire paradigm with the Keynesian approach that called for redistributing income downwards and expanding the role of the state, including the welfare state. The main new Deal tactics included higher taxes. more government spending. federalization (shifting responsibility for social welfare from the states to the federal government) and de-privatization of social programs or shifting responsibility social welfare from the private to the public sector). In the end everyone seemed to agree that to “save capitalism from itself” the US needed a new paradigm based on a more active state (Abramovitz (2004/2005).
From the 1930s to the mid-1970s the welfare state expanded, pressed by the labor, civil rights, and women’s movements as well as the begrudging support of forward-looking business leaders. The resulting New Deal and Great Society programs generated both profitable economic growth for business and a higher standard of living for many, but not all, Americans. Some call it the “golden era” of capitalism despite many policies resting on discrimination and institutional racism and sexism. The second major crisis of the 20th century surfaced in the mid-1970s as deindustrialization, globalization, and the loss of world power by the US gradually undermined the post-war Keynesian institutions. This time many in the national elite blamed the demise of the “golden era” on “big government,” social movement victories, and the behavior of the “underserving” poor. To restore the economy, they replaced Keynesian social policy with Neoliberalism, emphasizing free markets, individualism, and fiscal austerity. The resulting U-Turn gradually undid the New Deal by redistributing income upwards and downsizing the state (Abramovitz 2018). The main Neoliberal tactics included tax cuts, budget cuts, privatization, devolution, and reducing the power of social movements. At the same time the Right called for a singular version of “family values” and a color-blind social order. Launched by President Reagan in the 1980s Neoliberal policies have been followed by US administration since then.

3 Social Structures of Accumulation (SSA) Theory
The SSA Theory (Kotz 2015) explains these paradigm shifts as responses the two major economic crises of the 20th century. Over time, the institutional arrangements, policies, and ideological paradigms assembled to address a prior crisis failed to sustain profits, growth, and stability. The deterioration undermined the structures that had supported the general welfare and the accumulation of capital during the proceeding 50 years. The resolution of the resulting crisis followed a protracted struggle and led to a systemic restructuring or a new SSA. The new arrangements called the New Deal included the modern welfare state which became a major pillar the post-war SSA. By 1970 the post-war structures began to falter leading another struggle and the emergence of the Neoliberal SSA designed to contract the welfare state. Trumpism seeks to dismantle it altogether (Thrush & Green 2018).

4 The Functions of the Welfare State
The welfare state “saved capitalism from itself” by carrying out a complex set of social, political and economic functions that from the outset attempted to mediate poverty, enhance profits, and mute social unrest. The social functions focus on providing a minimum level of income below which no one was expected to live and social services to help with daily functioning. The welfare state also regulates the lives of recipients by conditioning aid on compliance with white middle-class norms about “proper” work and family life. The political functions help to maintain political stability. In addition to controlling the daily behavior of service users, the provision of benefits that meet basic needs helps to mute social unrest. The economic functions refer to benefits received by business and industry. Cash benefits (1) subsidize business and in hard times also stimulate the economy They (2) create the purchasing power needed to buy the goods and services produced by business, (3) underwrite low wages and (4) more generally supply employers with healthy and educated workers at taxpayer's expense (Abramovitz 2004/2005).

5 Privatization: Three Stages
The paper focuses on Privatization. Intensified by Neoliberalism, Privatization is not new in the US. Rather, privatization which shifts responsibility for social welfare from the public to the private sector has been a feature of the US welfare state policy since the New Deal. That is while carrying out the three above-noted functions, the US welfare state consistently
maintained a dynamic but changing relationship with private enterprise and the market economy. We identified three overlapping, but not mutually exclusive, stages of privatization that until now have not been analyzed as a single historical trend: (1) marketization or the delivery of publicly financed benefits and services through the market; (2) managerialism or importing business principles into the management of human service agencies, and (3) financialization or importing investment principles into the financing and growth of human services. (Abramovitz & Zelnick 2017).

5.1 Marketization
Marketization linked service users and agency providers to the market beginning with cash assistance in the 1930s followed by the purchase of services in the 1960s. By providing a minimum level of income below which no one should live, the social function of the welfare state channeled recipients into the market economy as consumers equipped to buy goods and services produced by private business and industries. Cash benefits also subsidized low wages and helped to mute social unrest creating the conditions for profitable economic activity and social peace (Piven & Cloward 1993). In the mid-sixties, Congress lifted the 30-year ban on public finding of private agencies which expanded marketization from cash assistance to social services. Actively supported by the social work profession, the government increasingly contracted with non-profit agencies to offer services previously provided by the state. The share of services purchased from nonprofit agencies jumped from 25% in 1971 to 55% in 1979. In the end non-government funding for non-profits exceeded other donations (Salamon 1999).

