

SECULAR AND FAITH-BASED HUMAN SERVICES: COMPLEMENTARITIES OR COMPETITION

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The issue of comparative advantage has important policy implications in the current debate about Charitable Choice and the role of faith-based organizations (FBOs) in the delivery of social and other services. The issues are compounded in communities when the religious and secular organizations are actively competing against one another for a limited number of clients and fixed levels of charitable contributions and government contracts. Then, the policy arena would need to deal with such issues as comparative performance, cost effectiveness, “vendorism and mission creep” (i.e. adapting agency mission and agenda to chase after government contracts), and First Amendment questions. However, the debate is somewhat muted if each group has established a distinctive niche where it has a clear and undisputable comparative advantage. Then, one could view the religious and secular groups as functional and complementary components of a comprehensive human service system. The contentiousness might also be reduced if FBOs are able to generate additional sources of donations and new public sector programs that might otherwise not be made available to secular organizations.

THE NICHE ISSUE

The comparative advantage arguments have been prominently discussed in the literature and are only briefly reviewed here (refer for example to Campbell; Chaves, 1999; Cnaan; Sherman; Smith and Sosin.) Some overlap occurs, but religious organizations are considered by researchers who have carried out analyses to be preferable as service providers to:

- members of the same religious group who require social services and prefer that they be provided by the same faith-based institutions that serve their religious obligations;
- community residents in neighborhoods that are hosts to well established religious organizations and lack other social service agencies that provide comparable services;
- those convinced that some selected services are provided more satisfactorily (e.g. due to dedicated staff, lower rates of staff burnout, etc.) than at secular institutions (e.g. hospice care of advanced cancer patients, care of brain-damaged infants, etc.)

- others requiring services widely accepted as having a strong religious component for many service users (e.g. marriage and birth counseling) or in the traditional domain of religiously-based care-givers (e.g. family counseling, etc.)
- those unable to afford professional help from service agencies except through reliance on staff (e.g. religious orders) that receive only nominal or no salary.

Secular organizations should be preferable as service providers to:

- users with an established “entitlement” to specific services as defined by government social service programs (e.g. day care, employment training) and those who may prefer service provision by agencies strongly committed to advocacy and lobbying for improved public sector programs;
- secular communities or those with highly diverse religious traditions that prefer services to be provided without religious content;
- communities with well-established social service agencies that are secular or non-denominational.

A Religion Scale?

The initial challenge for an empirical analysis of service niche and specialization is to determine which organizations are religiously based and which are secular. How inclusive should one be about faith-based organizations (FBOs) that provide social services? Ideally, one would want to create a scale to assess how central is religion in the mission of the organization and in the provision of its services. The resulting continuum from the most religiously intensive to the most non-denominational or secular would be a useful instrument for comparative study of service provision across different types of services and communities. However, the complexities in creating such a scale that is relevant across different religious traditions would be formidable and is not attempted here, but the reader is referred to Monsma; Wolpert; and Glenn for discussion of the issues.

Identifying Religious Organizations among Reporting Nonprofits and Survey Respondents

We recently completed a survey and analysis of New York City’s nonprofit organizations that was based upon information from IRS Forms 990 as well as an extensive mail survey (Seley and Wolpert). A substantial number of religious organizations were identified in the data collection which were initially grouped within the human service sector for the analysis and report of findings. Yet, some important differences were observable between the religious and

secular components of the human service sector that are blurred when merged together. The analysis in this paper focuses on differences between the two groups in the populations they serve and the services they provide. One would expect, for example, that each group would have a comparative advantage that is reflected in its niche in the provision of certain services. If analysis verifies this distinction, the portfolio of services provided by the two groups can be regarded as complementary. However, the presence of significant overlap in service provision by agencies in both groups would signal evidence of competition.

The survey instrument had been mailed to 501 (c) (3) organizations with addresses in New York City that had filed IRS 990s. Thus, only those organizations required to file and with annual revenues exceeding \$25,000 were included. Omitted from the analysis are many churches, temples, and synagogues (unless they opted to file) as well as smaller organizations that have registered as tax-exempt and informal groups that have not registered with the IRS or the state's charity registration bureau. The analysis revealed a total of 8,034 filers in New York City that are "operating charities." Human services comprised 2,797 organizations of this nonprofit universe, including 1,045 (37%) that could be classified in the religious category and 1,752 (63%) in the secular group.

