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PRIVATIZATION AND PERFORMANCE IN THE IMPLEMENTATION OF TEMPORARY ASSISTANCE TO NEEDY FAMILIES

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PRIVATIZATION AND PERFORMANCE IN THE IMPLEMENTATION OF TEMPORARY ASSISTANCE TO NEEDY FAMILIES

DISSERTATION

A dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in the College of Arts and Sciences at the University of Kentucky

By

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ABSTRACT OF DISSERTATION

PRIVATIZATION AND PERFORMANCE IN THE IMPLEMENTATION OF TEMPORARY ASSISTANCE TO NEEDY FAMILIES

In response to the passage of the Personal Responsibility Work Opportunity Reconciliation Act (PRWORA) and its lead cash assistance program Temporary Assistance to Needy Families (TANF), states have taken unique and divergent approaches to welfare policy implementation. One popular approach to workfare delivery, known as privatization, involves contracting with non-profit and for-profit entities operating within the private sector. The General Accounting Office reports that nearly every state is privatizing TANF services to some degree through third-party contracts, but very little is understood about why variation in contracting exists and the ramifications for the program outcomes of welfare recipients. This dissertation initially explores the possible factors that influence welfare privatization decisions. Ordinary least squares regression estimations suggest that contracting patterns are significantly associated with levels of fiscal capacity, urbanization, African American caseloads, and non-profit presence. Secondly, this dissertation examines the potential ramifications of privatization on the TANF program outputs and outcomes of individual welfare clients. After exploring state-level patterns in privatization and performance, I estimate multi-level models that simultaneously incorporate both individual-level and contextual-level variables providing the discipline with the clearest picture of how welfare clients are fairing under various administrative environments. The results of the multi-level analysis favor the null hypothesis as the majority of privatization coefficients are statistically insignificant, indicating minimal direct ownership effects on the quality of TANF outcomes. That being said, there is inconsistent yet persistent evidence emerging from both the state-level and multi-level analyses suggesting that non-profit welfare delivery induces superior TANF work participation rates and employment outcomes. Privatizing welfare provision is not a panacea in that TANF outcomes are seldom improved under profit-seeking or non-profit arrangements, but an unwavering commitment to social missions and assisting the poor could put non-profits in a relatively superior position to transform welfare recipients into self-sufficient, fully employed members of society.

Adam M. Butz
February 3, 2012

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To my parents
Your unwavering love and support made this work possible

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE
Introduction

"As a new century begins, the alternative to government direction and the employment of the public bureaucracy to carry out its commands is a fresh belief in the social beneficence and effectiveness of the marketplace… Depending on where one looks, virtually every public service is now considered a candidate for privatization, including public schools, public hospitals, social services, penal institutions, police and fire department, and transit systems. All of these initiatives are proposed or implemented in the name of managerial efficiency and effectiveness." – Elliot Sclar (2000)

INTRODUCTION

The perpetual search for bureaucratic effectiveness is leading governments and researchers to rethink traditional modes of public service delivery. One popular approach to contemporary policy implementation, known as privatization, sheds direct public responsibility by integrating private-sector actors and market forces into formerly public-based industries and services (GAO 1997; Winston 2002; Sanger 2003; Kemp 2007). Contracting bureaucratic activities with private, third-party providers has routinely been undertaken by governments as a potentially effective tool of governance, but has recently been expanding vigorously into new social policy areas involving human support services (Sanger 2003; Winston 2002).

Private organizations have traditionally been employed to physically build and maintain public facilities like schools, roads, and prisons, but private entities are increasingly likely to teach students, supervise prisoners and assist welfare recipients (Sanger 2003). As a scholarly community, we know that governments at all levels are establishing privatized administrative arrangements when implementing human support policy, but we know little about how these arrangements are formed and the ultimate ramifications for bureaucratic functioning and performance.

The broad concept of privatization involves market forces and private sector actors operating in public spheres. Privatization as a governing strategy can take multiple forms and is thus studied in distinct ways (Donahue 1998). For instance, scholars of international political economy examine privatization primarily in terms of the divestiture of material government assets to the private sector, shifting public industrial monopolies to the open marketplace of buyers and sellers. Much of this research revolves around transitional economies in Asia and Eastern Europe that are "redefining the state", shifting from centrally controlled to more market-based, liberalized economic systems driven by open supply, demand, and competitive choice among rival firms (Li and Rozelle 2000; Spulber 1997).

Privatization in the American context seldom refers to the divestiture of physical government assets or whole industries, but more often to the contracting-out of publicly funded administrative activities to private, both non-profit and for-profit firms[1]. These private sector entities then deliver public goods directly to citizens at the street-level, performing the day-to-day administrative functions of governmental services from road construction and refuse collection to prison maintenance and employment assistance (Kemp 2007; Van Slyke 2002; Hodge 2000).

[1] In the American context of economic liberalism and free-market traditions, the federal government does not directly hold significant amounts of physical assets and industrial monopoly power. Thus, privatization is observed largely in contractual administrative activities performed by for-profit and non-profit providers and funded with taxpayer dollars (Savas 1998).

While concepts and application of privatization may vary, the basic thrust of privatization research remains similar, linking market forces to *performance*, or superior system *outputs* (Winston 2002). The global movement toward privatization as a tool of governance is informed by public choice theory predicting cost efficiency and quality improvement in economic or administrative outcomes. According to familiar microeconomic arguments, when industry is subjected to open competition and informed consumer choices, the *highest* quality of goods and services are provided at the *lowest* cost, hereby increasing individual and societal levels of wealth, prosperity, and overall standard of living (Friedman 1962; Savas 1998; Boyne 1998; Kemp 2007). It is government that hinders efficiency and effectiveness with non-competitive, monopolistic power and political favoritism, and the beneficent power of the free market's "invisible hand" will ultimately cure economic and social ills (Savas 1998; Boyne 1998).

The lure of free-market gains has led countries with transitional economies to privatize state owned enterprises, such as the agriculture and textile industries in China, with the hopes of increasing economic productivity and performance at the system-level, increasing aggregate production yields or GDP (Li and Rozelle 2000; Ito and Krueger 2004). In America, which already has an established market-based economic system, privatization is manifested in private sector entities undertaking the administrative responsibilities of public policy *implementation*, with the expectation of improving bureaucratic service quality at the street-level (Kemp 2007; Brudney 2005; Sclar 2000; Boyne 1998; Savas 1998; Savas 1988; Osborne and Gaebler 1992)[2].

[2] The term "street-level" was coined by Lipsky (1980) and refers to *operations* taking place on the front-lines of public service provision (i.e. garbage collection, mail delivery, medical care, employment assistance), the *actors* undertaking/receiving service provision (organizational management, employees, and clients being served), and the local *environment* in which they function.

Privatization has a storied history of public-service provision in the United States, and has been widely embraced in recent decades among political elites and the mass citizenry alike in an era of “entrepreneurial government” that demands efficiency, accountability, and performance from government (Osborne and Gaebler 1992)[3]. American policymakers are increasingly responding to contemporary fiscal stress and demand for smaller, leaner, yet more productive government by exploring the introduction of market-based structures into the administration of various public policies, with an eye toward producing superior program results (Osborne and Gaebler 1992; Winston 2002; Brudney et al 2005).

Even with the heightened popularity of privatization as a means to deliver effective outcomes in public services, the implications of privatization for bureaucratic performance remain unknown and strikingly understudied, especially in the social policy arena. One school of thought argues that privatizing human support provision will open up competition and choice among potential service providers, producing superior outcomes for all program clients and society more generally (Kemp 2007; Savas 1998; Donahue 1998). An opposing line of reasoning asserts that human support services are rife with ambiguity, complexity, and market failure, and that privatized entities will be unable to deliver support services more effectively than government agencies (Van Slyke 2002; Heinrich 2001; Hodge 2000).

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[3] Osborne and Gaebler’s book entitled “Entrepreneurial Government” highlights the public backlash against centralized and inefficient government controlled bureaucracies, and how elites have responded by embracing innovative bureaucratic practices reflecting the American entrepreneurial spirit and focus on improving performance. The authors argue that governments should “steer not row” as they are better suited to developing goals and monitoring activities rather than undertaking day-to-day service delivery at the street-level.

This dissertation endeavors to provide an original and comprehensive examination of variation in privatized administrative structures, and the quality of program outputs and outcomes they produce concerning welfare reform policy in America[4].

The Evolution and Devolution of Welfare Privatization

Although less developed than European and Scandinavian countries, America is a country with an established and encompassing welfare state that subsidizes multiple collective functions including public education, medical care, transportation, and elderly pensions. Redistributive efforts at the federal level also provide support to impoverished populations in the form of "means-tested" cash assistance or income maintenance programs and other human support services to the needy, such as food stamps (Supplemental Nutrition Assistance Program), medical care (Medicaid), or housing assistance (Public Housing Program) to eligible low-income individuals and families[5].

Poverty governance and direct relief in America has made a complete administrative circle from an unassuming yet continually involved governmental role in the early years of the nation, to a more expanded and centralized public approach throughout much of the 20th century. In recent decades, welfare policy authority has been returned to states, localities, and the private sector, reducing the role of the federal government and public agencies in welfare implementation (Winston 2002; Nightingale and Pindus 1997). Governments continue to direct and finance redistributive cash assistance programs, but

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[4] I undertake a two-part analysis that first examines patterns in welfare contracting across states. Secondly, I utilize variation in privatization to explain client outcomes and bureaucratic performance (i.e. understanding the effectiveness of privatized ownership in providing welfare services).

[5] Means-tested programs differ from universal entitlements or social insurance in that benefits are redistributed exclusively to eligible target populations defined by the amount of income or material assets they own. Cash assistance, food stamps, housing assistance, and Medicaid represent redistributive programs that allocate benefits based upon "means" as opposed to universal social insurance programs such as Social Security or Medicare that are available to everyone irrespective of material assets.

welfare retrenchment in the 21st Century means America's poor are increasingly likely to face stringent program rules, punitive punishment for program non-compliance, and more likely to be served by non-governmental for-profit and non-profit welfare providers (Sanger 2003; Winston 2002; Nightingale and Pindus 1997).

