

The Economy and Social Work:
How the Economic Downturn Effects Social Service Agencies
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Authors Note

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Abstract

With the worldwide, national, state, and local economies facing an economic downturn, it is important to examine its effects on social service agencies and social work. How the economic downturn effects social service agencies is examined through a number of modalities. When looking at these types of policies the affected populations must be described. The historical, worldwide, national, and statewide perspectives provide context and understanding of the problem. A policy analysis matrix is also utilized to give a more concrete description of the crisis.

The Economy and Social Work:

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People's views on money vary. One thing that does not vary around the world and throughout history is peoples need for some form of currency to survive and pay for or trade for goods or services. With an economic downturn happening both around the world and around the nation, it would appear the topic of money is at the forefront of people's minds. This is displayed through what people are searching for on the internet. Exploring the news reference volume on Google (2009), using the words "economy" or "stimulus" shows the percentage of traffic significantly increasing starting at the beginning of 2008.

In a study examining sleep and the economic downturn, Hendrick (2009) found people are losing sleep over the economy. Forty-one percent describe losing sleep a few nights a week in the past month due to personal financial concerns, worries over the employment, or concerns over the economy. The National Council for Community and Behavioral Healthcare (2009) describes a 66 percent rise in peoples reported stress being related to the economy since April. Harris (2009) describes the possibility of loss of social service agencies during the economic downturn. All in all, the economic downturn may prove to be a major problem both in America and around the world. While there is a crisis around the world and in America it is not the first time.

A Historical Perspective

Throughout the modern history of economics, economic downturns and recessions have occurred. The first took place between 1797 and 1800. This first recession caused a huge disruption in the real estate and commercial markets. Since the panic of 1787, there have been twenty-three different periods of recession in the United States. These have included closures of banks, stock market crashes, high unemployment rates, difficulties with the real estate and commercial markets. They have also had impacts both nationally and internationally, and include a host of other problems (Cush, n.d.).

Probably the best known time of economic downturn is the Great Depression. Capital gains going up, rising unemployment characterized the Great Depression (Keating, 2008). The Great Depression was precluded with an era of prosperity, the rolling twenties. This gave way to economic depression, bank panic, and closures, and the crash of the stock market (Timeerlake, 1974; Gay, 1932).

Various Effects of Economic Downturns on Social Service Agencies Through History

Economic downturns have also affected social service agencies. McCormick (2002) describes a decrease in charitable contributions after the early 21st-century dot com bust. He describes both individual and governmental giving decreasing, while the needs of non-profit services increasing. These needs including more people that are vulnerable requiring the services these organizations provide. This required many agencies in the Chicago area to trim their budget and request more donations or gifts. Although these hard times for non-profit agencies often mean difficulty, it is not always that case. McCormick describes the Chicago-based America's Second Harvest (a distributor of food pantries nationwide) both had an increase in demand for services and contributions of foods and finances. America's Second Harvest actually exceeded their budget by more than 10 percent during the same time that these other agencies were struggling.

With various charities facing losses in income, there are many examples of them being forced to band together to help offset costs. Fields-White (2008) examines how nine of Chicago's largest charities banding together to help offset costs. These organizations believe they can save up to \$20 million annually through creating an entity, which handles all the various administrative functions. Many states during recessions cut funding to social service programs in attempts to balance their budget. A Report, *States Cutting Human-Service Programs* (2002) described at the time nineteen states were looking at specific cuts to low income and human service programs.

Along with various social service agencies banding together to attempt to offset costs, some are forced to let some of their employees go. Poltenson (2006) examines the changes

regarding public sector jobs versus the number of non-profit sector jobs. Poltenson shows after the 2000 recession in New York, the number of people employed in the non-profit sector payrolls as “decapitated.” The non-profit sector lost six percent of its employment. The public sector appeared to replace those jobs, rising 6.7 percent in the same period. Statewide the public sector saw an increase of 8.7. The inverse of this trend of economic difficulty and private sector jobs going down and public sector jobs going up is also true. Fredrickson (2003) looks at the non-profit sector after the 2001-2003 recession. In New York, the non-profit sector grew 1.9 percent. The recession also accelerated a trend of workers being willing to take lower-paying jobs in non-profit services.

