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# From Henry Street to Contracted Services: Financing the Settlement House

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*This article tracks historically the direct connection and shifting relationship between the larger political economy, the extent and arrangement of financing, and agency programming in the settlement house from 1886 to the present, with particular attention to agency experience in New York City. During this time the settlements changed from being informal organizations oriented to service provision and community building, in which funding was a highly private matter, to formalized, multiservice agencies dependent on contracted public funds for categorical programs. This transformation resulted not as a linear progression of organizational development but rather as an historical process tied to shifting patterns of political economy and voluntary sector financing.*

This article tracks historically the direct connection and shifting relationship between financing and nonprofit social service provision. While this critical linkage has been explored historically for other nonprofit institutions, such as schools and hospitals, it is relatively absent for social service agencies (Hammack, 1996; Hall, 1992). The prism of our exploration, the settlement house, is the quintessential voluntary service agency that has historically struggled to balance service and social action, function and cause. Critically, this exploration of the history of financing social settlements discovered a direct and dynamic relationship

between political economy, agency funding, and settlement programming. Within this meta-statement the study proposes a cyclical theory and periodicity regarding settlement programming, financing, and political economy. Moreover, this historical analysis explores the impact of contemporary contracted financing on the capacity of neighborhood-based social agencies to deliver community-based services and engage in the historically and presently critical work of community building.

### Historical Change and Political Economy in the Financing of Settlement Houses

Settlements have been a favorite subject of social welfare historians dating back to the 1960s, when Chambers (1963) and Davis (1967) published monographs enthusiastic about the progressive work of settlement houses and their leaders. Since then historians and social work academicians interested in social welfare history have written widely on the settlement house, each with a different lens, asking different questions, looking at different settlements, and often arriving at different conclusions (To sample the divergent literature see Berry, 1986; Crocker, 1992; Karger, 1987; Lasch-Quinn, 1993; Philpott, 1978; Sklar, 1995; Trolander, 1987). Given the prominent place and role of nonprofit service agencies throughout American history, this attention should be expected (Hammack, 1998). What surprises in the settlement literature, however, is a near complete ignoring of financing issues and funding patterns. Little mention is made of the process and extent of settlement funding, and even less to the relation between funding and settlement programming and politics. Part of the reason is that settlements did not keep or leave very good financial records. Funding was a private matter. Until government financing became the norm, settlements were highly informal organizations with scant financial and administrative record keeping.

One way to evaluate settlement history in general and financing patterns in particular is to use a widely adopted social reform model of social welfare history. This model sees social investment as tied to changes in larger contexts. In a nutshell, it proposes that the dominant political economy and historical events of each era help shape and profoundly influence social provision and

social change. In more liberal or public eras, the model asserts, activism on the Left increases, the social welfare state expands, as does the importance of social welfare and social investment for reform-oriented service programming such as social settlements. In more conservative or private eras, conservative policy and Right wing movements dominate, corporate prerogatives are asserted with greater openness and diminished challenge, social welfare systems become increasingly privatized and timid, which reduces both interest in and funding for organizations such as the settlement house.<sup>1</sup>

This study of the financing of social settlements approximates and refines the social investment model. In general, settlement ideals, programs, and progressive practice find more support in social change eras; more quiescent private contexts occasion antagonism to activist practice and settlement house ideals. Social investment eras such as the Progressive Era and the Sixties resulted in support for settlement house core values, goals, and financing. Even during the Great Depression, despite funding instability, settlements revived in response to the heightened atmosphere of public life and social change. In more private eras, such as the 1920s, 1950s, and since 1975, financial support declined for settlement practices of community building and social action, narrowing to focus instead on recreational and categorical programming and more individualized interventions.

But the history of financing settlement houses demonstrates greater complexity than the cyclical model of recurrent expansion and contraction driven by the larger political economy. For example, in private eras reductions occur in some, not all, programs, and within historical epochs a dynamic, not static, relation persists between agency, funding, and programming. Additionally, using a model of political economy enters a critical debate about social change in urban life in general and social service organizations in particular. We find the structuralist/political economic perspective most salient to our work (eg Fabricant and Burghardt, 1992; Fisher and Kling, 1993; Sassen, 1992) but recognize alternative theses regarding the impact of local political process and culture (eg. Logan and Swanstrom, 1992; Putnam, 2000; Lasch-Quinn, 1993) as well as those emphasizing more postmodern interpretations of human agency and values (eg. Smith, 1992;

Featherstone and Lash, 1999). Of course the local political culture of New York City, the secularization of service work, the professionalization of social work, organization development issues, and the contributions countless people made on a daily basis also deeply affected the nature, programs, and funding of social settlements. By emphasizing a structuralist model of political economy this study seeks to expand, not narrow, this important debate in political and social theory by putting these developments in a larger contextual framework.