Once for-profit firms recognized this new arrangement as a robust investment opportunity, they quickly extended their reach to health and social programs—previously the near exclusive domain of the non-profits (Salamon 2012). With the 1996 welfare reform program large for-profit firms such as Maximus, America Works, and Curtis and Associates secured government contracts to manage welfare-to-work programs and, in some instances, entire state social service departments (Smith 2012). Since the late 1990s almost half the growth in the number of social service agencies, workers, and revenues was claimed by for-profit firms (Sanger 2001). The new public-private partnership became the core of the US welfare state. In contrast to the Western European pattern of creating a national health or social service system and reflecting the American antipathy to direct government intervention, the US established a strong public/private partnership in which the government directed rather than provided services directly to individuals and families (Healy 2002). Overtime, the change drew more middleclass households into the social welfare system and helped to “hollow out” the public sector.

5.2 Managerialism
Privatization is most often understood as transferring some of all of the responsibility for public programs such as Medicare or Social Security to the private sector. Managerialism which gained traction with the rise Neoliberalism in the 1980 and 1990s goes a step further to operationalize privatization inside human service agencies. If marketization moved human service consumers and providers into the market, managerialism imported market philosophies and business principles into the fabric of human service agencies (Dustin 2007). Like privatization Managerialism promotes individualism, consumer choice, competition, productivity, and profits. It assumes that resources are best allocated through the market, that the market allows more consumer choice, lowers program costs, and ensures higher quality, more productive, efficient, effective and accountable services than government. It calls for
using market forces to serve public purposes and insists that human service agencies be run like a business. Its main features include fragmentation, routinization, standardization, faster work, measurable outcomes, and monitoring. It rarely includes ideals of equality, common good, and social justice.

5.3 Financialization
The third and most recent stage of privatization in human services is financialization which imports financial sector organizations and investment principles into the funding of the human services. We adopted the term “financialization” used by economists, because this new way of funding the human services parallels the growth of the economy’s financial sector as the prime source of today’s profits. Given that the U.S nonprofit sector amounts to about five percent of the GDP (McKeever 2015), it is not surprising that corporations and financial institutions increasingly view it as an untapped but potentially lucrative source of profits. Like managerialism, financialization also advances the goal of a smaller welfare state by creating a less central role for governmental and a larger role for the financial sector. The backers of financialization contend that business investment can better grow social services. They argue (1) that the government spends billions of dollars on “crisis driven” and remedial services that fail to prevent or “solve” social problems, and (2) that foundations only fund small programs reaching a small number of people. They argue that with billions to invest socially-minded private investors are best positioned to bring social programs to scale combining evidence of “what works” with private investment firms that provide upfront long-term "risk” capital and earn a decent return on their investment. Sometimes referred to as social impact bonds, social innovation, or social enterprise, financialization must be effective, efficient, productive, and accountable but also profitable. By introducing a model that can attract profit-yielding investments, financialization completes the operationalization of privatization by expanding the market in human services.

6 The Managerial Context: Austerity, Entrepreneurship, Performance
Based a review of the managerial literature over time, this paper focus on the second and current stage of privatization, Managerialism framed in terms of its key contextual features: Austerity, Entrepreneurship and Accountability and its impact on agencies and workers’

6.1 Austerity Environment
Managerialism gained ground in human service agencies at the same time that Neoliberal austerity policies such as tax and budget cuts took hold. In the US, Federal non-defense discretionary funding—the main source of dollars for human service programs—peaked in the 1980s at 5.1% of the Gross Domestic Product (GDP). It fell sharply to 3.3% of the GDP in 2017, the same as in 1962, before the war on poverty! The spending stream is projected to drop to a new low of less than 3.0% after 2017(Center on Budget and Policy Priorities 2017). The loss of $1 billion in federal support combined with lower individual and corporate donations has forced many human service organizations to consolidate programs, reduce their
services, or shut down (Fiscal Policy Institute 2015). To survive, many agencies put their organizations at risk by borrowing funds, extending credit lines, or drawing down reserves (Pettijohn 2013).

### 6.1.1 Impact on Agencies and workers

A 2010 survey of US non-profit agencies found that they responded to ongoing budget reductions by cutting back (Boris, de Leon, Roeger & Nikolova, 2010). They closed offices, reduced services; replaced paid professionals with volunteers and/or less credentialed staff (Krauskopf, Blum, Litwin, Hughes, & Browne 2009), hired more part-time and contract workers (Schacter 2012), froze salaries and scrimped on benefits. In the context of high-pressure work environments, these losses leave overburdened staff with less time for supervision (the cornerstone of good practice), undermine education and career ladders, and translate into poor quality services (Sawyer, Green, Moran, Brett 2009). The cuts also increase turnover among human service workers, many of whom accept low compensation in exchange for flexible scheduling policies and a compassionate workplace (Webb 2001). While not attributable only to Managerialism, these working conditions reduce the likelihood workers will be in a position to resist or object to practices that may undermine social work’s mission and professionalism.