Prior to the onset of the modern American welfare state in the early part of the 20th Century, supportive social welfare systems involving public-private partnerships were indeed present but were best described as minimalist, highly diffused and inconsistent across jurisdictions (Katz 1996; Trattner 1999). There were no binding, equalizing statutory guarantees to cash assistance at the federal or state level as the social safety net remained relatively localized, casual, and characterized chiefly by private sector volunteerism. During the first century of the nation, "various forms of voluntary assistance developed through the church, mutual-benefit societies, and private philanthropy, supplementing a very modest assumption of government responsibility" (Sanger 2003, p. 13).

Although dampened in relation to families, churches, and civic associations operating in the private sector, governmental bodies in America have always been involved on some level in efforts to alleviate poverty (Katz 1996; Trattner 1999). For instance, following the Revolutionary War, areas such as New York City, Boston, and Philadelphia directed substantial amounts of public dollars to assist growing numbers of impoverished people. Although racial minorities were statutorily excluded from material benefits most local areas instituted some form of publicly financed poverty relief rooted in English poor laws (Katz 1996)[6]. Taxpayer funds were oftentimes allocated to privatized arrangements such as local families and churches in order to provide moral or material nourishment after publically auctioning off the needy to the lowest bidding private caretakers (Katz 1996). These early forms of poverty relief involved more affluent families directly aiding poor individuals and dependents, most especially younger children, in exchange for direct governmental reimbursement or other personal economic incentives for their philanthropy (Katz 1996; Trattner 1999)[7].

"Outdoor relief" in the form of material benefits provided directly to poor families or affluent third-party caretakers eventually evolved during the 19th Century due to the changing American landscape characterized by increasing population size and mass immigration (Trattner 1999). Outdoor relief strategies and public auctioning to more affluent families, churches, and civic associations became challenged politically and practically by both population increases and geographic mobility that invited displaced paupers from other cities and immigrants from other countries. The needy were not only multiplying but also were more likely to have grown up somewhere else and popularity to assist these "unworthy" external arrivals waned (Trattner 1999)[8]. Responding to new

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[6] According to historian Michael Katz, early Americans borrowed four principles from English precedent when handling poverty populations. One, that poverty and poor relief are public responsibilities. Two, that poverty governance is "profoundly local" in nature. Third, that public aid would only be granted after exhausting the resources of potential caretakers such as "parents, grandparents, adult children, or grandchildren". Lastly, children could be apprenticed or trained by overseers in order to instill work ethic and occupational skills.

[7] Direct payments to caretaking families were sometimes accompanied by or substituted with tax subsidies or special write-offs for charitable philanthropy.

[8] The "worthiness" of the poor has remained an enduring political consideration that shapes public policy choices. The deserving poor have primarily included the elderly, children, and disabled populations. The undeserving poor have historically included able-bodied persons, minorities, immigrants, or transplants from other cities. There is also a modern ideological dimension to welfare deservingness. Conservatives emphasize individual-level factors (worth ethic, education, life choices, etc.) to explain economic success and failure and thus individuals are seen as unworthy of generous public assistance. Liberals emphasize contextual-level or structural factors (globalization, suburbanization, discrimination, etc.) to explain inequality and thus perceive the poor as more worthy of material assistance and government protection.

social and political realities, throughout the 19th Century, counties and municipalities gravitated toward more impersonal "indoor relief" systems that required destitute individuals to reside within local workhouses, poorhouses, or almshouses in order to receive public aid (Trattner 1999; Katz 1996).

Public dollars supported poorhouse functions that afforded material benefits to the needy but America's social welfare initiatives remained casual, inconsistent and largely in the realm of private sector actors. Walter Trattner explains the enduring adherence to privatized welfare work when he writes,

> "From the start, care of the needy in America was a public responsibility. However, over the years private citizens, either individually or in groups, undertook the providing of aid and services to the dependent… By the late 19th Century welfare work had become more of a private or voluntary matter than a public one… public assistance had been substantially curtailed or in many cases even abolished." (Trattner 1999, p. 214).

Informal local control of wholly privatized human support systems eventually evolved firstly with the Progressive Movement in the opening decades of the 20th Century and secondly and more dramatically with the Great Depression and election of Franklin Delano Roosevelt to the American presidency. Around the turn of the century, American progressives concerned primarily with public health and work safety issues began trumpeting the potential downside of rapid industrialization, urbanization, and unfettered capitalism, and as a result "After 1900, welfare capitalism became a national movement." (Trattner 1999, p. 195). Laborers were increasingly being employed with minimal job security by powerful industrial barons in generally unsafe and inhumane factories, while materially deficient families were oftentimes residing in deplorable housing conditions in crowded (and unsafe) tenements (Trattner 1999). The plight of private labor interests during the early years of mass industrialization was eventually addressed with public policy responses. Beginning with compulsory injury compensation laws and later with unemployment insurance mandates across states, human support services started taking on an aura of formal and consistent benefit as opposed to informal and inconsistent charity (Katz 1996; Trattner 1999).

While worker protections were being codified across the states, establishing encompassing governmental safety nets for impoverished families was another matter entirely and would not come to fruition until massive unemployment, destitution, and unparalleled demand for social services associated with the Great Depression (Katz 1996). Poverty and seeking public assistance has routinely been accompanied by negative stigma regarding laziness, improvidence, or engrained dependency, but with unprecedented stock market collapse and subsequent colossal unemployment, the traditionally unsympathetic poverty frames began to shift in a more compassionate direction. According to historian Michael Katz, "By 1930, massive, swelling unemployment had destroyed (temporarily as it turned out) these easy stereotypes, and people everywhere spoke of the "new" employment: a mass of respectable, hard-working family men unable to find work." (Katz 1996, p. 218)[9].

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[9] Poor individuals and families have historically faced negative perceptions and "easy stereotypes" about their desperate economic condition (Katz 1996). The poor more than other populations are perceived to be lacking in moral fiber and proper work ethic among other individual shortcomings. While certain systematically disadvantaged populations, such as widowed mothers, the disabled and younger children, have been perceived as being more *deserving* of material benefits, other vulnerable populations do not operate under feelings of sympathy and generosity. The 20th Century experienced the "racialization" of social welfare policy as African Americans gained full citizenship rights and began participating in the American welfare state. Media imagery increasingly portrayed the poor in unsympathetic frames and portrayed welfare as a primarily African American program for shiftless ghetto populations (Gilens 1999).

The Great Depression fundamentally altered American social policy toward greater government involvement in welfare delivery. In the mid 1930s, the Roosevelt Administration initiated the New Deal Era, in which the priorities and responsibilities of the federal government expanded to confront the emerging challenges of industrialization, urbanization, and widespread penury in America. The economic troubles and unwavering political demands of the poor were eventually realized in federal social welfare legislation, codifying redistributive efforts at the national-level with a program known as Aid to Families with Dependent Children (AFDC), operating under the auspices of the Social Security Act of 1935. While representing a dramatic centralizing shift in America's approach to poverty policy, redistributive efforts and governmental control at the national-level remained tempered until the rapid liberalization of cash assistance in the mid-1960s associated with Lyndon Baines Johnson's "War on Poverty".

The federal government eased program eligibility requirements and vigorously expanded the AFDC client-base including newly enfranchised African Americans, as part of the Great Society initiatives of the Johnson Administration and enduring Democratic Congressional majority (Piven and Cloward 1971; Katz 1996; Gilens 1999)[10]. This noted expansion of the public sector into redistributive income maintenance programs continued throughout the Johnson and Nixon administrations, as only minor efforts to

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In turn, Americans tend to exaggerate the actual number of African Americans on public assistance and tend to have a "racially coded" perception of welfare. Indeed, whites who perceive African Americans as "lazy" and "undeserving" are the least supportive of social welfare spending (Gilens 1999). Racial attitudes are intimately linked to social policy attitudes in contemporary America.

[10] Piven and Cloward argue that expansion in direct relief afforded by national elites during the New Deal and Great Society Eras never would have occurred without sustained rioting and acts of "insurgency" by poor and minority populations that threatened the stability of the broader political system. In other words, government authorities are only willing to dispense material relief as a tool of "social control" when the disgruntled poor tangibly threaten the country's order. See Fording (1997; 2000) for empirical evidence of an insurgency link to welfare benefit levels across the states.

reform AFDC were undertaken. In other words, "between 1962 and 1974, federal legislation transformed the nature of service delivery across the nation. New programs expanded the federal government's role as a provider of social services, and a variety of forces accelerated federal spending along its existing tracks: social security and aid to families with dependent children." (Katz 1989, p. 268). AFDC continued to effectively centralize the rules and funding structure of the American income maintenance system, retaining the program's entitlement status. Private organizations, such as charities, churches, and non-profit groups continued human support services during this time, but were doubtless secondary actors in terms of redistributive AFDC cash assistance programs. According to E.S. Savas, during this more progressive phase of American welfare policy, "The private, nonprofit, charitable organizations that historically had been dealing with troubled people were transformed into auxiliaries of the state" (p. 275). The diminished role of the private sector was short-lived.

In response to widespread perceptions that hemorrhaging AFDC benefit rolls were comprised of a dependent, irresponsible underclass that selfishly exploited guaranteed government handouts, a philosophical concoction of "new federalism", "workfare", and "neoliberal paternalism" has driven welfare policy making at the federal-level in recent decades (Gilens 1999; Winston 2002; Winston 2004; Soss et al. 2001; Fellowes and Rowe 2004; Soss, Fording, and Schram 2011)[11].

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[11] The perception that poor individuals readily commit welfare fraud and improperly collect undeserving welfare benefits was typified by Ronald Reagan's allegory about a "welfare queen" from the Southside of Chicago. Reagan alluded to an unnamed woman who collects welfare benefits while driving an expensive Cadillac and living lavishly off the government dole. According to the original New York Times story, on the campaign trail Reagan says that, "She has eighty names, thirty addresses, twelve Social Security cards and is collecting veteran's benefits on four non-existing deceased husbands. And she is collecting Social Security on her cards. She's got Medicaid, getting food stamps, and she is collecting welfare under each of her names. Her tax-free cash income is over $150,000." (New York Times February 15th, 1976 "Welfare Queen Becomes Issue in Reagan Campaign").