A Global Perspective

Macleod (2009) when looking at the global economy explains if the global economy does indeed decline during the 2009 year, it would be the first time since the 1930s. He cites the United Nations as forecasting this event to occur. Worldwide, nations are feeling the pinch and many are even putting together their own stimulus packages (Thredgold 2008; Scherer 2009). The Democratic Leadership Council and Progressive Policy Institute (2009) describe fifteen nations who are currently implementing stimulus packages. These packages total at almost two trillion dollars USD. The nations looking at putting together and the amounts of the stimulus packages around the world are consistently changing due to the current nature of this paper.

During the Great Depression, few nations internationally were buffered from the economic crisis. The world’s economic picture were worsened from bleak to bleaker (Adas 1992). Raum and Wagner (2009) describe that while we are not necessarily in a depression currently, nobody disputes the current downturn of the economy is a recession. They explain last year the stock market was the worst since 1931. Regardless of the extent of how low the stock market currently is, to approach the levels of the Great Depression, the Dow Jones industrials would have to fall 5,000 more points.

A National Perspective

While there are many problems all around the world, there are also problems in America. Mid-February, President Obama signed the \$787 billion national stimulus plan into effect. The stimulus package offers a couple of approaches. The first is in spending; \$111 billion towards infrastructure and science, \$81 billion in protecting the vulnerable populations, \$59 billion towards health care, \$53 billion in education and training, \$43 billion towards energy, and eight billion dollars towards other funds. The second is through \$288 billion in tax relief, and \$144 billion in state and local fiscal relief (Yourish & Stanton 2009; Neighborhood Link 2009).

The economic stimulus plan is not the only concern for Americans. There is a global and national economic crisis. A part of the economic downturn also includes other factors. With non-farm payroll employment continuing to fall sharply (-651,000) in February and the unemployment rate rising from 7.6 to 8.1 percent. Job losses are large and widespread across nearly all major industry sectors (Bureau of Labor Statistics, 2009). Employment is also a major concern for many Americans. The bailout of the banks using the Troubled Asset Relief Program (TARP) and the loss of many financial institutions is another topic that is on the mind of many Americans (Somerville, 2008). Americans also have to worry about the housing and mortgage crisis (Armour 2009; Bohan & Zengerle 2009; Arnold 2009).

Along with all of these concerns nationally, many of the states are facing their own problems. Forty-seven states in America are facing shortfalls on their budget. Combined this shortfall is \$51 billion. Forty-three states are already projecting budget shortfalls for their 2010 budgets. The state's budget downfalls are already larger than the closest previous recession. These budget shortfalls make up an average of ten percent of the forty-seven states general budgets. This percentage of states general budget ranges from Arizona with almost 16 percent and Michigan with a little under one percent (McNichol & Lav, 2009).

Washington State Examined

One of the states that is facing economic woes is Washington State. Washington State is currently facing a six billion dollar budget shortfall (Office of the Governor, n.d. a).

“A budget crisis tests our basic values. We can’t let tough times become an excuse for sacrificing what matters most to our families—access to high-quality health care and a world-class education for our children. The steps we take today determine our future and that of Washington’s families” (Office of the Governor, n.d. b, p. 1).

With this economic downturn in Washington State, it is very likely to see many of the same sorts of results as of previous recessions from other parts of the nation.

Washington State is looking at losing 12 percent of its social and health service agency funding. Just looking at access to health care, it is estimated that 40 thousand people might lose their health care (Seattle-PI Editorial Board, 2008). The Governor signed a hiring freeze to reduce the number of people on the state payroll. This freeze lasted for five months and reduced the number of state employees by almost 1.5 thousand or about two percent. Along with this, in the Governor’s budget proposal is looking at cutting another almost 2.5 thousand positions (The Associated Press, 2009).