Organizations were classified into the religious category under the following conditions:

- they were initially pre-assigned to the religion category (X) in the NTEE classification or by means of the IRS primary or secondary activity codes;
- they identified "religion related" as their primary program area in their survey response;
- they identified their organization as a "religious congregation" in the survey; or
- they identified one or more "religion activities" in their list of program activities in the survey.

Budgets and Revenue Sources Reported on IRS 990 Forms

Summary financial information is available from the IRS 990 forms filed by the religious and secular organization for the year 2000. The financial information for all the religious organizations was pooled into a single group for comparison with the secular group.

The 1,045 religious organizations (37% of human service providers) accounted for 37% of both the sector's total revenues and expenditures (Table 1). Expenditures are a reasonable indicator of the level of program activity. Both groups had roughly similar patterns of

expenditures (Table X). The religious organization spent a slightly higher proportion (11%) of their budgets on administration and payments to affiliates (2%) than the secular groups, 10% and 1% respectively. The secular groups had only a somewhat larger share (87%) of their budgets devoted to program activities (a potential measure of efficiency) than the religious organizations (84%). These differences are not significant but it is not immediately clear why the religious organizations did not have even lower administrative burdens.

The two groups differ a great deal more in their sources of revenues. The secular organizations received much higher shares of their revenues from contributions and grants (46%) and less from fees for services (51%) than the religious groups. The religious organizations were more dependent on service fees (56% of revenues) and thus less able to subsidize the services they provide. However, they received almost \$525 million in direct charitable support (i.e. 44% of the direct contributions of \$1.2 billion to all human service organizations) and \$79 million or 55% of the indirect support of \$143 million for human services through umbrella supporting groups, such as United Way, Catholic Charities, etc. Yet, as might be expected, the secular groups received most of the government grants (74%).

Additional Information Reported in the Survey Instrument

The survey instrument addressed a number of issues not included in the IRS 990 data, including: further details about revenue sources, service users, primary program area and activities, unmet demand for service, service facilities, employee composition, employee benefits, approaches for raising revenues, etc.

Completed survey responses were received from 1,167 or 42% of the 2,797 human service organizations, including 534 from the religious group (46%) and 631 or 38% from the secular group. In the case of both types of organizations, the response rate in the survey was consistent with the distribution of large and small organizations in the universe (i.e. the organizations that responded had a distribution of annual budgets that mirrored this distribution in the universe.)

Distinguishing among Religious Organizations

The self-reporting responses in our survey instrument were also used to classify various types of religious groups among the 534 respondents. Organizations in the religious group include:

- 309 *churches, synagogues, etc.* some of which supplement spiritual and devotional activities with social services;
- 138 *human service providers* under religious auspices that regard the services they provide to have some religious content (but their religious intensity cannot be measured); and
- a third group of 87 *religious organizations* that provide membership, education, and advocacy services but no direct social services to clients.

The remaining 629 (or 63%) of the human services group were placed in the secular category. The secular group includes some organizations that may have originated under religious auspices but now have no religious identification.

Revenue Sources Listed in the Survey for Secular and Religious Human Service Organizations

Additional information about revenue sources is available from the survey instrument for the 629 human service respondents in the secular category but only the 138 *human service providers* in the religious group (see Table 2). Too small a proportion of the other two religious groups (i.e. the churches and the religious organizations) provided detailed information on their revenue sources to yield statistically valid results. The findings demonstrate that the secular and religious human service providers were about equally dependent on government grants and contracts for almost two-thirds of their revenues (66% and 65%, respectively). The religious group received a greater share of revenues from individual donations (9%) than the secular agencies (6%), but the secular group did better with foundation and corporate grants. The findings also show that the secular group was less dependent on service fees (14%) and had greater access to income from endowments and membership fees than the religious human service providers.

Service Targeting

Analysis of the 1,163 survey responses demonstrated that the religious organizations are significantly more likely than the secular group to serve substantial numbers of recent immigrants (especially Asian-Americans). The secular organizations are more likely to serve substantial numbers of Blacks, Hispanics, and the population below the poverty level. In response to the question about recent shifts in clients, the religious organizations noted a significant shift to Blacks and those defined as multi-racial. The religious group is also significantly less likely than the secular group to experience unmet service need.

