

The Emergence of the Third Sector in Meeting Basic Needs in a Struggling American Economy

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At the First International Conference held at the Justice KS Hegde Institute of Management at Nitte University in 2008, Dr. Ram Cnaan alluded to the increase in the amount of new homeless in the United States. Cnaan, 2008, suggested that this new class of homeless families were taxing an already strained social service safety net. Now, a full two years later, the economic struggles of millions of Americans has continued and there is talk of the collapse of the American middle class (Warren, 2009). As the economic recession has continued, the number of American families who are homeless and or struggling to meet the basic needs of food, shelter and clothing has increased. The census bureau reports a 30 percent increase in the number of families who are in poverty, a key indicator of basic needs (Census 2010a). Census data also suggests a 13.4 percent increase in the number of families who are in extreme poverty. Extreme poverty is defined as a family of 4 living on less than \$11,000 annually. While this measure of economic

suffering is evidence of a larger problem, there has not been corresponding increase federal and state government assistance for needy families. In fact, Temporary Assistance to Needy Families (TANF), the key means tested benefit that provides basic support for food and shelter to families benefit has been reduced to 1996 levels. It is currently up for reauthorization in 2011 with further cuts expected.

As these needs have increased and the corresponding lack of increase in the basic safety net benefit from the federal government, individuals and families have turned to nongovernmental organizations (NGO) or the third sector, for support. Catholic Charities 2009 annual report suggests a 45 percent increase in the number of families who requested emergency food assistance since 2006 and a 13 percent increase from 2008. Financial data within the same report suggests private fund raising efforts have been flat for 2008 and 2009. This translates into less funding and more need.

The American social service safety net

Social services in the United States can be divided among several different types of supports. This continuum of services includes providing for basic needs such as shelter and food on one end to work force development, parenting awareness and health care coverage on the other. Generally, the bulk of funding for basic needs is provided by the Federal government through several different grants and funding mechanisms including block grants and allocations to State and local governments. Funding passes from federal government appropriations to State governments who design the service delivery system for its citizenry. Additional services are provided through a network of NGO organizations which include faith based, community and civic organizations.

While a number of these NGO organizations focus on higher order needs such as education and targeted health care, most are dedicated to servicing people who are experiencing poverty. NGO organizations serve two important purposes of support. First, they provide augmentation to those services funded by the government such as soup kitchens, food pantries, emergency shelters and clothing closets. Secondly, they relieve some of the pressure on the larger

federally funded system by providing a limited array of services to those who do not qualify for federal assistance. This fragile mix of government support and NGO services creates the system of services to meet the basic needs of people who are in poverty.

This safety net has a limited ability to expand and contract based on funding streams. As federal funding for basic needs increases, NGO organizations have been able to expand their array of services in other less basic needs areas such as counseling and parenting groups. Conversely, as federal funding has eroded, NGO organizations have refocused on meeting these basic needs.

Literature review

The definition of what are basic needs for a family has been an issue that has been debated by American policy makers for many years. Fass, 2009, reports basic needs for a family should include food, rent and utilities and child care. Fass, 2009, suggests the federal government has an important role in providing the infrastructure to meet these needs in challenging times and has an obligation to increase assistance to needy families in times of economic crises. Neumark and Wascher 1992, define basic needs through the calculation of wages needed for a family to live comfortably in their community. Comfort is defined as having

adequate transportation, food, shelter, clothing and health insurance. Community is defined not on a national standard but rather within specific States and regions of the Country. Neumak and Wascher's living wage thesis suggests that basic needs are not a national standard but rather a cost calculation that is based on location within the country. In most cases, this living wage calculation is well above the federally defined minimum wage. Dube, Lester and Reich, 2007, also define basic needs within the context of earner wages but use the federal minimum wage as the benchmark. Dube, et al. 2007, limit the measure of basic needs to simply shelter and access to food. Dube, et al, 2007, suggest also suggest families with multiple minimum wage earners have an increased ability to meet their basic needs.

In contrast, Rector and Donovan, 2010, suggest the concept of basic needs is one that is flawed. They suggest that providing a limited array of services provides a level of motivation for individuals in poverty to find work which will increase their standard of living. Rector and Donovan, suggest government support for families should be reduced as an incentive for families to seek alternative supports, rather than continued reliance on the federal government to meet their basic needs.