Moreover, while funding levels continually change, over time settlement financing and administration reveal strong continuities as well as the ebb and flow emphasis of our thesis. Over time settlement houses became increasingly centralized, publicly financed, bureaucratic, and reliant on formal structures. Over time their services were more likely to be defined by categorical programming initiated by those outside the settlement house, whether the local Community Chest or public sector contractor. Since 1980 these once privately funded nonprofits receive an increasingly high percentage of their funding—on average 85%—from corporate-style, public sector contracts which heavily influence settlement role and program (Kraus and Chaudry, 1995).

### Method

This qualitative history and analysis of settlement financial structures is heavily dependent on the literature, primary and secondary, related to the larger social settlements. It focuses on New York City settlements such as Henry Street and Greenwich House and United Neighborhood Houses, the collective organization of New York settlements. But it also relies on the extensive literature related to Hull-House in Chicago, as well as the secondary accounts of social settlements in general. It pieces together a history of settlement house financing and administration based on the larger and more notable settlement houses. It tends not to include the much less accessible financial and administrative records of smaller and more obscure ones. Chambers (2000) offers that in the many settlement collections he has surveyed, budget materials are largely missing.

### Private Financing and Informal Administration in the Progressive Era

From the outset, financing the settlement house was a private matter. It occurred in an obscured private process built on relationships established by settlement directors and board members with wealthy city elites. In the early years, financing and oversight structure were loose, spontaneous, and personal. Early settlement leaders believed that the very idea of an organized institution contradicted their goals of neighborly reciprocity and informality (Leiby, 1978). The combination of informal structures and informal financing based on personal relationships enabled settlements to maintain a significant degree of independence. This independence, in turn, helped operationalize an autonomous, innovative, and flexible community-oriented practice.

In the early years of the settlements money and the sources of funding were rarely discussed publicly. Even head workers did not seem to know the exact financial condition of their house; financial accounting was quite rudimentary with probably few or no financial audits or annual budgets prior to 1912 (Lohmann, 1991). As noted earlier, funding is rarely mentioned in the writings of settlement leaders or historians. Settlements grow and prosper, buildings and programs multiply, seemingly on their own. The extensive cultivation of elite patrons is largely off the record. Based on her relationship with Mrs. Loeb, the wife of one of the partners of the investment house of Kuhn, Loeb, and Company, financier Jacob Schiff gave Lillian Wald the buildings at 265 and 267 Henry Street to stabilize her work (Wald, 1934; Hall, 1971). Of course, as administrators of voluntary associations, they knew well the importance of money and fund-raising, even if informal accounting systems kept them unaware of their actual financial condition.

Despite the reform fervor of the era, fund-raising was never easy. Two generations of head workers later, Bertram Beck of Henry Street Settlement thought the support for settlement work, even social action, was what distinguished the pioneering settlement houses from their counterparts in the 1970s. "The early settlement leaders were able to win continuous financial support from the rich despite their advancement of unpopular social

causes" (Beck, 1976, p. 271). But settlements did not have the unlimited support of the economic elites of the day. Even at Hull-House, which experienced extraordinary growth prior to World War I and became not only the leading settlement and a center of national progressivism but *the* model for social service delivery, funding was precarious. As Jane Addams noted in discussing erecting a new building, "I do not wish to give a false impression, for we were often bitterly pressed for money and worried by the prospect of unpaid bills, and we gave up one golden scheme after another because we could not afford it; we cooked the means and kept the books and washed the windows without a thought of hardship if we thereby saved money for the consummation of some ardently desired undertaking" (Adams, 1910, p.89). For its first 70 years, Henry Street Settlement depended solely on private donations. The head worker and board members were actively involved in fund raising, seeking private contributions, bequests and foundation support (Lohmann, 1991). Henry Street always needed funds. Lillian Wald, its renowned first head worker and Helen Hall's predecessor, was a most talented fundraiser. To raise money in 1913, Henry Street developed a 20<sup>th</sup> anniversary endowment campaign. As one friend observed, "It costs five thousand dollars to sit next to her at dinner" (Wallach, 1978, p348). This first generation of settlement leaders, especially at the most heralded settlements, was well connected. Critically, part of this private process included a tacit agreement that private funding for public purposes would remain a private matter.