Facility Space, Employee Concerns, and Management Issues

The religious organizations (especially the first group, the churches) were more likely than the secular organization to own their facilities or have access to free space and to have adequate space for their needs. The human service providers among the religious organizations reported much greater difficulty in their ability to recruit and retain staff than the other categories of religious organizations and the secular groups. Few among the church group had any professional, managerial, or clerical staff. The secular group was significantly more generous in providing health and life insurance and retirement benefits. Surprisingly, the secular group also found it much easier to find and retain volunteers. The human service providers among the religious group found it more difficult to recruit volunteers with the skills that were needed. Future revenue concerns prompted all three religious groups more than the secular organizations to go after government funding programs and foundation sources that had not funded them in the past (i.e. possible evidence of *mission creep*.)

Primary Program Area

Survey respondents were asked first to check off their *primary program area* and then enumerate their specific *program activities* (following the NTEE Classification of programs and activities). Half of the secular groups identified their primary area as *human services*, but 9% indicated *recreation and sports*, 8% checked off *education* and 7% listed *housing and shelter*. The most comparable religious group, the human service providers were more focused (68%) in the *human service* category, but 8% of them also listed *education* and smaller proportions indicated other service areas. As expected, a large number of the church group (82%) identified *religion related* as their primary area, but 12% listed *human services*. More than half (55%) of the religious organization group reported *religion related* as primary, but 11% listed *education* and 8% *human services*.

Program Activities

Responses from the questionnaire about program activities showed that a substantial share (>20%) of the *church group* among the religious organizations provides the following set of services:

- advocacy in religion (37%),
- interfaith issues (22%),
- research in religion (21%).

- wellness programs (39%)
- religious media (20%),
- health support services (25%)
- emergency services (29%).

The prominent role of churches in administering emergency services (e.g. food banks and shelters for the homeless) is also somewhat problematic. The original notion when these service responsibilities were first undertaken by churches was justified by their wide distribution in all the city's neighborhoods, the availability of suitable space in their facilities, and the expectation that volunteers from the congregations would fulfill much of the staffing requirements. As the years have passed since these programs were initiated, the demand, once thought to be temporary, has not only continued but increased. However, the number of volunteers has diminished and kitchen and sleep-over staff has been hired to take their place. Some of the secular organizations commented in the questionnaire about the inadvisability of providing only "band aid" assistance to these very needy individuals and families who require cash assistance and competent, professionally-administered services.

Program activities among the *religious organization* group was especially significant in:

- a variety of "other religious activities" (62%)
- management assistance within religion category (20%)
- interfaith issues (25%)
- children and youth services (18%)
- advocacy in social services (17%)

The religious *human service providers* listed the following leading program activities:

- a variety of "other religious activities" (75%)
- advocacy in social services (40%)
- child day care (24%)
- youth centers and clubs (27%)
- children and youth services (40%)
- family counseling (36%)
- other family services (33%)
- personal social services (28%)

- advocacy in mental health (20%)
- counseling, support groups (28%)
- advocacy in housing (21%)
- juvenile delinquency prevention (20%).

Very significantly, only 9% of these religious *human service providers* identified *advocacy of religion* as an activity in which they were engaged and only 4% listed *religious media*, but 17% are involved in *interfaith issues*. These findings would suggest that the vast majority of these agencies have the opportunity to choose the type and level of religious content in the services they provide and have opted to de-emphasize religious particularism in their provision of services. *However, a small number of organizations in this group claim to provide a great variety of social services, although neither their modest budgets nor staff complement provide evidence of the capacity to deliver these services.* Furthermore, a number of these organizations, as well as a number of the churches, commented in the “remarks” section of the questionnaire that they were anxious to provide additional social services but did not have the funding, or trained personnel and needed additional space to provide these services. Publicity about access to funding that might become available under Charitable Choice may have contributed somewhat to the enhanced interest in expanding their service programs.