The budget cuts in Washington State appear as if they are going to affect funding for detoxification beds, inpatient beds, and outpatient treatment services. The Governor’s budget calls for a 50 percent cut in funding to these agencies. The intended consequence of this appears to be to help close the budget gap. Bermant (2009) describes some unintended impacts of this policy. He quotes the Central Kitsap Commissioner as describing the population who would generally be in chemical dependency agencies ending up in hospital emergency rooms and county jails. The Drug Court is another program that will be affected by the budget cut. They are expecting to not accept new admissions due to the financial changes, even though they have been credited with saving money and decreasing stress on

other agencies the funding will not be available to continue expanding these benefits. These economic costs can be argued. Farley (2009) describes the differences in cost. It costs \$80 per day to house an inmate in the county jail. It costs \$90 to have a patient in a recovery center. This leaves out the possible prevention/future crime costs. The price of victimization is another hidden cost. Farley describes transformation as a difficult item to put a price on. With the budget deficit in Washington State, agencies are attempting to save money any way that they can. One possible budget-saving topic brought up to the state legislature was breaking up the Department of Social and Health Services. The latest proposal put into the house legislature was to break up the agency within two years into four separate agencies: the Department of Economic Services, Department of Medical Assistance, Department of Health and Rehabilitative Services and the Department of Children's Services. The Governor chose to take this possibility off the discussion table while the major budget shortfall is still in effect. The merits of such an idea were a hotly debated topic (Seattle Times Editorial, 2009; Wilson, 2009).

While some agencies might be exploring breaking up as a method for economic support, others are exploring consolidation. One example of this is the Council for Children and Families and the Family Policy Council. They feel these agencies would be able to synergistically improve results and possibly attract additional federal and private dollars if combined. These two organizations would merge into a new organization, the Family Investment Partnership. They anticipate a reduction in the number of boards, councils, and commissions along with the number of meetings. They also expect more efficiency in technical assistance, administration, and policy guidance. All of this would be expected to enhance the capacity to produce positive outcomes for children, families, and communities. Due to the timing of this paper, it is not possible to discuss whether this action has taken place (J. Schenk, personal communication, March 04, 2009)

Policy Analysis

There are a number of different methods for directly analyzing various policies. Policies often are thought of very specifically. For example, when somebody discusses a specific policy they might look at a specific bill in the legislature or a specific policy and procedure of an agency. Policy can also be more general, as the various policies have been described in this paper (Policy, n.d.). The very least any analysis looks at the three Ps of policy analysis: problem, policy, provision. This method encompasses the major components of standard policy analysis (R. Harrington, personal communication, January 8, 2009).

Often policy analysis requires more direction than the three Ps of policy analysis. A more in-depth view of policy analysis includes two major categories. The first is the actual components of the analysis. These components of analysis include the following; problem, goals, policy and or legislation, implementation, affected population, and impact (both intended and unintended). The second deals with the various paradigms that are involved with each of those components. The paradigms of policy analysis include; values, history, economics and fiscal understanding, organizational and structural relationships, and consequences (again both intended and unintended). Examining each of the components and the underlying paradigms allow one to gain an in-depth understanding of a specific policy or general policies. Thus far, this paper has gone from the very broad concepts of the policy of economic downturn's effect on social service agencies (R. Harrington, personal communication, January 8, 2009).

This two-pronged approach to policy analysis can be transformed into a working matrix to understand a specific policy. For example, the components of the policy analysis would be in the rows. The paradigms of policy analysis would make up the columns. Where each of the sections intersects, a component of the policy would be described or the underlying paradigm. Some of the components and paradigms are redundant, such as the implications and consequences. Furthermore, some of the paradigms could also be placed as components, such as history or economics. Regardless of these small discrepancies, applying this matrix to various policies gives a rounded view of the policy in question.