New federalism stresses the virtues of state and local control and guaranteed that welfare reform would be administered by states, localities, and the private sector (Conlin 1998). Workfare guaranteed that clients would be required to seek and achieve employment in conditional exchange for material benefits (Mead 1997). Neoliberal paternalism guaranteed that punitive sanctions for misbehavior and hastily placing clients into readily available low-wage employment would trump focusing on improving human capital, including educational options or vigilant attention to employment barriers and targeted skills training (Soss, Fording, and Schram 2011).

The latest welfare reform movement has sought and succeeded in streamlining the responsibilities of the federal government and government generally, while embracing bureaucratic innovation operating at *sub-national* levels of government. Streamlining the activities and policy responsibility of the federal government has induced "devolution" in social welfare provision, putting direct policymaking authority into the hands of states and localities (Gainsborough 2003; Beller 2005; Kim and Fording 2010). Decentralized policy autonomy was also coupled with a decided shift toward workfare, effectively requiring welfare recipients to seek and achieve employment in conditional exchange for receiving monetary benefits (Winston 2002; Soss et al. 2001; Fellowes and Rowe 2004). Under workfare reforms, citizens no longer enjoy a statutory guarantee or entitlement to welfare benefits, but instead are obligated to fulfill rigorous program requirements and make progress towards self-sufficiency in order to collect cash assistance.

Dramatic reorganization of social welfare policy, characterized by retrenchment and a renewed embrace of welfare privatization was set into motion with the election of Ronald Reagan and a first-wave of meaningful reform legislation signed into law in 1988, known as at the Family Support Act (FSA). The FSA established the Job Opportunities and Basic Skills (JOBS) program requiring states to initiate workfare programs for needy families that centered on the education, skills training, and job placement instead of mere eligibility determination and timely benefit payments (Poole 2004; Gilens 1999; Mead 1997). States began taking distinctive administrative approaches under the new challenges of workfare implementation, but many of the national directives, especially those related to work participation requirements, were ultimately diluted by a Democratically controlled Congress, leaving status-quo bureaucratic structures and practices largely in place (Poole 2004). In short, the FSA, like other reform efforts before it, "imposed relatively modest federal requirements on states for client engagement in employment-related activities", and did little to alter the fundamental direction and operation of AFDC (Sanger 2003, p. 34). Indeed, by 1993 the welfare rolls remained at historically high levels and only one in five welfare recipients were enrolled in a government sponsored employment training, job readiness, or job placement program (Poole 2004).

Discouraged by mushrooming welfare rolls and diluted federal efforts at reform, "the vogue for experimentation at the local level persisted." (Mead 1997, p. 44). Several states during the George H. W. Bush administration and early Clinton years, most notably Wisconsin headed by Republican Governor Tommy Thompson, applied for Federal AFDC Waivers to implement full-scale workfare innovations complete with rigid employment requirements and benefit time limits (Mead 1997). Around this same time, a cohesive Republican majority stormed into the Congress and effectively set the national social policy agenda; a drastic overhaul of AFDC was on the horizon.

Reform efforts in federal welfare policy reached their zenith in 1996 when President Clinton signed into law the Personal Responsibility Work Opportunity Reconciliation Act (PRWORA), opening the floodgates of devolution and welfare privatization occurring over the past fifteen years. PRWORA and its lead cash assistance program, Temporary Assistance to Needy Families (TANF), completely abolished the entitlement to welfare access found under AFDC, instituting binding work requirements and introducing penalties for non-compliance with TANF rules (Soss et al. 2001; Trattner 2000). Beneficiaries of cash assistance are required to seek and achieve employment, and can be banished from the TANF rolls if they fail to adhere to program requirements.

Apart from formalizing stringent employment requirements and punitive sanctions for non-complying welfare clients, TANF facilitated welfare contracting by replacing the tightly centralized and routinized AFDC program structure with a more fluid policy framework, in which states and localities were granted increased autonomy in fashioning distinctive welfare policy rules and administrative networks (Soss et al. 2001). Federal directives under PRWORA stress a clear work-first approach without much legislative direction concerning administrative restructuring or particular policy rules. Welfare policy in the 21st century is less concerned with providing guaranteed, uniform, publicly provided income maintenance than it is with placing low-income clients into employment and reducing the welfare rolls through whatever administrative means necessary (Sanger 2003; Soss, Fording, and Schram 2011).

Opportunities, Motivations and TANF Contracting

Both the flexibility and restrictiveness of program rules inherent in PRWORA legislation increase the administrative role of the private sector in delivering welfare services (Sanger 2003; Winston 2002; Mead 1997). In short, states have the increased freedom to administer the TANF program in unique ways, but also face restrictive performance directives from the federal legislation that make privatization an ever-appealing option.

The impetus for welfare privatization in the contemporary era on one hand comes from the inherent flexibility of PRWORA legislation, which gives states the ability to pursue unique bureaucratic approaches outside of the public arena. As Lawrence Mead puts it, "the new law (PRWORA)… does not spell out how localities should promote welfare work. They may take a wide variety of approaches, provided only that they meet the (work) participation targets" (Mead 1997, p. 46). PRWORA eased important restrictions in terms of welfare case management, enabling states to grant private entities the authority to determine program eligibility and compliance, areas that were once strictly under public control (Sanger 2003; Winston 2002). For the first time, states have the ability to contract-out entire welfare offices or one-stop centers to private entities that administer the program from start (determining eligibility) to finish (case closure) (Winston 2002). While TANF provides an opportunity for states and localities to increase the role of private organizations in welfare implementation, it by no means guaranteed this outcome. TANF policy also generated motivations for states to pursue alternative methods of delivery.

Welfare devolution and sub-national policy autonomy were accompanied by a set of strict national performance standards focusing on work participation requirements for TANF clients along with general caseload reduction. States have greater latitude in adopting and administering workfare policies than under AFDC; however, federal block-grant financing affords a fixed-amount of TANF funds to states and is contingent upon *performance* in moving welfare recipients into the workforce[12]. TANF mandates that after 24 total months in the program, welfare clients must participate in employment or work-preparation activities for a minimum of thirty hours per week in exchange for monetary support. TANF Reauthorization in 2002 requires that fifty percent of non-married welfare clients be participating in full-time work activities, and states can be penalized with reduced grants for not complying with federal work participation mandates.

Moreover, TANF placed a lifetime limit of sixty months on cash benefits in order to curb long-term dependency (Soss et al. 2001; Sanger 2003; Winston 2004). Once a welfare recipient receives cash assistance for five years, they are no longer allowed to participate in the TANF program and no longer eligible for cash assistance. The statutory and subsequent administrative goals of TANF appear obvious and unambiguous. Put welfare recipients to work, reduce the welfare rolls, and eliminate long-term dependency on public assistance in America. The program goals of workfare are relatively simple and straightforward, improve the employability of welfare recipients and punish misbehavior, but the administrative tasks of accomplishing workfare objectives are

[12] TANF abolished the federal "entitlement" to welfare financing, characterized by an open-ended matching-fund system in which the federal government subsidized state welfare operations by matching state contributions nearly dollar for dollar. The new financing regime is based on "block grants" that afford the states a *fixed amount* of TANF dollars to spend on welfare administration, meaning that states now bear the full economic brunt of any "marginal" welfare costs exceeding the block-grant allotment.

anything but clear and straightforward. The ultimate impact of workfare policies on poverty conditions and the long-term well-being of low-income Americans remains even murkier.

Sustained supervisory client-case manager interaction operating under the strictest of workfare rules was foreign to many public welfare agencies, which had minimal experience turning welfare recipients into workforce participants (Sanger 2003; Mead 1997). In turn, states have responded to devolved policy autonomy and newfound challenges of low-income employment assistance by experimenting with fresh administrative approaches, creating an increased role for private entities in the delivery of TANF services (Sanger 2003; Crew and Lamothe 2003; Winston 2002).

Given the opportunities and motivations to privatize welfare services, states have indeed heeded the call. As of 2001, the General Accounting Office (GAO) reports that every state but South Dakota has instituted some form of TANF privatization, often contracting-out substantial portions of their TANF dollars to private, for-profit and non-profit, service providers (GAO 2002). Unfortunately, the popularity of privatized contracting has not attracted commensurate scholarly attention, and the public policy community still lacks definitive answers regarding the origins and effectiveness of welfare contracting. In response to our dearth of knowledge, this dissertation seeks answers to three significant research questions.

1. Why are states inclined to embrace welfare contracting?
2. How does variation in administrative ownership affect bureaucratic performance and client program outputs and outcomes experienced at the street-level?
3. Is privatized welfare provision administered equitably? Or does privatized control have deleterious effects on the program outcomes of particularly disadvantaged clientele?

CONCLUSION

The hunt for effective, entrepreneurial governance at the federal-level has coincidently reduced the responsibilities of the government itself, shifting policy authority downward to states and localities, opening the door for bureaucratic variation and innovation in the delivery of public services. In recent decades, the utilization of private markets to deliver government services has increased markedly in the social policy arena, and the area of welfare administration more acutely, as a result of the latest wave of welfare reform legislation in 1996 (Sanger 2003). In the contemporary welfare marketplace, both for-profit and non-profit providers routinely service program clients, while government agencies take on a secondary role or vanish altogether (Winston 2002; GAO 2002; Sanger 2003; Nightingale and Pindus 2007). Public modes of welfare implementation performed by government providers are being replaced with contractually privatized methods of service delivery in the ever-evolving system of American federalism. Yet, the antecedents of privatized arrangements and the implications for bureaucratic performance and program outcomes remain an empirical puzzle in need of exploration.

Chapter Two advances arguments put forth by advocates and critics of social service privatization, and reviews the extant empirical literature connecting privatization to administrative effectiveness. Competing perspectives arise around the welfare privatization issue with advocates heralding free market virtues and opponents espousing the potential limitations of the marketplace, especially in the social policy arena of human support and charity to the impoverished. Existing quantitative studies examining social policy privatization and policy outcomes are relatively sparse and the findings are mixed.

There is occasionally reported evidence of privatized successes in human support implementation, but there exists no definitive correlative relationships between privatized administrative structuring and superior policy outcomes. The dearth of research devoted to privatization and welfare reform outcomes is even more pronounced and is addressed by this dissertation.