The secular human service agencies were more prominently engaged in:

- advocacy in social services (33%),
- youth centers (22%)
- other children and youth services (30%)
- family counseling (19%)
- advocacy in employment (15%)
- advocacy in health care (16%)
- job training (15%)

DISCUSSION OF FINDINGS AND SUMMARY

The findings demonstrate a continuum of program activities by the religious and secular organizations. At one extreme are a set of services, such as right to life counseling, food banks, and services to prisoners, ex-offenders and their families, and hospice care that appear to be in the religious domain and are largely unchallenged by secular organizations. At the opposite end

of the continuum are civil and legal rights activities, family planning, employment training, and economic development that are covered almost exclusively by secular agencies. The evidence points to definite specializations and complementarities.

Yet, the array also reflects arenas of competition. Most of the remaining social service activities are carried out by both the secular groups and many of the human service organizations among the religious group. Both groups rely heavily for their revenues upon service fees from clients and government contracts, but differ somewhat in the types of clients they serve. Competition to attract clients who pay the full cost of the services is not a public policy issue. But competition is a serious concern in the awarding of government contracts and the targeting of charitable donations to provide services that must be subsidized. The secular agencies in New York City are more likely to obtain contracts to serve the poor and minority groups while the religious human service organizations have been given a larger role in serving selected groups of recent immigrants. The contracts have permitted each group to build capacity and develop expertise.

Competition for government funding to expand current agency missions could be beneficial if the contenders both have underutilized capacity and proven track records in serving clients, but wasteful if agencies lobby for contracts to initiate new program activities that are already satisfactorily provided in the community. In either event, our findings indicate that the vast majority of the religiously-sponsored human service organization provide their services in a non-denominational format. Thus, any competition between or within the groups is largely devoid of religious significance. Most problematic in the current charitable-choice arena is the challenge to the status-quo of government funding by some churches and religious organizations who are no doubt responding to unmet needs in their communities. Yet, as reported in the survey responses, they lack the staff, agency infrastructure, and evidence of performance to qualify for contracts or grants, especially in the current atmosphere of reduced public spending for social programs.

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TABLE 1: Religious and Secular Organizations, New York City, Revenues and Expenditures, 2001

Type of Organization	Number of Organizations	Direct Support	Indirect Support	Government Support	Total Contributions
Religious	1,045	524,574,115 53%	78,808,584 8%	379,690,152 39%	983,072,711 100%
Secular	1,752	674,823,028 37%	64,416,165 4%	1,080,786,136 59%	1,820,025,237 100%
Total	2,797	1,199,396,934 43%	143,224,799 5%	1,460,476,211 52%	2,803,097,944 100%

Type of Organization	Number of Organizations	Total Contributions	Earned Revenues	Investment Revenues	Total Revenues
Religious	1,045	983,072,711 41%	1,339,078,511 56%	86,648,334 4%	2,408,799,567 100%
Secular	1,752	1,820,025,237 46%	2,018,544,106 51%	137,334,223 3%	3,975,903,755 100%
Total	2,797	2,803,097,944 44%	3,357,622,527 53%	223,982,492 4%	6,384,703,143 100%

Type of Organization	Number of Organizations	Program Activities	Administration	Fund Raising	Affiliate Payments	Total Expenses
Religious	1,045	1,813,313,375 84%	244,683,220 11%	52,782,013 2%	46,471,416 2%	2,157,290,930 100%
Secular	1,752	3,226,196,970 87%	386,536,079 10%	76,239,261 2%	37,931,792 1%	3,717,291,105 100%
Total	2,797	5,039,510,432 86%	631,219,299 11%	129,021,187 2%	84,403,119 1%	5,874,582,035 100%

Type of Organization	Number of Organizations	Total Revenues	Total Expenses	Net Revenue
Religious	1,045	2,408,799,567	2,157,290,930	251,508,637 10%
Secular	1,752	3,975,903,755	3,717,291,105	248,962,650 6%
Total	2,797	6,384,703,143	5,874,582,035	500,471,108 8%

Source: NCCS-Guide Star National Nonprofit Research Database

TABLE 2: Religious and Secular Human Service Providers, New York City, Revenue Sources, 2001

Revenue Sources	Human Service Providers	
	Religious %	Secular %
Donations & Pass-throughs	9	6
Foundations & Corporations	3	6
Government Grants & Contracts	65	66
Fees & Service Charges	19	14
Membership Fees	1	2
Other (dividends interest, rents, etc)	3	6
Total	100	100
n =	138	629

Source: Survey Responses