During the Progressive Era funding for settlements did expand quickly and dramatically. The budget of University Settlement in New York City expanded from \$2,500 in 1889 to \$29,687.47 in 1909. As settlements expanded and their budgets grew to cover added expenditures for personnel, buildings, and programs, they were forced to become relatively more formalized, and financing, at first rather informal and personal, became more well-defined. A study of New York City settlements concludes "Not only was the search for money a continuing struggle, but the justification for funds too often was based on the quantitative measurement of how many baths were provided, how many books taken from the settlement library, how many clubs were meeting at any given time, or how many children were enrolled in the kindergarten.

How many hours were spent in the accumulation of such data can never be estimated; how much dedication to settlement work found a frustrating end is impossible to determine" (Kraus, 1980, p. 33). The demands of bureaucratic organization, such as increased paper work and accountability for administrators and staff, while certainly still modest were beginning to be evident even in the early history of the settlement house.

### Increasingly Conservative and Bureaucratic Administration, 1918–1929

With the so-called Red Scare of 1918, the settlements declined not only in the popular but also in the philanthropic imagination. In the troubled postwar years, fund-raising continued to be a perennial—or more accurately, annual—headache for head workers and their boards (Carson, 1990). Funding heavily shaped not only the nature of programming but whether a settlement would exist at all. In response to the Red Scare, more conservative settlements attracted business support. In Gary, Indiana after the First World War, as labor militancy seemed to threaten corporate hegemony, Crocker (1992) writes, U.S. Steel invested in settlements in order to build good will in the community and to use expanded services to pacify discontent. In more progressive settlements, such as Hull-House and Henry Street, support declined. In 1918 Henry Street was so concerned about the impact of the war on funding, it became one of the first voluntary organizations to hire a public relations expert to promote the organization (Carson, 1990).

Financial support also declined due to the politics of settlement leaders such as Jane Addams and Lillian Wald (Sullivan, 1993). Many donors no longer would fund social change, especially if it seemed controversial or "un-American." From the beginning of the First World War through 1935, Romanofsky (1978) writes, "the financial situation of Hull-House suffered as donors withdrew their support because of Miss Addams's controversial pacifism and opposition to the war. . . . Leading contributors of the early period were dying, and potential other supporters feared Hull-House's reputed radicalism." (p353). The same was true at Henry Street. Wald's settlement aims had generally been supported by her wealthy patrons, but they withdrew financing



because of Wald's pacifism during and after the war (Wallach, 1978; Wald, 1934). Wald scoffed at them. "Confidentially, my political attitude is making some of our generous friends uneasy and one of our largest givers—nearly \$15,000 a year—has withdrawn because I am 'socialistically inclined.' Poor things; I am sorry for them—they are so scared. It is foolish since, after all, counting things in the large and wide, I am at least one insurance against unreasonable revolution in New York" (Chambers, 1963, p.25).

Once the Red Scare climate subsided and prosperity for certain sectors of the economy was renewed, aggregate funding improved for voluntary associations such as settlements. This is a significant deviation from the cyclical model of social investment expansion and contraction: initial retrenchment of programming and funding followed by expanded support for select, noncontroversial nonprofit social service work if economic growth occurs. Charitable giving is more circumscribed than before, with allocations for services such as educational and recreational activities but not for social advocacy or activism. Toward the end of the decade most settlement houses did experience expanded and stable funding. In the larger society, rapid wealth accumulation reinvigorated private giving (Huntley, 1935). It was within this context that in 1928 United Neighborhood Houses (UNH), the association of New York City settlement houses, urged its member settlements to "ask for large gifts and expect large returns" (Herrick, 1970, p. 144).

Critically, many settlements in the 1920s became increasingly dependent on Community Chests. Business involvement in settlements accelerated with the First World War, and became formalized afterwards in the 1920s with the establishment of Community Chests nationwide. Chests reduced the dependence of some houses on religious institutions by offering a potentially steady stream of stable, alternate funding. Chest support, however, also required standardized operations. It transformed previously informal organizations into ones that had to be more aware of effective and accountable administration. The early style of settlement voluntary work—autonomous, innovative, informal, passionate, and committed—gradually became more administrative, businesslike, bureaucratic, and constricted (Trolander, 1975; Walkowitz, 1999).

There was another price paid for Chest support. Community Chests were run by conservative business interests and social work agency executives strongly opposed to social action. Increasingly, for organizations interested in social reform and social action, the whole decade, as Grace Abbott remarked, was “a long hard struggle . . . uphill all the way” (Chambers, 1992, 452). Trolander (1975) argues this turn away from social reform resulted primarily from Community Chest concentration of power over administration and funding.