For the purposes of this paper and our discussion, we will focus on the core concepts of basic needs which are food and shelter. These two areas are generally accepted as the very basic of needs (Fass, 2009, Rector and Donovan, 2010, Neumark and Wachter, 1992). Furthermore, there is general agreement among the literature that families needs are of greater importance than simply individual needs.

Recovery Act and State Budget problems

As the American economy has struggled so has the government's ability to support basic needs systems. Governments support of basic needs rests solely with how much funding is available from taxes and other sources. McNichol, Oliff and Johnson, 2010, report 46 out of 50 States continue to face budget shortfalls in fiscal year 2011. In addition, Federal Recovery Act funding, which was enacted in 2008 has largely expired in the areas of housing, temporary assistance and food assistance. Schott & Pavetti, 2010, report that congressional repeal of the TANF contingency fund, the program which allowed States to expand the social service safety net to meet increased demands means that the TANF program will shrink to 1996 levels in the coming year. It is estimated that the average TANF benefit for a family of four will be \$471 a month.

Additionally, the food stamp program, which is exclusively funded by the Federal Government, was revamped in 2009 which tightened means tests translates into a higher bar for qualification to receive food stamps. While recovery funding was injected into the Food Stamp program in 2008, those funds have also been exhausted. Just as with the TANF program, funding for the food stamp program has remained relatively flat for the past three years and will return to 2007 levels in the 2011 federal budget.

As part of the federal recovery, program, funding for rental and housing assistance was also allocated to States to assist in preventing homelessness among families in 2009. States were allocated funding to support families in maintaining their housing for up to 6 months. The thesis was that the recession would be short in duration and long term support was not needed. As the recession as dragged on, many of these families have exhausted funds from this program and it is not scheduled to be reauthorized.

As a result of budget shortfalls and the expiration of recovery projects, State's continue to trim the social service safety net. Within these service delivery systems, basic needs are often the most expensive and least measurable programs and services and, as such, are often the first to be eliminated. The data from the

US Census Bureau as well as the Bureau of Labor Statistics suggest economic conditions for the States and ultimately the federal government will continue to stagnate well into 2013. McNicol, et al., predict "families hit hard by the recession will experience the loss of vital services throughout the year, and the negative impact on the economy will continue p.1."

Increased needs

As federal and state funding are in decline there has not been a corresponding decrease in need. In fact, the data suggests just the opposite. Sherman, Trisi, Greenstein, and Broaddus, 2010, in an analysis of US census bureau data, found poverty in the United States climbed by 3.7 million people from 2008. All told, 14.3 percent of the population of the United States lives in poverty, p.2. This is a 51 year high for the number of people in poverty in the United States. Additionally, Sherman, et.al., 2010, report that median household income was flat in 2009, while the Consumer Price Index, the leading measure of purchasing power, rose 5 percent during the same time frame (CPI index, 2010). This means that family income, while calculated as flat, actually decreased \$2,489 in purchasing power from 2007.