Chapter Three explores the prevalence of welfare contracting across the American states for the year 2001. Existing research seeks to understand why jurisdictions choose to retain governmental authority or contract public services with private sector providers, yet welfare contracting across states has not been systematically examined at this juncture. Utilizing TANF privatization data from the General Accounting Office (GAO), I estimate cross-sectional ordinary least squares (OLS) regression models of welfare privatization at the state-level for the year 2001 This dissertation reports that Mississippi is over five times more privatized than the average state and that state-level patterns of welfare contracting are significantly associated with numerous explanatory variables, including levels of fiscal capacity, urbanism, non-profit presence, and African American TANF caseload levels.

Chapter Four outlines the various quantitative methodologies and measures utilized in examining privatization and administrative performance in this dissertation. Previous research examining the link between privatization and performance in welfare programs is limited by case study methodologies and the exclusive use of aggregate data in statistical analyses. After discussing an aggregate interstate approach to studying privatization and performance, I introduce a hierarchical methodology to welfare privatization studies that incorporates individual-level (client-level) data into welfare privatization studies bringing necessary and proper methodological extension to existing research. Multi-level models analyze both individual-level and higher-level contextual variables simultaneously providing the discipline with the clearest statistical picture of how privatization is potentially affecting welfare policy outcomes such as employment and earnings.

Chapter Five discusses the results of the statistical estimations. From the analysis it becomes readily apparent that privatization in TANF implementation is not a bureaucratic panacea as client TANF program outcomes are seldom improved under private, both non-profit and for-profit sector providers. The analysis oftentimes returns statistically insignificant privatization coefficients, which suggests welfare clients served by private welfare providers are neither working more nor earning higher incomes, favoring the null hypothesis. Direct effects of administrative ownership on TANF program outputs are not pronounced. That being said, there is a persistent yet roundly inconsistent pattern of superior TANF outcomes among non-profit welfare delivery.

Lastly, Chapter Six provides some synthesis and discussion of the dissertation, and suggests avenues for future research. Under the decentralizing principles of "new federalism" (Conlan 1998), devolution and privatization in social welfare implementation has been on the rise for the past two-plus decades in America, yet remains understudied by researchers of welfare policy and public administration. Calamitous economic collapse in 2008 and early 2009 has resulted in increased unemployment and the poor remain particularly vulnerable to economic decline (Bezruchka 2009; Austin 2008; Von Braun 2008). At 15.1 percent in 2010, national poverty rates are the highest they have been in nearly two decades (Tavernise 2011), and citizen demand for human support programs could potentially increase with joblessness and impoverished conditions of material hardship. TANF rolls have remained relatively steady in recent years after an extensive period of welfare caseload decline (Casey 2011), and privatized welfare structures are likely continuing to service welfare clients[13]. Thus, it behooves researchers to more thoroughly understand why states and localities are instituting various administrative approaches to welfare delivery, and how administrative ownership is influencing TANF program outputs and outcomes.

[13] Recent TANF data published by Legal Momentum demonstrates that TANF rolls rose by 0.8 percent from December of 2009 to December of 2010 (Casey 2011). TANF rolls have essentially stayed constant (at around two million families) during the latest economic recession. Millions of families continue to participate in the TANF program but demand for TANF has not escalated substantially during this latest economic downturn. Food and medical assistance programs have risen meaningfully during the latest recessionary period, but cash assistance programs have not necessarily followed the trend.

CHAPTER TWO

Theoretical Framework and State of the Literature

INTRODUCTION

In the era of entrepreneurial government and new federalism, policy authority and responsibility for social welfare implementation has shifted downward to state and local governments, and these jurisdictions have openly accepted privatized contracting as a means to deliver human support services at the street-level (Sanger 2003; Crew and Lamothe 2003; Winston 2002). The most frequently touted rationale for administrative privatization revolves around familiar microeconomic arguments that private markets, opening up competition among rival providers and choices among consumers, improve service quality and reduce the costs of service provision[14].

In short, proponents of privatization argue that "the long-term well-being of society will be maximized if economic decisions are left mostly to the marketplace" (Savas 1998 p. 12), and thus open, competitive contracting with private sector providers is one avenue that boosts government *performance* and improves public services while at the same time reducing the size and control of government generally. Proponents of privatization claim

[14] Social-choice theory is essentially a standard microeconomic rational-choice framework applied to government officials, bureaucratic agents, and the mass populace (Pack 1987). Private firms subjected to rival competitors and client choice will rationally seek improved quality and production at the lowest costs, so that the government will continue contracting with these entities. The livelihood of the private agency and its employees is dependent upon its performance and ability to make profit or create goodwill, thus private organizations will exude maximum effectiveness and will ultimately improve the administrative functioning of stagnant, monopolistic government bureaucracies (Savas 1998).

that government agencies operate as perverse monopolies, ensuring survival and budgetary resources without facing competitive rivals or mercurial customer preferences, and are thus unmotivated to perform at optimal levels (Savas 1998; Donahue 1998). Whereas, profit-seekers and non-profits operate alongside potential rivals and without the stifling organizational constraints of government statutes, and are thus free to perform public duties with maximum flexibility and effectiveness (Savas 1998; Donahue 1998; Kemp 2007).

Opposing points of view stress the potential drawbacks of privatized administration, especially in the social policy arena that serves particularly vulnerable low-income populations (Van Slyke 2002; Morgan and England 1988). These advocates argue that adequately competitive markets of providers will rarely exist in the market for charitable human support services, and that complex supervisory activities aimed at disadvantaged low-income families are seldom enhanced under privatized administration. Moreover, the goal of pursuing atomized corporate enrichment and shareholder value could undermine more collective, altruistic goals of providing charitable support services to impoverished families and communities (Stone 1983).

Under social service privatization, "the poor may suffer" because private, especially profit-seeking firms, seek internal enrichment at the expense of selfless actions and sustained relationships with the local community (Morgan and England, 1988). As Stone eloquently writes, "The market atomizes society, emphasizes material acquisition, and caters to immediate gratification. Consequently, there is a risk that use of the market for welfare ends may loosen the bonds of community, and citizens may no longer harbor social concerns" (Stone 1983). Cash assistance programs are specifically catered towards impoverished populations that seek charitable generosity and supervisory case management, which may impede corporate goals of maximizing shareholder value and earnings expansion. In turn, the quality of social services that require self-sacrifice and cooperation with the local community could suffer as a result of individualistic financial self-interest (Morgan and England 1988).

LINKING PRIVATIZATION AND PERFORMANCE

The Nature of Private Firms

Numerous public administration researchers argue that the structural and distinctive internal organizational characteristics of private firms should maximize organizational performance (Kemp 2007; McConnell et al 2003; Donahue 1989). Ownership in private organizations is held by a single entrepreneur or few identifiable owners, trustees, or directors who have a clear, vested self-interest in improving their firms operations, procuring and renewing government contracts over rival firms while maximizing revenues and financial self-enrichment (Winston 2002; Savas 1998). "An organization closely tied to the market can structure mandates to employees around the basic goal: Increase net revenues" (Donahue 1998, p. 48).

Private sector firms tend to be characterized by a relatively streamlined and decentralized organizational structure of adaptive decision-making and economically efficient daily operating procedures (Winston 2002; Savas 1998). Private actors are at liberty to design innovative operational processes that will most readily increase revenues in the case of profit-seekers or maximize goodwill in the case of nonprofits (Drucker 1990). Profit-seekers and nonprofit managers have the organizational flexibility to directly control production activities and unharness resource allocation, adapting to changing business climates through briskly expanding or reducing the workforce or swiftly manipulating core business functions to meet existing and foreseeable challenges (Kemp 2007; Winston 2002; Greene 2001; Savas 1998). In short, private firms like all organizations are also bureaucratic and formalized but tend to exude directorial fluidity and flexibility in terms of both personnel (i.e. hiring and firing) and operating procedures that should lead to improved performance vis-à-vis government agencies (Sanger 2003).

For instance, private organizations retain the ability to openly hire and fire employees, rapidly increasing capacity to meet demands or reducing excesses when necessary (Savas 1998). Conversely, public organizations oftentimes encounter entrenched public employee unions and rigid civil-service requirements that impede flexibility in the hiring and firing of public employees (Brudney 2005; Sanger 2003; Donahue 1998). According to Margret Sanger, "Contracting provides increased capacity, opportunities to draw on new sources of talent, and means to circumvent the constraints on reengineering that recalcitrant civil service systems impose" (Sanger 2003). Additionally, government agencies are oftentimes plagued by rigidity in terms of standard operating procedures and regulatory delays that routinely get the moniker of "red-tape" (Kemp 2007; Savas 1998). Profit-seekers and non-profits, unhampered by burdensome constraints on reengineering, can more seamlessly operate void of statutory delays and can respond immediately to the changing task environments, thereby improving agency performance and theoretically the program outcomes for all program clients (Donahue 1998).

Ownership in government agencies, on the other hand is diffused across the broader tax-paying citizenry fostering the conditions for administrative stagnancy and inefficiency (Savas 1998; Donahue 1998). When private sector organizations fail to perform adequately, the adverse effects of contract and revenue loss are felt disproportionately by the primary owners, shareholders, or trustees who in turn have an undeviating economic interest to remain in business and maximize personal financial security. In other words, "the costs and benefits of managerial decisions are felt more directly by the decision maker, whose own rewards are often directly at stake" (Savas 1998 p. 76). Under governmental control and diffused organizational ownership, rewards and failures are less immediate and apparent.

American citizens, the "owners" of government agencies, lack direct involvement in day-to-day administrative activities and are not rewarded with maximized profits for optimal performance. Thus, individual citizens lack any compelling economic interest in improving the functions of collective government agencies (Donahue, 1998). Monopolistic and potentially ineffective government-based social service operations will only marginally affect individual taxpayers because only a fraction of the citizenry utilizes means-tested human support programs. Most citizens never participate in means-tested welfare programs and are entirely detached from the street-level operations of welfare offices.

On another front, any increased costs of government inefficiency will be spread across all taxpayers, and diluted control ensures that individual lobbying efforts for collective bureaucratic improvement are likely unfruitful (Donahue 1998). Harvard policy analyst John D. Donahue laments that, "In the public sector, ownership comes with citizenship and its inalienability makes a concentration of ownership rights impossible… The potential for chronic inefficiency, then, is a special peril for collective endeavors" (Donahue 1998, p. 50-51).