### The Origins of Public Federal Support of Settlement Work, 1929–1946

The early years of the Depression hit settlement financing hard. United Neighborhood Houses almost went out of business in 1931. The overall number of settlements declined significantly. In the 1930s a National Federation of Settlement (NFS) study reported that approximately 230 settlement houses remained in the United States, just over half the number of settlements operating in 1910 (Wenocur and Reisch, 1989). Many settlements experienced budget cuts of up to 70%, which resulted in widespread reductions in programs and salaries (Simkhovitch, 1938). Henry Street cut its budget significantly by reducing salaries and discontinuing entire programs in music, arts, and crafts (Herrick, 1970). Year after year as the Depression deepened settlements learned the limits of local relief, Community Chests, and private philanthropy.

In response to the drastic need for additional support and to the emergence of federal social welfare programs under the New Deal, many settlements in the 1930s relaxed their resistance to public funding. Many settlements increased their workforce tenfold with National Youth Administration (NYA) and Works Progress Administration (WPA) assistance. Helen Hall recounts, “One day I was suddenly informed that Henry Street had been assigned fifty white-collar workers at one fell swoop” (Hall, 1971, p. 30).

Another administrative development associated with the structures of Depression era public funding was that money could only be used for specific programs or needs, not for general

purposes as determined by settlement staff. For example, even with the infusion of NYA and WPA support, practically all the settlements in a New York City study (Kennedy, Farra, et al. 1935) were seriously handicapped by the inadequate allocations for clerical help. Federal money went to staff "volunteers," but little if any resources were expended on infrastructure needs. This aspect of public sector funding would continue to seriously burden the settlement house and other nonprofits.

Nevertheless, New York City settlements in this era did not capitulate to pressures from either funders or the social work profession to become "modern" welfare agencies, complete with more bureaucratic procedures and administrators, heavy with caseworkers, and burdened by "complex guidelines for accepting and dealing with clients" (Herrick, 1970, p. 154-55). While they adopted many techniques of professional social work, settlements retained an open, neighborhood approach which resisted the types of narrow program and project specialization that would later define their approach to service delivery. Public sector funding in the 1930s did not completely transform settlement house programming, neither did it resolve funding problems. Even with New Deal support, money remained scarce.

Economic hard times and consequent tight funding for settlement work during the Depression prompted the development in Chicago in 1935 and New York City in 1939 of the "deficit fund system". In both cities settlements were wary of Community Chest control, but reluctantly accepted the value of a privately raised centralized fund other than the Community Chest to help with settlement expenses. In New York, the independent board was called the Greater New York Fund. Despite the growing gap between expenses and revenue, important segments of settlement leadership remained wary of the tradeoffs that might be associated with accepting dollars from a Chest-style fund. Helen Harris, a member of the Executive Committee of the UNH, opposed the deficit system because centralized private boards in other cities had done little to fund "unmet" needs and had provided little support for long-term social welfare planning. Helen Hall's objections were more political. In New York City, she noted, there was no labor representation on the Community Chest's board. She and Stanley Issacs, the president of UNH, also feared the

Greater New York Fund would be dominated by “Wall Street businessmen [seeking] to impose their will on the community” (Hall cited in Herrick, 1970, 152). Wherever Chests financed settlements in other cities, Hall said, social action was under attack by these powerful interests that were essentially hostile to social reform. UNH voted in 1938 to join the deficit-funding system, partially because settlement leaders such as Mary Simkhovitch supported it but fundamentally because of what UNH treasurer John Bloodgood referred to as a “drying up” of voluntary individual contributions, the traditional basis of settlement financing (Herrick, 1970, p. 153).

One of the key challenges posed by Federal support was that such assistance depended on national, not local, needs and initiatives. Lillian Wald, the founder of Henry Street, concluded that while a central lesson of the Depression was “that government must take more responsibility for social welfare,” she also thought that private contributions were essential too. “It is impossible to wait upon government appropriations for all the emergencies that clamor at the door” (Wald, 1934, p.128). Moreover, Federal support could be withdrawn as quickly as it was allotted. With entry into World War II all national attention and energy focused on the conflict. Clearly the war united the citizenry in a struggle against totalitarianism and oppression abroad. Many of the problems of the Depression: poverty, unemployment, national purpose, and community building were resolved or transcended by the war effort. But settlement houses went into a tailspin during World War II, beginning the transition to a more private era in the postwar context. While some settlements had increased staff nearly tenfold during the New Deal, by 1940 the numbers diminished substantially and by 1943 completely evaporated (Bryan and Davis, 1990). The quick and permanent withdrawal of public employees resulted in severe problems for settlements which had become highly dependent on such staffing. Most settlements survived the withdrawal of public-paid workers, but not without great sacrifice to activities and staff. Additionally, new programming during World War II—services for pre-school aged children as well as those for soldiers and displaced people—imposed new burdens as funding and staffing remained in short supply (Soule, 1947). By 1943, for example, Hull-House seemed closer to demise