As the rate of poverty in the United

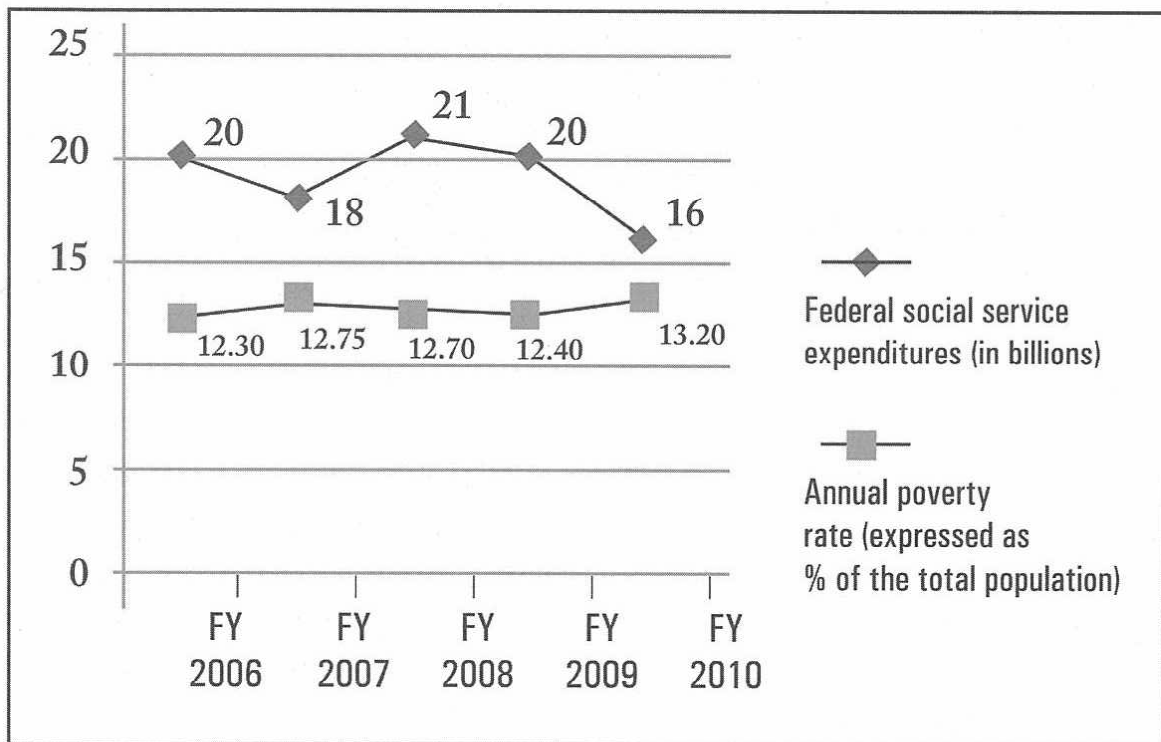
States has increased to an all time high, there has also been an increase in families and individuals who are asking for help for food and shelter. Mabli, Cohen, Potter, Zhao, 2010, report that in 2009, food pantries across the United States saw a 30 percent increase in the number of families who came to them for food. An additional Local Impact Study conducted by the national organization, Feeding America, found that 99 percent of food pantries surveyed in the United States saw increases in the number of families who came to them asking for food.

In addition to food, the United States has also seen an increase in the number of families who are in need of emergency shelter. According to the National Alliance to End Homelessness report, the number of homeless families increased 16 percent in 2009. The report cites the major contributor to this increase as the economic recession and lack of government intervention and response (National Alliance to End Homelessness, 2010).

As figure one suggests, there is a direct

Figure one represents the changes in federal funding, income and needs based on available data.

Figure 1: Federal TANF expenditures and national poverty rates



Source: US Census and DHS expenditure data

relationship between federal expenditures on TANF and the percent of the population who are experiencing poverty in the United States.

Families’ reliance on the third sector

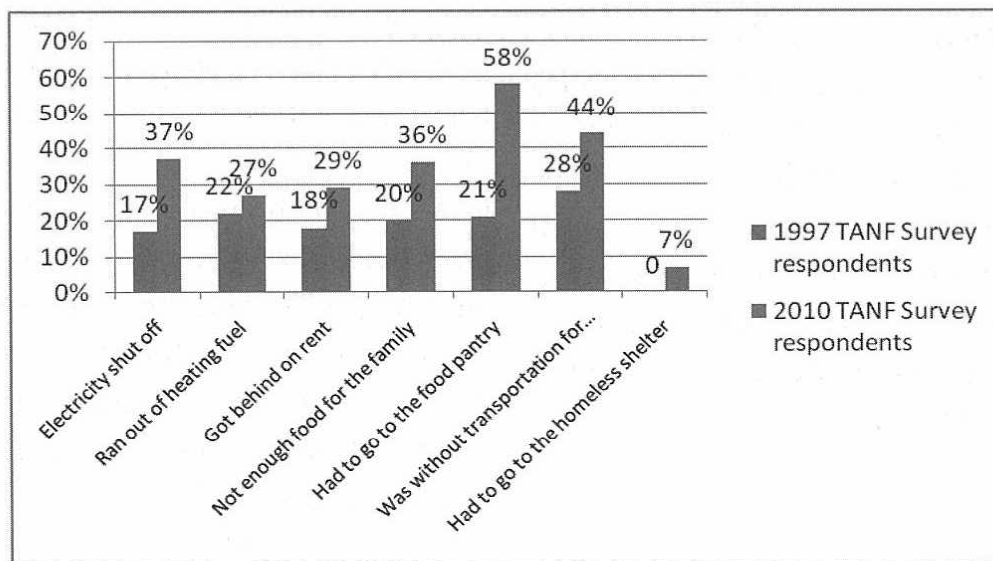
As the number people who are suffering from lack of basic needs increases, so does the pressure on third sector organizations to fill the void. As suggested, earlier, the American social service system relies on third sector NGO organizations to fill in the gaps of need left by unfunded federal programs. As state and local governments contract and reduce funding for these services, third sector organizations are left scrambling to meet these needs. This system works relatively well in normal financial cycles. However, as federal and state programs