Policy Analysis Matrix

Reduction of 50% of Governors budget in regards to funding for detoxification beds, inpatient beds and outpatient treatment services						
Description	Values	History	Economics	Organization & Structural	Intended Consequences	Unintended Consequences
Problem	<ul style="list-style-type: none"> • Social service agencies not financial priority • Focus on problem management vs. prevention & early interventions 	<ul style="list-style-type: none"> • Inverse relationship of public sector vs. Private sector jobs regarding economic downturns • Loss of charitable giving 	<ul style="list-style-type: none"> • National and International economic downturn • Seen vs. unseen costs 	<ul style="list-style-type: none"> • Possible closure of agencies that cannot afford the cuts • Interactions of the criminal court system for offenders vs. the preventive programs • County run organizations vs. state run 	<ul style="list-style-type: none"> • Reduction of the budget deficit • Shifting costs to other organizations (i.e. prevention costs vs. county jail costs) 	<ul style="list-style-type: none"> • Strain on hospitals and county jails • Loss of the Drug Court and the benefits of the program • Loss of costs saved though prevention • Rise in costs associated with victimization • Loss of jobs
Goals	<ul style="list-style-type: none"> • Balanced budget 	<ul style="list-style-type: none"> • Various economic struggles throughout history 	<ul style="list-style-type: none"> • Washington has had both times with a balanced budget and a deficit 	<ul style="list-style-type: none"> • Less programs and less organizational costs 	<ul style="list-style-type: none"> • Reduction in budget • Increase in Washington's marketability 	<ul style="list-style-type: none"> • Expected rise in long-term costs • Loss of jobs
Policy	<ul style="list-style-type: none"> • Reduce the shortfall in budget 	<ul style="list-style-type: none"> • Various periods of a balanced budget and deficits 	<ul style="list-style-type: none"> • Six billion dollar budget deficit 	<ul style="list-style-type: none"> • Required funding programs (K-12 education) 	<ul style="list-style-type: none"> • Reduction in budget • Increase in Washington's marketability 	<ul style="list-style-type: none"> • Expected rise in long-term costs • Loss of jobs
Implementation	<ul style="list-style-type: none"> • Reduction in funding for detoxification beds, inpatient beds and outpatient treatment services 	<ul style="list-style-type: none"> • Breaking up or consolidation of agencies 	<ul style="list-style-type: none"> • Fifty percent of Governors budget in regards to funding for detoxification beds, inpatient beds and outpatient treatment services 	<ul style="list-style-type: none"> • Detox centers • Inpatient treatment facilities • Outpatient treatment facilities • The Drug Court 	<ul style="list-style-type: none"> • Reduction in budget • Increase in Washington's marketability 	<ul style="list-style-type: none"> • Expected rise in long-term costs • Loss of jobs
Affected Population	<ul style="list-style-type: none"> • Short-term and long-term costs and benefits 	<ul style="list-style-type: none"> • Vulnerable populations often are more impacted by economic downturns • Social service agencies have a history of ebbing and flowing 	<ul style="list-style-type: none"> • Loss of funding • Loss of jobs 	<ul style="list-style-type: none"> • Change in services provided (treatment and prevention changed to the justice system) 	<ul style="list-style-type: none"> • Increase in the county jails 	<ul style="list-style-type: none"> • Agencies associated with high risk populations • Substance user/abusers • Agency workers
Intended Impact	<ul style="list-style-type: none"> • Reduction in budget 	<ul style="list-style-type: none"> • Understanding of context of economic and social service issues • Evidence-based approach to economics 	<ul style="list-style-type: none"> • Reduction in budget shortfall 	<ul style="list-style-type: none"> • Reduction in funding to programs 		
Unintended Impact	<ul style="list-style-type: none"> • Focus on short-term vs. long-term 	<ul style="list-style-type: none"> • Fear regarding economic downturn tuning into another great depression 	<ul style="list-style-type: none"> • Long-term rise in costs 	<ul style="list-style-type: none"> • Reduction in agencies due to lack of funding 		

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