Moreover, government agencies could perversely be *rewarded* for producing inferior outputs. "When a private company performs poorly, it tends to go out of business; when a public agency performs poorly, it often gets a bigger budget. Paradoxically, the budget can grow even as customer dissatisfaction grows; in this respect a rising crime rate is good for a police department, a housing shortage is good for a housing agency, and an epidemic is good for a health department" (Savas 1998, p. 79). One can extend this logic to public welfare agencies in that *more* poverty and *less* employment among low-income families is potentially a good for the existence and expansion of collectively owned human support bureaucracies.

Political rather than economic considerations and diluted organizational ownership among government agencies should hamper the pursuit of quality improvement and optimal program outcomes in policy implementation. As John D. Donahue puts it, "At best, activities [of government agencies] will drift out of alignment with the public interest in a more or less random way. A city government is probably more likely to repave Park Street, even when Maple Street gets more traffic and has more potholes, than is a private company to make blue sweatshirts when customers are clamoring for red ones" (p. 51).

POTENTIAL PITFALLS OF SOCIAL SERVICE CONTRACTING

Market Failure

Although many herald the performance gains that should robotically follow administrative privatization, a substantial number of policy scholars and advocates espouse the potential pitfalls of taking such actions. One set of arguments rests on the notion that “perfect” and hence efficient, effective markets will rarely exist in the social policy arena, and that “market failure” will provoke inferior and ineffective outcomes for program clients. There is some doubt that private firms will face sufficient competition from rivals in the contractual bidding process or that competition will remain substantial after awarding an initial contract (Soss, Fording, and Schram 2011; Gilman 2001; Sclar 2000). If adequate competitive pressures from rival firms are absent, private service providers will operate in an environment much like government monopolies, rarely if ever fearing contractual replacement by rivals and the motivation to improve performance will wane (Sclar, 2000).

A second possible market failure can occur among consumers of TANF services. Market theories assert that consumers must have both *perfect information* and provider *choice* in order for the “invisible hand” to be activated and maximum service quality to be realized; however, consumer information and choice are often inadequate and unfeasible in the market for human support services (Sclar 2000). Welfare program clients or “customers” are relatively void of the resources needed to make informed consumer choices or seek viable alternatives, and often are beholden to one particular local service provider (Gilman 2001).

In populous metropolitan settings, TANF clients may be free to choose among multiple one-stop centers when seeking cash assistance. Unfortunately, TANF contracts generally cover an entire county and although there are potentially several one-stop centers in metropolitan areas, they are all likely owned by the same corporate or public provider and are likely offering similar social service options (Sanger 2003). Open competition takes place in the contractual bidding process among rival providers but does not necessarily extend to competition for customer traffic after contracts are awarded (Soss, Fording, and Schram 2011). More physically isolated rural clients will more than likely be limited to only one facility for support services. The inability of welfare clients to make informed decisions among meaningful choices should undermine the motivations of private firms to enhance service quality at lower costs (Sclar 2000; Warner 2004).

Complexity and Ambiguity in Human Support Services

Another set of arguments critical of privatization hinges on the type of services being provided. In the provision of hard services such as asphalt laying or garbage collection, administrative outputs are easily observed and measured. In other words, governments and citizens can ascertain without much difficulty if trash has been collected or if roads have been paved in a quality and cost-effective manner (Hodge 2000). When hard services are performed, the providers' objectives are clearly outlined (i.e. pick up garbage or pave roads) and there is scant room for flexibility or discretion in street-level activities, meaning that third-party vendors are more readily monitored and held accountable by government officials. Social services, on the other hand, are known as "soft" services in that they are directed at a *human-based* clientele where complexity and ambiguity in service provision abounds (Van Slyke 2002).

Social service administrators on the ground are expected to handle human subjects, and in the case of welfare reform, aid these impoverished program clients toward fruitful employment and ultimate self-sufficiency. The programmatic tasks of hard services are substituted with more complex, nuanced and arguably more challenging endeavors that involve interpersonal attention and more front-line decision making by case managers. Front-line administrators of the TANF program must educate disadvantaged clients on program rules, ascertain extensive details into work histories and barriers related to child-care, transportation, and substance or domestic abuse. Then they must seek to address the various barriers, assist with job searches, and closely monitor attempts to find employment (Sanger 2003; Winston 2002). As David Van Slyke puts it, "social services present a unique challenge for public and nonprofit managers. This policy area consists of programs with goals and outcomes that are not easily defined and measured, clients with varying degrees of tractable and intractable problems, and different levels of client motivation to receiving treatment… many social service programs require a level of continuous care." (Van Slyke 2002).

Interpersonal supervision directed at a relatively disadvantaged low-income clientele does not bode particularly well for privatized profits and shareholder value, and it is uncertain that private firms can undertake these administrative tasks with greater effectiveness than government agencies. One pressing concern is that private, especially profit-seeking firms will undertake "creaming", directing disproportionate attention and resources at those clients most likely to succeed in the program while hard-to-serve clients with debilitating barriers receive inferior attention and outcomes (Gilman 2001). In the pursuit of survival and profit maximization, private firms may center attention on clients with the least amount of barriers in an attempt to improve their performance numbers and the bottom line (Gilman 2001). Low-income individuals with debilitating barriers to self-sufficiency require supplemental charity and occupational skills training, and providing extra resources to clients is not kind to shareholder value. Thus, service quality could theoretically be less equitable among for-profits and services for disadvantaged clients would suffer the most (Gilman 2001; Bendick 1989).

PROFIT-SEEKING VERSUS SOCIAL MISSIONS

Profit-seekers and non-profits both operate under private direction within a shared private sector milieu characterized by stiff competition and scarce resources distinct from monopolized governmental control, but there exists significant organizational distinctions between these two privatized ownership models that could potentially alter their effectiveness in providing welfare services to low-income populations.

As the name aptly suggests, non-profit organizations are uninterested in profiteering motivations and maximizing shareholder value, the basic tenets of economic self-interest that underlie for-profit ventures (Drucker 1990). The “owners” of non-profit organizations do not stake exclusionary claim to corporate risks and earning potential as traditionally observed in the for-profit scenario. Non-profit organizations are uniquely registered with state governmental authorities and receive favored IRS tax status if they abide by the basic “nondistribution constraint” principle of non-profit ownership (Heinrich 2000), that earnings and donations remain shared organizational resources to be funneled into strengthening organizational activities instead of the pockets of owners (Drucker 1990; Wolf 1999). Non-profit directors and managers earn salaries alongside staffers or street-level volunteers but maximizing income and distributing financial rewards among a few select owners is anathema to non-profit existence (Wolf 1999). Indeed, non-profits are statutorily required to retain and re-invest earnings within the organization, potentially strengthening organizational functioning relative to profit-seekers that distribute profits among owners and shareholders.

Non-profits largely provide niche services aimed at curbing particular societal needs. In other words, they are charitable organizations by their very existence and adhere to a social mission of societal improvement and assistance (Drucker 1990). Some non-profits focus on improving the earthly environment and food sustainability issues, others center on education and research services, while still others center on poverty or social environments, assisting the needy or undertaking a variety of human support services to the impoverished (Drucker 1990). For the sake of this dissertation, non-profit entities involved with welfare reform implementation must share at least three baseline characteristics described by Thomas Wolf (1999, p. 21).

1. They must have a public service mission

2. They must be organized as a not-for-profit or charitable corporation

3. Their governance structures must preclude self-interest and private financial gain.

Although non-profit organizations compete fiercely for government contracts and operate alongside profit-seekers sometimes blurring organizational differences in the open welfare marketplace (Sanger 2003), non-profits center disproportionately on achieving a charitable social mission with an enduring dedication to being effective human change agents (Drucker 1990; Wolf 2000; Lipsky 1998). Distinguished scholar of management Peter F. Drucker speaks to the transformational goals of non-profit organizations when he writes,

> "The non-profit organization exists to bring about a change in individuals and in society… It is not that these institutions are "non-profit", that is, that they are not businesses. It is also not that they are "non-governmental". It is that they do something very different from either business or government… Its product is a *changed human being*. Non-profit institutions are human-change agents. Their "product" is a cured patient, a child that learns, a young man or woman grown into a self-respecting adult; a changed human life altogether." (Drucker 1990, p. 3)

Non-profits are motivated disproportionately by social missions and altruism as opposed to profit maximization or shareholder value, and a relatively selfless organizational posture should be exuded in the actions of front-line paid staffers and unpaid non-profit volunteers. Satisfaction among profit-seekers is received in larger paychecks and promotions while satisfaction in non-profits is more readily achieved with good works and meaningful societal improvement. "Although successful business executives have learned that workers are not entirely motivated by paychecks or promotion – they need more – the need is even greater in non-profit institutions. Even paid staff need achievement, the satisfaction of service… After all, what's the point of working in a non-profit institution if one doesn't make a clear contribution?" (Drucker 1990, p. 181)

In terms of welfare reform in America, non-profits likely play a critical role as governments experiment with workfare initiatives aimed at altering poor people's behavior and ambitions, activities that non-profit organizations relish undertaking (Lipsky 1993; Sanger 2003). Welfare reform's principal purpose is to *transform* individual welfare recipients into fully employed, self-reliant members of society, and thus non-profits can potentially fill a supportive, transformative niche left open by profit-seeking entities, whose main ambitions are profit and shareholder interests over charitable guidance (Drucker 1990; Wolf 1999). The pursuit of profit trumps an external focus on broader social missions and charitable generosity, and as a result non-profit organizations could potentially be a boon to needy welfare clients, while profit-seekers may be less suited for human support activities among the impoverished.

THE EXTANT EMPIRICAL LITERATURE

Proponents of privatization herald the improved quality and cost efficiency that should be immediately realized when market forces are injected into government sponsored activities (Savas 1988). As appealing as the abstract arguments for privatizing public services may be on the surface of public choice theory, the effect of privatization on bureaucratic performance and client outcomes remains an entirely different matter, an empirical question in need of objective analysis. There is simply no assurance that privatized organizational forms produce services of higher quality and lower cost. In turn, scholarship operating under the banner of "new public management" has begun the analytical task of linking privatization to program outcomes[15].