than ever before (Davis and McCree, 1969). Declining funds and the new pressures of the war were powerful cross-currents that reduced settlements to their "nadir" during and just after World War II (Trattner, 1999, p. 307).

### Expanded Public Financing of Settlements in a Private Era, 1947–1960

Throughout the postwar years and until the 1960s, lack of funds constrained settlement programming. The trend of defunding and scratching out an existence during and directly after World War II continued through the mid-1950s. Once again, settlement funding in a private era followed the pattern of initial social disinvestment, especially the defunding of social action and social reform programs. (For analyses of the decade which differ with the above see Carter, 1983; Fisher, 1999.) But, then, with the return of economic growth, there developed increased funding for recreational, educational, and social services. Even more important, however, the 1950s serve as a critical watershed for the transformation of settlements into publicly financed bureaucratic social service agencies.

The lessons learned about the power and effectiveness of Federal intervention during the New Deal and World War II created a basis for continued funding of specific social services. In 1953–54 the federal government allocated \$124.1 million to such social welfare services as school lunches, vocational rehabilitation, institutional services, and child welfare. Moreover, state and local governments disbursed \$605 million, most of it for public institutions such as schools for the developmentally disabled, hospitals for the mentally ill, and training programs for juvenile delinquents (Smith and Lipsky, 1993). But rarely was any of the money channeled to nonprofits. Public funding for nonprofits in the 1950s was rare, except in a few claimant areas, most of which did not include settlements. One of them, however, did directly affect them: juvenile delinquency.

Juvenile delinquency was to the 1950s what poverty and race would later become to the 1960s, the defining social issue of the decade. In keeping with the conservative context of the decade, delinquency prevention emphasized traditional family values

and law and order. Of particular importance, public contracts for juvenile delinquency prevention began the modern trend of using federal government grants to private institutions to address specific public problems (Trattner, 1999). Settlements had been engaged in working with youth for decades. They were well positioned to renew their efforts when delinquency became “hot” as a social issue and funding available for prevention work. In the latter part of the 1950s, a grant proposal regarding juvenile delinquency had an excellent chance of being funded. For example, the Juvenile Delinquency and Youth Offenses Control Act was a source of substantial grants for experimental programs during the late 1950s (Trolander, 1987). These grants, however, only foreshadowed a larger and more complex system of public contracting of nonprofit services which would begin with Mobilization for Youth and the Great Society programs of the 1960s.

#### The “Great Society” Institutionalizes Contracting, 1960–1975

Specific changes associated with the Sixties quickly transformed the settlement house. Regarding practice and program the era reinfused settlements with a social reform and social action component—tarnished but resharpened spearheads for reform. In terms of administration and financing, government funding profoundly altered settlements structurally, a change which has persisted to the present. Private funding to private institutions for public purposes had been the “settlement way” since their inception. With the 1960s and the institution of broad scale federal funding to nonprofits in the form of individual disbursements for such programs as Medicare and Medicaid and aggregate funding for contracted projects like Head Start, the system became one of public funding to private institutions for public purposes. Funding for settlements was now not only qualitatively but also quantitatively different.

Qualitatively, the War on Poverty of the mid-1960s renewed settlements. It gave extensive Federal financial support to organizations working with the poor, addressing the “social” causes of poverty, and pursuing a decentralized strategy of change at the neighborhood level (Marris and Rein, 1967). Of course, the settlements were not passive recipients in this process. Henry Street,

for example, was an initiator of Mobilization for Youth (MFY), arguably the model experiment in community-based responses to poverty and powerlessness upon which much of the Great Society programming was based (Hall, 1971, Beck, 1976, 1977).