### 6.2 Entrepreneurial Environment

Neoliberalism combined with austerity pressed agencies to create an entrepreneurial environment that increasingly relies on market strategies (Hazenfeld & Garrow 2012; Lindgren 2001). Loss of funding forced agencies to focus on the bottom line including developing new income sources by charging fees, selling products, creating for-profit subsidiaries (Eikenberry & Kluver 2004; Salamon 1993). Agencies are also encouraged to develop a “business plan” that identifies their “product”, “brand” and a “market niche.” This includes adopting business terminology such as retitling their executive director as a CEO, referring to service users as “customers” or “consumers;” replacing human service leaders with MBAs; branding services as “products;” competing for “customers,” revenues, market share (Salamon 2012); and defining social work as an enterprise (O’Sullivan, Considine & Lewis 2009).

### 6.2.1 Impact on Agencies

Managerialism’s high trust in the market and the business model and low trust in public servants is transforming public and non-profit agencies. The introduction of the business model and the focus on the bottom lines presses agencies to increase the number of people seen, emphasize short- over long-term goals regardless of the needs of service users, target services to better paying customers, and otherwise provide services at the lowest cost (Hazenfeld & Garrow 2012). Some have also introduced “lean and mean” management techniques. Influenced by Total Quality Management (TQM), Lean/Just-in-Time production methods agencies have reorganized work to increase both productivity and organizational control of workers (Baines, Charlesworth, Turner & O’Neill 2014). This translates into speed up, more paper work and real time technological monitoring of staff. The construction of social services as commodities to be bought and sold has left non-profits to operate in entrepreneurial context that increasingly rewards discipline, performance, and organizational capacity rather than mission, community roots, and professional judgement.
6.3 Accountability Environment

The increased use of nonprofit organizations to fulfill functions previously performed by government agencies has led funders to press agencies for greater accountability. In the resulting data-driven “accountability environment” public and private funders seek to lower costs, improve outcomes, and maximize investment returns (Benjamin & Misra 2006). In the past, funders paid non-profit providers for delivering services to communities in need. Today reimbursement often follows the successful achievement of preset outcomes based on dashboards, scorecards, result frameworks, calculable metrics, and formal evaluations. The emphasis on measurement leads agencies to adopt quantifiable outcomes, often bypassing harder-to-measure quality outcomes (Smith, 2010; Tatian 2016).

Interest in accountability and effectiveness is not new in the human services. Martin & Kettner (1997) identify three sequential time frames. (1) “The formative years” (1968-1979) when the government defined accountability in terms of inputs such as qualified staff, necessary facilities, equipment and the volume of people served. (2) In “the maturing years” (1980s) they based accountability on standardized measures of service processes and/or outputs. (3) The “performance years” (1990s to today) focuses on outcomes based on quantifiable measures, performance-based contracts, preset benchmarks, evidence-based practices, and other prescribed metrics. In the US the “performance years” coincided with “reinvent government” movement led by Vice President Gore that increased interest in “evidence-based practice,” data-driven decision-making but also a genuine interest in improved results (Osborne & Gaebler 1993). According to an Urban Institute study, in 2010, 90% of the nonprofit organizations in the US depended on government contracts or grants that require them to report quantifiable program results and 17% of the contracts reimbursed on a pay-for-performance basis (Boris et al. 2010).

6.3.1 Impact on Agencies and Workers

Once trusted by the public and funders because they were non-profit, human service agencies now struggle to prove their worth in the accountability culture that rewards efficiency, productivity more than creativity and professional judgment (Chen & Krauskopf 2009, Hazenfeld & Garrow 2012).

Standardization: The focus on performance requires agencies to rely on prescribed inputs, outputs and outcomes, stringent targets, tightly quantified/time limited services, and results-driven evaluations. Required by funders and developed without consultation from social workers, the standardized procedures can rely on computerized intake, repetitive data collection, scripted interviews, and other activities that do not necessarily capture the essence and complexity of individual needs and agency goals. Workers worry that the selected measures may respond to market tests rather than the needs of people and that the pressure to produce specific performance outcomes will narrow service options, reduce a program’s capacity to address complexities, and lead to “cherry picking” service users favoring the healthy and the middle class over the sick and the poor (Carey 2006; White, Hall, & Peckover 2009). In response to these trends, some practitioners now refer to their jobs as “assembly line social services”—a modern day reference to Taylorism. Developed long ago by Frederick Taylor, Taylorism divided jobs into small manageable tasks and otherwise routinized the work to increase management oversight and reduce labor costs (Baines, 2014).