[15] See Lynn, Heinrich, and Hill (2000) for an introduction to the empirical strategies of "new governance" that expounds upon the "science" of street-level administration in terms of explaining and predicting "outcomes" or bureaucratic "performance". If we can isolate the factors the improve/hinder bureaucratic outcomes then we can theoretically improve the functioning of public services and government.

Scholarly pursuits linking privatization to bureaucratic performance *outside* of the social policy arena is substantial, but the primarily case-study methodologies are limited in generalizability and the empirical evidence is decidedly mixed. For instance, Boyne (1998) performs a meta-analysis of several quantitative studies examining privatization and administrative outcomes across various activities including garbage collection, asphalt laying, and fire and police protection. The evidence reveals that privatized contracting oftentimes reduces the costs of service provision, but does not necessarily improve service quality. Cost reduction may come at the expense of quality, as underbidding on service contracts is eventually felt by a strained labor force. Other studies do find that privatization improves quality while at the same time reducing costs in routine maintenance services such as refuse collection and asphalt laying (Bendick, Jr., 1989; Donahue 1989), but the limited nature of the quantitative evidence and a focus on hard services leaves any empirical generalities on shaky ground.

Administrative research in the social policy arena is relatively sparse, but a number of studies do support the purported benefits of privatization. Rosenau (2003) finds that privatized medical care facilities yield efficiency gains, inducing more quality medical services at lower overall program cost. Heinrich and Fournier (2004) find that patients in substance abuse programs serviced by for-profit and non-profit providers are less likely to relapse into drug abuse and more likely to be employed. Heinrich (2004) confirms that private sector providers in substance abuse programs were more successful at employing program clients, but finds that drug abuse rates were similar across both for-profit and government service providers.

Other studies are not so sanguine toward the prospect of privatization in social policy administration, finding that the performance improvement of privatization in human services, such as job-training programs or prison management, are minimal or non-existent as public agencies routinely outperform their privatized peers (see Heinrich 2000; Hodge 2000). For instance, a growing body of research examining prison privatization consistently uncovers minimal performance gains. Gaes (2005) reports that recidivism rates were similar across public and private facilities. Performing a recent meta-analysis of twelve peer-reviewed studies, Lundahl et al. (2009) report that publicly run facilities achieved safer prison environments and had fewer prisoner complaints and the authors ultimately conclude that "prison privatization provides neither a clear advantage nor disadvantage compared with publically managed prisons. Neither cost savings nor improvements in quality of confinement are guaranteed through privatization." (Lundahl et al. 2009, p. 392). Similar to the null findings for workforce development programs, there is no guarantee that privatizing prison facilities will result in superior performance.

These researchers argue that the promise of privatized performance gains rarely materialize because private organizations lack the ability to consistently undertake the complex tasks of *human* or "soft" service delivery with greater effectiveness than public entities. In areas of routine infrastructure maintenance that involve large capital outlays for equipment, such as refuse collection and asphalt laying, governments can more readily expect improvement from contracting with third-party providers. The administrative tasks and goals of hard services are highly programmatic, desired outcomes are physically tangible and easily measured, and local governments can avoid directly purchasing expensive waste removal equipment and large quantities of asphalt (Hodge 2000; Donahue 1998). Administrative activities that involve human clients directly, such as welfare case management or public safety, are more ambiguous (and arguably complex) and it is not clear that governments benefit through economies-of-scale or savings from avoiding capital investment in heavy equipment. Human support services in particular have a decidedly low-income, comparatively disadvantaged clientele, whose demand for attention and charitable resources can diminish privatized profits and eventually undermine efforts to assist the poor. It is also not clear that a natural market of competitive buyers and sellers for low-income support services would emerge without government intervention manufacturing a marketplace through social welfare program implementation.

At its core, TANF operates as a charitable program that provides cash assistance so that low-income families can survive month to month. In this paradoxical privatized situation the "service" that welfare providers offer to welfare customers is cash assistance and distributing cash benefits is not traditionally a lucrative business model. Profit-seekers are not generally in the business of disbursing charitable benefits and supportive income maintenance to the impoverished, but they are in the business of employment support services and can hence profit from government contracts that emphasize corporate rewards for placing low-income people into employment (Soss, Fording, and Schram 2011). Private organizations are welcome to garner government contracts and operate TANF workfare offices that service low-income clients, yet the question remains. Can private providers administer TANF in a superior fashion, ultimately improving the well-being of America's impoverished populations?

With these contradictory theoretical arguments and mixed empirical findings in mind it becomes apparent that the scholarly community still lacks the ability to consistently predict the effects of privatization on performance for social services generally, and for welfare service provision specifically.

Welfare Contracting

As discussed above, the shift toward privatized contracting in the delivery of welfare services came in response to PROWRA legislation that embraced innovative workfare policies and unique service arrangements at sub-national levels of governance. Fifteen years after welfare reform, we understand that states and localities are taking the opportunity to contract various aspects of welfare administration with private service providers, yet little remains known about how privatization varies systematically across jurisdictions, and the consequences of privatization for client outcomes and performance management.

The few studies that exist on welfare privatization are generally informal, qualitative case studies of privatized implementation within specific states and localities, or administrative manuals instructing states on how to contract-out welfare services in hopes of achieving effective performance (Curtis and Copeland 2003; Liebshutz 2000; Stevenson 2003; Breaux, Duncan, and Keller 2002; Iverson 2000; Pavetti, Wemmerus, and Johnson 1999). While these studies often provide in-depth descriptions of bureaucratic structures and the potential effects of welfare privatization, none focus specifically on linking privatization to performance outcomes and none systematically examine variation in privatization and performance across a large number of cases, thereby hindering any generalizablity of scientific knowledge. Van Slyke notes that “more recently, there has been an increase in researching the government-nonprofit social service contracting relationship, but much of the work has been conceptual, prescriptive, and case specific rather than empirical and generalizable based on primary data collection” (Van Slyke 2002, p. 3)

Existing case studies although limited methodologically are largely unkind to welfare privatization. While Sanger (2003) and Mead (1997) do find that private workfare providers offered innovation in Milwaukee by successfully moving welfare recipients off public assistance and into employment, Sanger (2003) also reports mixed results in that minimal performance differences were discovered among private and public providers in Arizona and New York. Similarly, the GAO (2002) reports that private sector providers in Texas, California, and New York City failed to meet performance goals related to work participation, and were unsuccessful at improving the daily operations of the workfare bureaucracy. In all of these sites, evidence suggests that government agencies are performing adequately alongside private TANF providers (Sanger 2003).

One published study undertakes a large-N quantitative approach to examining the relationship between administrative ownership and performance outcomes across 24 “Regional Workforce Boards” (RWBs) within the state of Florida (Crew and Lamothe 2003). The authors echo the findings of previous case studies. Regions utilizing public actors in TANF implementation performed on par and often *more proficiently* than private (both for-profit and non-profit) service providers. Interestingly, government agencies were found to provide welfare services of equitable or superior quality across several aggregate performance measures, such as work participation rates and average client earnings. In summation, the authors assert that, “The findings… undermine the claim that private sector organizations can provide welfare-related services more efficiently and effectively than can public organizations" (p. 12). While this singular piece of quantitative evidence lends credence to the notion that privatization in welfare-to-work initiatives will do little to improve the program outcomes of low-income welfare clients, it only represents one quantitative study of privatization in TANF implementation and ultimately fails to examine the program outputs of *individual* participants. More rigorous and comprehensive tests are warranted.

THE CASE FOR UTILIZING CLIENT-LEVEL DATA

Previous quantitative undertakings employ the *county* or county equivalents as the level of analysis to measure both privatization (i.e. administrative ownership) *and* program outputs (see Crew and Lamothe 2003). While this unit-of-analysis is perfectly logical for measuring administrative ownership that operates largely at the county level, I argue that utilizing the *individual-level outcomes* of welfare clients will provide the clearest picture of how administrative actions are affecting actual *clients* participating in the program. Individual-level data also generates distinguishing analytical leverage over aggregate measures in several regards.

Studies of social policy privatization that examine aggregate performance measures can fall prey to inferential bias known as the "ecological fallacy" because these researchers are making inferences about the outcomes of program clients from aggregate outputs, measured at the state, county, or agency level for instance. Relationships between client characteristics and program outcomes observed in the aggregate may simply not extend to the individual-level, and we remain uncertain until individuals are specifically examined. The outcomes of chief concern to administrative scholars of human support implementation operate at the client-level, and policy outputs occur firsthand among individuals, not states, counties, or regional workforce boards. Thus, when studying the impact of organizational form on bureaucratic performance in human service delivery, the outputs of interest are most appropriately measured at the individual-level (Ingraham and Lynn 2004). Aggregate measures average-out the individual variation in client outcomes occurring at the street-level and in the process may encumber the scientific aspiration of accurate causal inference.

Another advantage of employing client-level data rests on the predictive side of the empirical analysis. When aggregate outcome and explanatory measures are analyzed, the individual-level factors of clients that presumably influence eventual administrative outputs are largely ignored. Data on program clients has the advantage of including an elaborate set of individual-level predictors, creating an improved ability to control for the distinctive traits of participating clients that can determine program outcomes. This ability will afford key insight into the client-level reasons that individuals vary in their TANF outcomes, while more completely isolating the independent effect of higher-level contextual measures on bureaucratic performance.

A final example of the analytical leverage inherent with client-level data is found in the unique hypotheses related to the potential effects of privatization that can be tested among exclusive subsets of TANF clientele. In short, the individual-level data can be disaggregated according to diverse client characteristics, allowing for the examination of interactive effects with privatization. For example, opponents of privatization often argue that private firms will cream the clients with the fewest barriers to success, leaving hard-to-serve clients with inferior access, attention, and ultimately program outcomes (Gilman 2001; Nightingale and Pindus 1997). Through subsetting the clients along hard-to-serve lines, such as racial identity and educational attainment, we can better understand how these particular client types are fairing in various administrative environs. We can only begin to dissect these unique relationships by moving beyond aggregate measures in welfare studies.