evaporate, the exponential increase in demand on the third sector is overwhelming. Banta, 2010, reports churches have seen a 14 percent increase in requests for food and emergency assistance.

Moreover, as state and federal programs transition to pre 1997 levels, the forecast for increase needs will continue. This is specifically an issue for families who receive federal TANF benefits.

Recent survey data conducted by Chalmers McLaughlin, 2010, found that current TANF recipients have greater hardships today than in those who were on TANF in 1997. Figure 2 illustrates some of the findings:

Figure 2: Hardships faced by TANF families



As the figure illustrates, TANF recipients have faced increased hardships in the past 12 months then those recipients in the 1997 sample. In all major categories, recipients have seen increases in their levels of hardship. In addition to this comparison, 19 percent of 2010 respondents reported being evicted or lost their homes. Several factors illustrated in this report provide the explanation for these increases beyond the lingering sluggish economy faced by participants in this sample. 1. The decrease real wages for TANF recipients means their paychecks have not kept pace with the consumer price index. 2. The TANF benefit has continued to lag behind the costs of both food and housing. As such, TANF recipients have seen increases in their overall levels of hardship.

NGO organizations provide some of level of assistance to families in the form of food pantries, housing and utility payments and support, and emergency shelter. To a large extent, these programs are funded exclusively through memberships or congregational affiliations. But their ability to respond rapidly to dramatic changes in the social service system is limited.

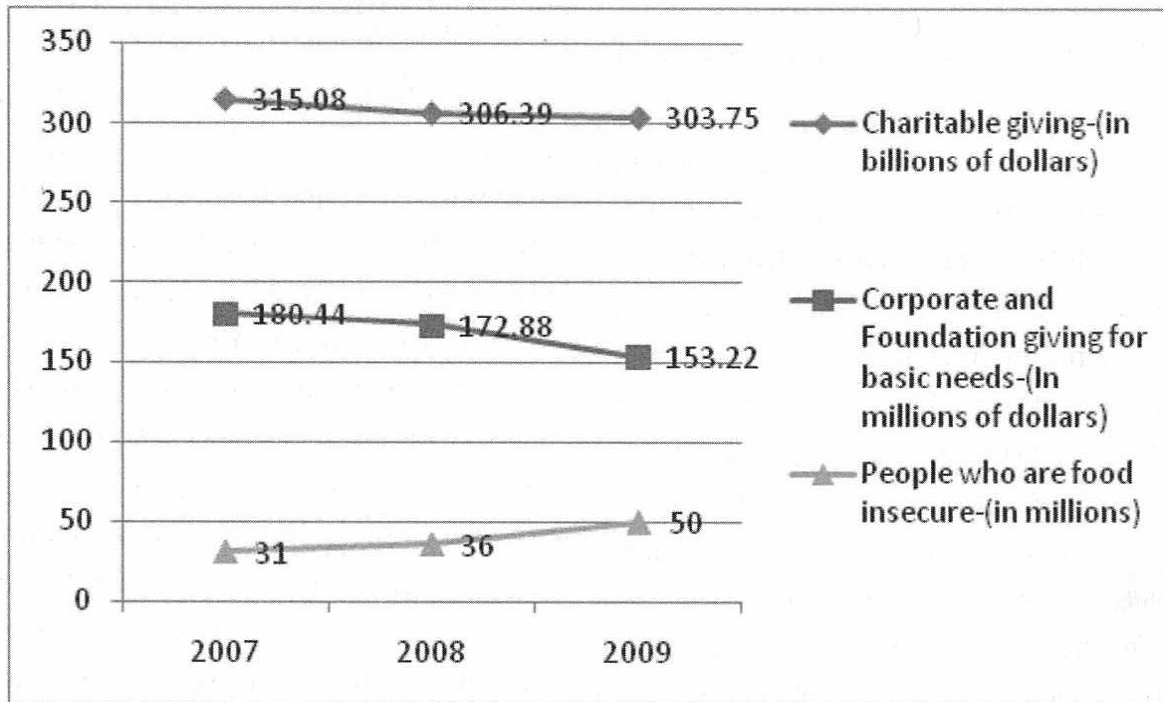
Limited ability to increase capacity in the face of dwindling donations and support