Quantitatively, MFY represents an early benchmark in the heightened relationship between federal grants and nonprofit social service agencies. By 1968, the federal government had invested over \$30 million in services to residents of the lower East Side of New York City where Henry Street was located (Hall, 1971). From the mid-60s onward, the Great Society, limits aside, wrought profound changes and brought massive funding for neighborhood work and social change (Halpern, 1995). Federal expenditures for social welfare services tripled in only five years, increasing from \$812 million in 1965 to \$2.2 billion in 1970. In contrast, local and state expenditure expanded 50% in the same time period. Most important for settlements, a large percentage of the public funding for social welfare services was now being spent through nonprofit agencies. The Office of Economic Opportunity, developed in 1964 to administer the War on Poverty, dramatically expanded the amount of money available for community-based nonprofit programs, including settlements (Kravitz, 1969). Additionally, as popular pressure mounted for increased public support of social service programming, Congress amended the Social Security Act in 1967 so that states could develop purchase of service contracts (POSC) with private agencies. This program guaranteed states federal support up to three times (300%) the amount they could raise from private or other public sources. Funding under this Title-IV-A amendment jumped from \$281 million in 1967 to \$1.6 billion five years later. (Smith and Lipsky, 1993; Levitan, 1969). These new financing arrangements created expansive opportunity to both promote social change and develop community-based programs. It was as though Lyndon Johnson and the United States Congress were trying to do for the settlements and poor urban neighborhoods what Jane Addams, Lillian Wald, Helen Hall, and countless others had only dreamed of a half-century earlier. Not only were they making neighborhood-based poverty work a concern of American social policy, they were funding it (Halpern, 1995).

The experience of Hull-House during these years, while certainly not representative of all settlements, concretely illustrates the impact of public financing on settlement staffing and budget. From 1962 to 1969, the Hull-House staff expanded from about forty people to over three hundred. In 1969 its budget doubled, increasing from under \$1 million to \$2 million (Romanofsky, 1978). Its contracted services included such War on Poverty programs as VISTA, Meals-on-Wheels, Head Start, and Neighborhood Youth Corp.

Increased federal support, channeled primarily through individual reimbursements via Medicare and Medicaid and aggregate contracts for specific programs changed the composition as well as role of the settlement house. In the past, when settlements were dependent on private donations, board members were drawn from the city elite. Securing support was an expected responsibility of board appointees. With the Great Society programs, however, there was an increased emphasis on the poor representing themselves. Such tendency was maximized as a matter of policy through "maximum feasible participation of the poor" (Moynihan, 1969). Pressures for participation and equal voice mounted throughout the public and nonprofit world. A 1936 study of settlements in New York reported that 25 of 34 settlements had no one from the neighborhood on their boards. By 1968, the NFS estimated, 25% of settlements boards were comprised of neighborhood residents or their representatives. By 1970 the figure was 75%. Increasingly the board changed from being all white to predominantly people of color. By 1975, more than half the directors of settlement houses were nonwhite (Beck, 1977). Clearly, settlements were responding to pressures from the social movements of the 1960s for inclusion and democratic process. But public contracting also promoted diversification and democratization of settlement boards. They were no longer dependent on private funding. They were no longer dependent on the boards to raise money.

Public funding, however, was fraught with challenges and dilemmas for settlements, ones that were apparent early on. Settlement leaders such as Helen Hall, who retired from Henry Street in 1967, articulated clearly both virtues and drawbacks in federal



funding (Andrews, 1990). First, securing funding from the public sector was very difficult work, especially for smaller agencies. "Just filling out the forms and questionnaires required to get public money is an exercise in perspicacity and endurance, aside from the real job of interesting the beleaguered public servant in even your most creative plans" (Hall, 1971, p, 87). Second, contracts were always a compromise between what the settlement wanted to do, or what the settlement really needed money for, and what the government was willing to fund. "Sometimes the combination is a reinforcement and improvement on the original [settlement] plan, and sometimes a distortion" (Hall, 1971, p.87). Third, and related, government funding often steered settlements toward trading off their own and/or community needs in favor of federal priorities. Instead of identifying a community need and finding funds to develop a program to address it, there was an increasing tendency to launch programs simply because government money was available. Hall preferred funding for "basic on-going budgets," rather than the restrictive funding for specific projects. "I have often wished that more foundations would decide to give not only to new projects but to put aside a good percentage of their funds for the support of the basic on-going budgets of the kind of agencies in which they are interested, using the rest for the experiments of limited duration" (Hall, 1971, p.88). Running programs demanded increased bureaucratization and formalization, as well as ever greater attentiveness to the whims of policy makers in Washington or Albany. Moreover, government funding fluctuated. Program support, here today, could be gone tomorrow depending upon the action of Congress, the President, or a state legislature. Critically, contracting also seemed to overextend programs, creating a need for additional monies not provided in the contracts. (See also Kettner and Martin, 1996; Smith and Lipsky, 1993) Despite its big budget in 1967, Hull-House had a \$200,000 deficit, "and it was larger in each of the next two years" (Bryan and Davis, 1990, p. 279). While settlements benefitted from Great Society programs in particular and public funding in general, Trolander (1987) concluded that "the net effect of the War On Poverty may well have been to contribute to the demise of the traditional settlement house movement" (p.187).