CONCLUSION

Welfare reform legislation coupled with public desire to streamline government invited private sector organizations into the delivery of public assistance programs. Although profit-seekers and non-profits are routinely operating TANF offices in an age of new federalism, the academic community lacks an understanding of how administrative ownership affects program outcomes. Public choice and microeconomic theories assert that private organizations can deliver improved quality and cost efficiency in human support services. Competing perspectives among administrative scholars emphasize that social welfare policy is rife with market failure and complex administrative tasks and that ultimately competitive markets can have deleterious effects on client well-being.

The extant empirical literature that endeavors to answer questions about the efficacy of privatization abounds with methodological limitations and anecdotal speculation. Case studies provide in-depth description of particular administrative arrangements but limit the generalizability of findings. Aggregate measures and cross-sectional approaches improve generalizability but ignore variation taking place among individual levels of analysis. Existing research in TANF implementation fails to incorporate individual-level data into empirical analyses leaving any quantitative regularities on unsteady ground. In the following chapters, this dissertation initially explores why jurisdictions choose to contract welfare services with private providers, and then seeks to broaden our limited knowledge concerning the effects of privatized ownership on program effectiveness in welfare implementation. Chapter Three examines patterns in welfare privatization across the American states.

CHAPTER THREE

Exploring the Determinants of TANF Contracting

INTRODUCTION

Before this dissertation examines how welfare privatization potentially affects program outcomes, I seek to understand why states are taking various administrative approaches to TANF implementation. An abundant literature investigates the predictors of state and local contracting decisions and with good reason. Prior to any bureaucratic arrangement influencing administrative functioning and program outputs, the decision to "make or buy" service provision must be undertaken by government actors (Brudney 2005; Boyne 1998; Greene 1996). Because of the recent dramatic changes in welfare policy rules and administrative structuring taking place across the American landscape, it is imperative that the discipline begin to unlock the puzzles as to why sub-national units are implementing specific bureaucratic arrangements under TANF.

PRWORA allowed states to afford private entities, for the first time, the *potential* authority to determine program eligibility and in effect manage the operation of whole welfare offices. However, states and localities ultimately choose to direct TANF resources and administrative authority to private providers. The budding embrace of privatization in welfare implementation is evident, yet the factors that explain the presence or absence of privatization across states and localities remain unknown.

Through shifting to a system of *potentially* privatized service delivery, federal reform legislation grants researchers an exclusive opportunity to explore the patterns in privatized welfare contracting occurring across sub-national jurisdictions that are of interest to citizens and policymakers alike. In the wake of PRWORA, states received TANF block grants formulated upon historical spending levels and were afforded extensive leeway in constructing and funding unique arrangements of workfare providers. States not only have more opportunities to contract with private welfare operators, but statutory work participation requirements embedded in PRWORA yield additional motivation to experiment with the private sector (Sanger 2003; Winston 2002).

While scholars have conducted studies of contracting across multiple policy areas, such as refuse collection, prisons, and health care facilities (Bel and Fageda 2007; Brudney 2005; Price and Riccucci 2005; Boyne 1998; Ferris, J. M. 1986), interstate variation in welfare contracting remains unstudied at this juncture. This section of the dissertation represents a groundbreaking attempt to systematically explore why states vary in their administrative responses to an ever devolving and diversified welfare policy regime.

MEASURING TANF PRIVATIZATION

The outcome variable of interest to this chapter ideally captures a state's proclivity toward privatizing TANF administration. Throughout this dissertation, TANF privatization is conceptually defined as the extent to which private sector actors are involved with the implementation of state TANF programs. Private organizations can potentially be involved with one or several aspects of TANF administration including eligibility determination, case management, data management, community outreach or any combination of various workfare functions (Winston 2000). Operationally, minimal systematic data exists on TANF privatization across space or time, however, a 2003 General Accounting Office (GAO) report published the *total-value of privatized TANF contracts as a percentage of total TANF spending* for the year 2001[16]. Although regrettably only available for one year, 2001, the TANF privatization measure from the GAO offers untapped insight into state-level welfare contracting patterns and will serve as the foundation for cross-sectional ordinary least squares (OLS) regression estimations.

Univariate statistics found in Table 3.1 illustrate that Washington D.C. and Mississippi contracted the greatest proportion of TANF funds to private entities (74 and 71 percent respectively), while only one state, South Dakota, retained pure governmental control. Several states did privatize significant portions of their TANF budget, but the majority of states in 2001 ultimately privatized less than 15 percent of total TANF outlays. Welfare implementation in 2001 was disproportionately undertaken by government actors as public agencies received the lion's share of TANF funding. With Washington D.C. excluded from the analysis the average state privatized 13.52 percent of its TANF dollars, with a standard deviation of 14.04 (N = 50). With both Mississippi and Washington D.C. excluded the average TANF privatization level falls to 12.53 percent and the standard deviation declines to 11.21 (N=49)[17].

(Table 3.1 about here)

[16] The "total TANF spending" denominator in this measure includes both federal block grant dollars and required state "maintenance of effort" (MOE) funds. The numerator consists of privatized spending allocated to all non-governmental, both nonprofit and for-profit entities.

[17] The median and mode both equal 9 percent and these statistics arguably represent more accurate indicators of the central tendency of TANF privatization in 2001.

THE UNIQUE CASE OF MISSISSIPPI

Washington D.C. is an obvious outlier at 74 percent TANF privatized and is necessarily excluded from the regression estimations because it lacks statehood and therefore lacks values for the state-level independent variables. The analysis presented below must also account for the state of Mississippi. With 71 percent of TANF funds appropriated to private entities, Mississippi is approximately 30 percent more privatized than the four next most privatized states (Wisconsin-43%, Idaho-43%, New Jersey-42%, and Pennsylvania-39%), and Mississippi is approximately 57 percent more privatized than the average state in 2001 (71 – 13.5)[18].

Mississippi is the only state in 2001 that has a majority of TANF funds appropriated to private entities, and therefore works to skew the privatization distribution rightward. Figure 3.1 presents the frequency distribution of TANF privatization with all 50 states included. The modal category of TANF privatization falls between 5 and 10 percent (16 states), with the second highest category falling between 0 and 5 percent (13 states). Mississippi lies at the far end of the distribution at 71 percent privatized. According to Breaux et al. (2002), two forces dually contributed to Mississippi's disproportionate reliance on private welfare delivery, one political and one practical. Firstly, Republican Governor Daniel Fordice was an ardent philosophical conservative and long-time ideological champion of privatization in government services and strongly urged the heavily Republican legislature to adopt privatized workfare approaches in the wake of PRWORA. Secondly, the Mississippi legislature is only briefly in session for a maximum of 90 days a year and thus the assembly was racing against the clock to

[18] Mississippi has more than 5 times (5.26 times) the amount of welfare privatization than the average state in 2001.

implement the TANF block grant. With a mix of non-profit and for-profit providers already established from implementation of the Workforce Investment Act, privatizing TANF became an appealing administrative option. "Faced with a tight timeline and an executive interest in privatization, DHS officials concluded that privatization of several TANF components offered the solution" (Breaux, et. al. p.4).

(Figure 3.1 about here)

In response to the Mississippi outlier that can potentially affect statistical relationships and possibly bias coefficient estimates in a single-year 50 state analysis, I present three separate OLS regression models. Initially, I perform an estimation for all 50 states using the raw percentage of privatized TANF funds found in Table 3.1 as the dependent variable. Secondly, utilizing the same raw privatized TANF spending measure, I simply drop the Mississippi outlier from the analysis leaving a total N of 49 states. Thirdly, I perform a logarithmic transformation (base 10) of the original TANF privatization dependent variable attempting to reign in extreme values while still including all 50 states in the analysis. Figure 3.2 displays the log (base 10) TANF privatization distribution for all 50 states. The log transformation unquestionably produces a more "normal" distribution, and can therefore aid in satisfying OLS assumptions of normally distributed errors and constant error variance over the entire range of values.

(Figure 3.2 about here)

INDEPENDENT VARIABLES

What factors might potentially explain variation in TANF contracting patterns across states? Why are states more or less likely to direct TANF funds to private firms? The antecedents of TANF contracting across states are borrowed largely from privatization research by Boyne (1998), Brudney (2005), and Price and Riccucci (2005) and include three primary sets of explanatory variables. These scholars argue that a multivariate blend of *economic*, *social*, and *political* variables can potentially predict the presence or absence of privatized contracting in public policy implementation across states. Also included are two supplementary hypotheses that are germane to welfare politics specifically and may further explain why states are inclined to privatize TANF dollars. All premises are discussed further below.

ECONOMIC AND SOCIAL EXPLANATIONS OF CONTRACTING

Service Supply and Urbanism

According to public choice theory, it is not organizational form necessarily, but rather perpetual marketplace *competition* in service supply and the prospect of failure that ultimately yields performance gains (Brudney 2005; Savas 1998; Boyne 1998). In turn, when state agencies are deciding how much of their TANF dollars to contract-out, they should consider the competitive environment and only privatize substantial amounts of resources when sufficient competition among rival providers exists (Brudney 2005; Sclar 2000; Savas 1998). Potential replacement by rival firms coupled with economic desire for financial self-enrichment should maximize organizational operations and administrative outputs. When private entities openly compete with each other in a transparent government contracting process, program costs are theoretically more likely to be reduced and quality more likely to improve, and thus privatization in competitive environments should be a more appealing option in "make or buy" decisions. Utilizing proxies from past research (see Brudney 2005), the *log of total service business establishments*, *log of total non-profits*, *log of total state population*, and levels of *urbanism* are hypothesized to be positively related to TANF contracting[19].

The log of service business establishments and log of non-profits represent the "purest" measures of marketplace competition giving a numerical estimate of possible providers and the potential for healthy economic rivalry. *State population size* and *urbanism* represent more indirect measures of service supply but are often utilized in contracting studies as potential proxies for competition. Metropolitan Statistical Areas (MSAs) have been found to privatize more often than rural areas due to the geographic density of for-profit and non-profit providers. Central-city and suburban areas likely have heightened levels of competition due to the proximity of established networks of service providers, and there is exists quantitative evidence that urban areas privatize services more than rural areas (Warner 2003). Additionally, many profit-seekers pursue the largest contracts and largest potential pools of welfare clients in the name of corporate expansion (Greene 1996; Sanger 2003; Warner 2003). Urban areas oftentimes have concentrated levels of social service demand, and cities required abrupt responses to PRWORA legislation to fulfill capacity of workfare provision. Metropolitan areas also

[19] Log of state population is admittedly not an ideal proxy for marketplace competition. This variable more than likely is capturing several different indicators beyond the presence of multiple providers such as aggregate social service demand and propensity for policy innovation. It is oftentimes included in studies of administrative contracting and for exploratory purposes is included in the analysis presented here.

have the largest welfare pools and in turn the most lucrative social service contracts, and thus private entities are motivated to seek out contracts in populous and urbanized environments (Sanger 2003; Warner 2003).