Time: In the accountability environment workers, supervisors, and agency directors spend many hours seated at their computers documenting and reporting outcomes for the agency.
Already time-pressed by high caseloads and staff shortages, workers experience the time required for documentation as time taken away from interacting with service users (Morgen 2001; Webb 2001). And, many agencies cannot bill for the time spent on this kind of paper work (Schacter 2012).

Relationships: The combination of having to do “more with less”, and the routinization of human service work has altered the practice relationship (Alexander 2000; Baines 2004). The increased use of computers, IT- case management, prescribed treatment methods, and the overall routinization of practice has curtailed opportunities for workers to establish rapport, protect confidentiality (Lonne, McDonald & Fox 2004), communicate effectively with service users, respond to their needs, or more generally sustain a caring relationship (Baines 2009; Postle 2002). Commenting on managerialism, a Canadian social worker concluded that the changes had “stripped the care out of social work” (Baines 2014).

Professional autonomy: Managerial trends also threaten professional autonomy, the keystone of social work practice, founded on discretion, clinical judgment, and a highly developed skill set (Duffy 2011; Ponnert & Svensson 2016). Prior to managerialism, workers could identify as a social citizen and a caring professional. Today, many practitioners report that the routinization of their work—combined with mounting pressure for increased productivity, efficiency and cost savings-- has compromised their professional judgment and undercut their professional autonomy.

Working conditions: Managerialism has also had a negative impact on working conditions. Instead of providing more support to workers facing new and greater pressures with fewer resources, the importation of the business model has resulted in less supervision, deskilling of the work force, greater use of casual workers, increased decision making by computers and pay-for-performance contracts, all of which risk undermining effective practice (Galina 2010; Healy 2002).

Control: The routinization of works represent a key managerial strategy used to control the workforce, to speed up work, and increase productivity (Baines 2006). Some workers complain that since the rise of managerialism agencies monitor their work, often in real time. Agencies also use performance outcomes to competitively rank staff leading workers to fear job loss if the people they serve do not make the mark (Soss, Fording & Schram 2011). Demands for accountability and outcomes also give funders more say in determining the agency’s mission and practice goals (Hasenfeld & Garrow 2012).

Burnout: Not surprisingly, more workers report high stress levels, ethical dilemmas, health and mental health problems as well as job dissatisfaction outcomes that rarely get measured and the contribute to the turnover common in the human services (Baines 2006).

7 Adaptations: Perverse Consequences
As agencies and staff cope with changes wrought by Managerialism they adapt individually and organizationally to the new work requirements often with perverse consequences (Alexander 2000). Some workers readily accept the changes. Others end up blaming service users for not being able to achieve specific outcomes or created new categories of “deserving” and “undeserving.”. Still others resist. Individually, worker report resist by faking statistics and time motion studies to lower benchmarks, conduct work slow-downs, refuse to comply with paperwork demands, and consciously lower their performance to prevent heightened expectation (Baines 2006; Lonne, McDonald & Fox 2004). They try to protect service user by
turning a blind eye to eligibility requirements, fabricating required data that they lacked time to collect, providing services not measured by program outcomes, and working unpaid overtime to meet people’s needs (Baines 2004). According to some workers, Managerialism relies on altruism to provide care no longer paid for or rewarded by funders (Gallina 2008; O’Sullivan, Considine & Lewis 2009).

Organizational providers pressured to show performance outcomes have favored easier to serve and better paying service users, provided minimal service to individuals with more complex problems (i.e., cycling them in and out of temporary jobs) (Aronson, & Smith 2010), disengaged from the community and from overall advocacy often compromising the agency’s mission (McLaughlin 2009, Pollack & Rossiter 2010).

**Mission:** A large body of research affirms that an agency’s commitment to its mission, especially a social justice mission buffers the impact of the profession’s poor wages and working conditions. Mission adherence compensates workers by providing them with the opportunity to “live their values” on the job (Baines 2014). However, to the extent that the growing dominance of the business model limits the field’s commitment to the poor, reduces their motivation to challenge the state, and stands in the way of advocacy for social rights the commitment to mission risks becoming a casualty of managerialism. To the extent that mission drift dismisses interest in equality, the common good, social justice, and other non-quantifiable human service ideals, we are left to wonder if the “logic of the market” that drives Managerialism is compatible with the “logic of social work” that sustains our profession.

**References**


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Author’s Addresses:
Mimi Abramovitz, Prof. Dr.
Hunter College, New York
Silberman School of Social Work, CUNY and The CUNY Graduate Center,
iabramov@hunter.cuny.edu

Jennifer Zelnick, ScD.
Touro College, New York, USA
Graduate School of Social Work
jennifer.zelnick@touro.edu