Concurrent with the institutionalization of the new contracting relationship between nonprofits and the public sector, support for social action waned. By 1967 conservatives in Congress were undercutting and defunding the social action component of the War on Poverty (Piven and Cloward, 1971). Deeper reductions during President Nixon's administration, 1969–1973, created greater financial strain for settlements. While social action programming continued to be defunded, the Nixon era cuts turned out to be only a temporary if difficult downturn for contracted funding to nonprofit service providers. For example, Federal spending on OEO and ACTION programs increased from \$51.7 million in 1965 to \$2.3 billion in 1980. Likewise spending at the Federal level for community mental health centers expanded from \$143 million in 1969 to \$1.4 billion in 1979. With the passage of Titles IV and XX of the 1974 revision to the Social Security Act, which allows the federal government to purchase service from private agencies, public funding for community-based nonprofit work increased yet again.

The sweeping change in the 1960s of the fiscal underpinnings of settlement programming is illustrated by the Henry Street experience. For its first seventy years Henry Street was heavily dependent on private funding. That changed dramatically in the 1960s. By 1975 federal government funding accounted for approximately two-thirds of its \$4.5 million annual budget. It had a staff of five hundred, most of whom were involved in government contract projects (Wallach, 1978). What developed and was permanently established in the 1960s was a new funding relationship with Federal, state, and local governments that transformed the settlement house into a different organization after 1975. Contracting in an era of privatization and economic globalization had begun.

### Privatization and Contracting Since 1975

A study undertaken by the United Neighborhood Houses of New York (UNH) for the Ford Foundation in 1991 calculated that 80% of the funding for the 38 member settlements in New York City came from public contracts. Kraus and Chaudry (1995)

estimate 85%. As noted, the settlement houses benefitted from the public dollars. With public support they were able to help address the needs of poor children, their families, and their inner-city communities by providing a broad array of neighborhood-based social activities and human services. But they were burdened by the public contracts as well. They were overwhelmed, the executive director of United Neighborhood Houses stated, by "the administrative time and cost now spent in issuing and responding to multiple requests for proposals and in preparing and processing thousands of forms for auditing, monitoring, and reporting on programs" (Marks, 1993, p. 24). Equally significant, public funds were becoming more and more restrictive, allowing use for only "single-problem categories" such as illiteracy, substance abuse, or child care. Funding was "too inflexible to permit appropriate responses" to worsening and ever changing needs of the community (Marks, 1993, p. 24–25). According to Rolland Smith (1995), executive director of the Greater Cleveland Neighborhood Centers Association, the combination of neoconservative social agendas, a more constrictive and volatile system of contracting, and declining private money despite increasing upper class wealth forced settlement houses "to use up fund balances, defer maintenance on buildings, pay salaries well below parity, scramble for funding, and often operate with a crisis mentality" (p2132).

While some may consider the settlement house an artifact, the current 37 houses in New York City deliver an impressive and wide-ranging array of services to nearly 200,000 people annually (Kraus and Chaudry, 1995). These services, as with the nonprofit sector in general, are heavily influenced by government funding. The settlement house once had the distinction of being an innovative, autonomous, flexible agency embedded in community life. But the bureaucratization and formalization that accompanies contemporary contracting hastens other forms of organizational development. As Kraus and Chaudry note, "In too many instances, settlements have grown to resemble their funders—with specialized staff, organized by categorical programs, who often answer more to the rules and regulations of their funding agencies than to changing neighborhood conditions." (p. 34). Critically, the continued persistence of the settlement house in the 1990s, even

its potential revival, occurred as both part of a transformation of its programs and structures and the recreation of the welfare state. In the new privatized welfare state, settlement houses, like most nonprofits, persist at the same time they are besieged by dual pressures from an intensified contracting system and from heightened and unmet chronic needs of their communities (Smith, 1995; Sclar, 2000).