Generally, NGO organizations are funded by corporations, private donations and limited foundation support. As donations fluctuate, programs are expanded or eliminated based on funding. As the economic recovery has lingered, many NGO's have seen donations decrease. According to Center for Philanthropy the charitable donations in 2009 to all NGO organizations in the United States was "down 3.9 percent and foundation grant making decreased 8.4 percent, p.10."¹¹

As suggested, there is a clear inverse relationship between charitable giving and the increases in basic needs. One of the clearest examples of this is represented in figure 3.

As figure 3 suggests, data from the the United States Department of Agriculture reports a 28 percent increase in the number of Americans who are food insecure. Food insecurity is define as as an individual who is unsure where there next meal will come from. Additionally, the data demonstrates that there has been a decrease in charitable giving in both individual and corporate and foundation gifts.

Figure 3: Comparison of individual and corporate giving and number of families who are food insecure.



Sources: US Department of Agriculture, Giving USA Annual Giving Report

Giving to churches has also been reduced. Banta, 2010, reports giving to churches is down 7 percent from 2007. Banta, 2010, found that many corporations and individuals were curtailing donations as a result of the economic downturn. As a result, Banta, 2010, suggested that many churches have approached the increased need and falling donation crisis in two significant ways: "Cutting staff and missions and 2. Reducing facility budgets, p. 2" The reduction on staffing and missions translates directly into the reduction of supports provided to families in need. Banta, 2010, found "1 in 6 churches

reported eliminating positions in their mission's p.3." as a result of decreases in donations. As suggested by Handy, Mook and Quarter, 2007, some staffing can be replaced with volunteers; a gap in the service delivery model still exists.

Non secular NGO's have also reported reductions in charitable giving. Mabli, et.al., 2010, report that decreased donations to food pantries in the United States resulted in pantry rationing and people being turned away because of lack of funding to purchase food. Mabli, 2010 suggest a 40 percent increase in the number of pantries who turned people away because of lack of food in 2010 and

a 20 percent increase in food rationing practices by pantries.

Conclusions and recommendations

As suggested here, the basic premise is federal and state governments provide the bulk of basic needs for its citizenry while NGO and other third sector organizations provide limited, stop gap programming has not been effective in the current economic crisis. The premise rests primarily on the notion that NGO's are not affected by cycles within the economy and that they have a greater ability to respond to emerging needs. This approach is flawed because NGO organizations are inextricably linked to the overall needs of the community and are not simply ancillary services seen as augmentation to the larger federally supported social service system.

As the data here suggests, NGO's are in fact as vulnerable to changes in the economy chiefly because of their overall reliance on private funding and foundation grant making. Much like state and federal funding sources, as these changes occur, NGO's also react by cutting back on the services provided.

Secondly, and in contrast, the data suggests that as federal and state programs reduce funding for basic services, the community need increases exponentially. This leaves NGO

organizations to bear the brunt of this increased demand while also balancing diminished donation for these services.

In light of this, a more reasoned model would create a stronger partnership between the governments and NGO organizations that meet basic needs of individuals and families. This partnership would work in tandem with funding streams and provide some overlap in how services are both envisioned and delivered to communities. The economic crisis we are experiencing is unprecedented and as such theories abound as to how to meet the citizen's basic needs. Greater communication may provide some insight into possible long term solutions.

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