In this regard, Emily Marks, Executive Director of United Neighborhood Houses, comments that "In order to secure government and foundation support over the last 40 years, however, settlements have had to adjust to an increasingly fragmented and categorical funding environment. Aimed at ameliorating deficits, the structure of both public and private funding has limited opportunities to develop community-building approaches." (Marks, 1998, i) In the past, settlements sought from the outset to build a sense of neighborhood identity and cohesiveness. Their view of society as an organic whole required the elements—in and outside of the neighborhood—to work together (Melvin, 1987). They strove for "community embeddedness" (Hirota and Ferroussier-Davis, 1998). At present, geographic community and even cultural community are assigned less importance within a fiscal environment that emphasizes varied categorical programs and the wide range of multiple service contracts. In this way, contracting undermines the ability of nonprofits such as settlements to build local solidarity and enhance community, as well as engage in social action or social reform initiatives (Hirota and Ferroussier-Davis, 1998).

By the mid-1990s the heightened atmosphere of privatization initiated by the "Contract with America" sought tax and social service cuts and the general dismantling of social welfare programming. Under the older contracting system, nonprofits and settlement houses traded off professional autonomy and organizational independence for a degree of financial stability in an ever more fiscally unstable political-economic context (Dailey, 1974). Under the new "Contract," implemented in New York by Governor George Pataki and Mayor Rudolph Giuliani but initiated earlier by the administration of Mayor Koch, pressure intensified on the nonprofit social service sector (Smith, 1998; Sites, 1997). Increasingly they were forced to sacrifice not only professional

autonomy, but, with the fiscal cutbacks and intensified economic pressures, expected to endure less financial stability and greater bureaucratic demand for accountability.

### Conclusion

Clearly much more work needs to be done regarding the financial history of nonprofit social service agencies in general and settlements in particular. This initial overview establishes historic trends which underscore critical elements. First, it emphasizes that there is a direct relationship between the larger political economy and the funding, or defunding, of community organizing and social reform efforts. Second, the relationship between funding, political economy, and social service programming is more complex than an expansion/contraction dualistic model reveals. Settlement houses both influenced funding and the larger political economy just as they were affected by them. Moreover, funding may expand in periods characterized generally by social disinvestment, but such funds are directed to more conservative programming. Third, financing plays a major role in influencing the nature of settlement programming, especially the balance between service delivery and social action. Fourth, over the past century the voluntary agency has become increasingly dependent upon contracted public funds. Fifth, contracted public funding to nonprofits is not a static system. During our most recent conservative era public funds are being dramatically restructured to configure the nature of social services and voluntary agencies in ways that are ever more like the private sector. The changes are profound, heavily influencing not only the very nature of settlement programming but their potential to engage in the traditional settlement projects of community building and social reform. In this regard, Putnam (2000) underscores the importance of latent community building organizations like the settlement house as a political counter pull to the contemporary decline of civil life and social cohesiveness. But like many others he under-appreciates the impact of new financing and administrative arrangements on the structural base and organizational culture of community service institutions such as settlements. This study reveals how throughout its history the settlement house has been transformed

by critical changes in its funding base and the larger political economy. Our contemporary era is certainly no exception.

### Note

1. American social welfare and political history in the past century has been described as a series of cycles between eras which are more public regarding and more private regarding (Schlesinger, Jr. 1986). Piven and Cloward (1971; 1999) discuss the shifts in terms of periods of consensus and dissensus politics. Most recently, Putnam (2000) sees it in terms of up and downs in "civic engagement." (p.25) Historians, social scientists, social workers and others agree in general on the periodization of this model. See, for example, Reisch (1998) and Ehrenreich (1985). Periods of public investment and social activism include the Progressive Era (1900–1918), The New Deal and World War II Era (1933–1946), and The Sixties (1963–1973). Private contexts are The Gilded Age (1877–1896), The Twenties (1920–1929), The Fifties (1948–1959), and our contemporary world (1975–present). The years in between are times of transition. The model provides a single lens to put in context the more than 100 year history of the social settlements. Clearly all models have limits. They reduce historical complexity and conflate historical specificity. They risk becoming mechanical and running counter to lived experience. Regarding the social investment model, we recognize that historical change usually comes slowly and incrementally, rather than in sudden shifts. The dates offered are obviously not absolute, but designed to emphasize a general change in national political atmosphere and a shift in the context for social investment. Equally important, continuities in American history such as a broad consensus on private property and individualism, the persistence of class and racial domination, and the hegemony of capitalist development are certainly as significant as the changes this model emphasizes (Hofstadter, 1948; Dowd, 1974; Crocker, 1992; Walkowitz, 1999). These and other caveats acknowledged, subsequent stages of this discussion provide a fuller and more graphic depiction of the shifts in support for social investment and their influence on settlement programming.

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