H1: States with larger populations, more urbanized populations, greater numbers of service establishments, and greater number of non-profits will contract-out a greater proportion of TANF funds to private entities.

Fiscal Conditions

Another set of antecedents informed by past research centers on the fiscal conditions of states that can provide motivation to privatize social services and free-up state resources (Greene 1996; Kodrzycki 1998; Brudney 2005). Fiscal pressure on governments and the motivation to assuage such pressures comes from two-sides of the coin. On the one hand, states require *revenues* to run government-sponsored operations, while on the other hand, they must deal with citizen *demand* for services.

States must confront deleterious social conditions and assist citizenries by raising tax revenues and providing public services that potentially drain state fiscal resources. When states must craft and implement social policy in the face of heightened social needs or demand for public services, levels of fiscal stress rise. In the TANF context specifically, the financing structure shifted to block grants awarding states a fixed-amount of welfare funds, and further mandated that states allocate "maintenance of effort" (MOE) funds that reflected previous welfare effort. In short, the generous unlimited proportional matching entitlements found under Aid to Families with Dependent Children (AFDC) has been replaced by a financing system that potentially adds fiscal stress on state budgets, as states must now bear the financial brunt of any welfare client that extends beyond the fixed federal grant[20]. States with a greater capacity to raise tax revenues will feel less fiscal strain than those states with a reduced capacity and will not have the same pressure to pursue innovative cost-cutting measures such as privatization in TANF implementation. When state governments have a reduced capacity to generate tax revenue, they are more apt to pursue bureaucratic efficiency and privatization is one probable solution to doing "more with less" (Brudney 2005 and Greene 1996). This research employs an index measure of *fiscal capacity* developed by Yilmaz et al. (2007) that analyzes a state's "revenue capacity" *relative* to its "expenditure need" for outlaying public expenditures. States with higher fiscal capacity index scores generally have an expansive tax revenue base *and* lower levels of social need, whereas states with lower fiscal capacity scores generally have a smaller revenue base *and* greater levels of expenditure needs[21].

H2: Fiscal capacity will be negatively related to TANF contracting. States with greater fiscal capacity will contract-out fewer TANF funds to private entities.

Although the Yilmaz fiscal capacity index does encompass social needs to a certain degree, this dissertation also includes more direct measures of social service demand. States with a greater level of program demand for cash assistance programs should be more likely to contract-out services, exploring innovative and efficient ways of

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[20] Admittedly, most states realized financial windfalls in the years following PRWORA due to declining welfare rolls, but nonetheless fixed TANF block grants could potentially stress state budgets if significant numbers of eligible clients entered TANF programs. States with weaker fiscal capacity are likely to be in perpetual search for efficient delivery systems and other ways to assuage budgetary pressure, and thus I argue privatization is more likely in these stressed environments even though TANF likely did not negatively impact many state budgets in 2001.

[21] The Yilmaz et al. fiscal capacity index measure includes several indicators of tax revenue capacity or the ability to raise revenues (income tax capacity, tax effort, etc.) and relates those indicators to a state's need for expenditures. The "expenditure need" denominator includes an index of "workload factors" including indicators like number of public school children, poverty rates, and unemployment rates. Higher values on the fiscal capacity index indicate stronger revenue capacity *and* less need for expenditure. See further explanation of the index measure at (http://www.urban.org/UploadedPDF/311384_fiscal_disparities.pdf).

serving program clients. States with lower levels of social service demand should feel less fiscal pressure and less desire to seek third-party administration. In the welfare policy literature, two measures routinely capture service demand. These include the state *poverty rate* and *ratio of welfare recipients to total population*, both of which should be positively associated with TANF privatization.

H3: Program demand and poverty levels will be positively related to TANF contracting. States with higher poverty rates and higher ratios of TANF recipients will contract-out a greater proportion of TANF funds to private entities.

POLITICAL EXPLANATIONS OF CONTRACTING

Public Employee Strength

A second set of variables that may explain variation in TANF contracting is endorsed by both Boyne (1998) and Brudney (2005), and relates to the strength of public employees. The American Federal Association of State, County and Municipal Employees (AFSCME) vocally deplores privatization efforts, perceiving the movement to privatize public services as a threat to their occupational well-being and the quality of life for impoverished Americans (McEffee 2006). Public unions argue that private entities in social welfare implementation will voraciously "profit off the poor" rather than deliver improved quality and bureaucratic efficiency, and will doubtless attempt to resist privatization efforts (Berkowitz 2001 and Brophy-Baermann 2006). States with a stronger base of public employees should encounter heightened resistance to privatization, and thus the strength of public employees should be negatively associated with TANF contracting.

For the sake of parsimony in a 50-state analysis, this paper employs one consistent measure of public employee strength found in past research, the *ratio of government employees to total state population*. Although this measure does not tap into the power of public sector unions directly, researchers argue that it is a valid indicator of the relative strength of public employees to oppose privatization efforts. Furthermore, a consistent negative association between public-employee ratio measures and administrative contracting is found in the literature, while union-based measures have decidedly mixed effects (Boyne 1998 and Brudney 2005). Thus, this research hypothesizes that a *state government's full-time equivalent (FTE) employment per 1,000 population* will be negatively related to TANF contracting.

H4: Public employee strength will be negatively related to TANF contracting. States with a higher percentage of full-time government employees will contract-out fewer TANF funds to private entities.

Ideological Considerations

A consistent theme in the research on "make or buy" decisions and contracting involve ideological factors that can enhance or impede privatization efforts (Brudney 2005; Price and Riccucci 2005). The trend toward privatization in public service provision in recent decades has been ignited by conservative elites, such as Ronald Reagan and Newt Gingrich, championing the involvement of the private sector in public affairs and policy implementation at the expense of government control. As E.S. Savas puts it, "adherents of this world view understand that *collective* action does not necessarily mean *government* action… it means free markets, localism, voluntarism, and deregulation" (p. 14).

This suggests that privatization has an ideological dimension supported by conservative philosophical desire to reduce the size of government and increase the influence of the private sector. Although several liberal Democratic legislators eagerly signed onto PROWRA in 1996, others on the left remained openly skeptical of the conservative reform measures, arguing that effective service provision for the impoverished can only be achieved through direct and sustained government involvement. 170 members of the House of Representatives and 24 Senators, overwhelmingly Democrat, voted against final passage of PRWORA (Library of Congress) and openly voiced concerns over the policy reforms. For instance, New York Senator Daniel Patrick Moynihan claimed that imposing time limits on welfare benefits and removing direct public responsibility for the poor represented "the most brutal act of social policy since Reconstruction", and that these approaches would "invite an urban crisis unlike anything we have known since the 1960s" (Rector 2006). Progressive citizens and lawmakers emphasize structural or contextual reasons for poverty, while conservatives largely perceive the poor as responsible for their own plight due to pathological behaviors or lack of ambition, and thus liberals are more likely to espouse governmental responses to public assistance that achieve equity and widespread social insurance.

When states are deciding to contract-out TANF funds, the policy preferences of state government actors should shape the acceptance and prevalence of privatized administration. Ideological conservatism embraces the free market ideals of competition and innovation that undergird administrative privatization, while liberal ideology tends to focus on equity and public accountability in provision that is more readily achieved with direct government involvement. This research hypothesizes that the ideological liberalism of state governments (see measures provided from Berry, et al. 1998) will be negatively related to the percentage of TANF funds directed at private service providers[22] [23].

I also include one additional political variable found in past research, the party of the state governor (Price and Riccucci 2005). Governors act as state executives, overseeing state-level bureaucracies and certain gubernatorial actors, such as Tommy Thompson in Wisconsin, have taken a lead role in reforming welfare services and introducing unique bureaucratic arrangements to welfare provision (Mead 1997). State officials in charge of contracting decisions may operate at the local or regional level, but are ultimately beholden to state-level agencies that disperse TANF grants to localities and take marching orders from governors. Republican governors are hypothesized to embrace privatized welfare contracting because of an ideological proclivity to favor decentralization and private markets in the implementation of social policy. Democratic governors are assumed to be more ideologically liberal and should likely pursue more equitable and charitable approaches that favor direct government involvement.

[22] The ideological orientation of state governments is constructed from five indicators that combine ideology scores of governors and state legislators of both parties, weighted by the proportional composition of the respective parties in the state legislature. The ideology scores of state legislators are derived from interest group ratings (Americans for Democratic Action and the American Federation of Labor and Congress of Industrial Organization Committee on Political Education) of U.S. Congressmen (based upon some assumptions about ideological congruence between state and national policymakers). These ratings range from 0-100 with a score of 0 indicating pure conservative voting positions in Congress and 100 representing a strictly liberal voting record. The ideology scores of governors are derived from the average ideology score of state legislators of the same party (based upon some assumptions about ideological congruence between state legislators and governors that share party identification). Higher values on the index indicate more liberal orientations.

[23] Since state and local policymakers are making contracting decisions, the "government ideology" measure is more theoretically pleasing to the analysis. However, an additional measure for "citizen ideology" from Berry, et al. was also explored in the multivariate models but was insignificant to the estimations.

H5: The liberalism of state governments and Democratic governorships will be negatively related to TANF contracting. More liberal state governments and Democratic governors will contract-out fewer TANF funds to private entities than relatively conservative states and Republican governors.

ADDITIONAL EXPLAINATIONS OF TANF CONTRACTING DECISIONS

Racial Politics

An established body of political science research documents the unhealthy connection of African Americans to the welfare state. At the individual-level, negative stereotypes of blacks as "lazy" and "undeserving" have been found to incite paltry welfare spending preferences among white Americans (Gilens 1999). In other words, racial considerations are cognitively linked to redistributive welfare policy in the minds of white Americans, and when whites think negatively of blacks, support for the welfare state declines. Research in state policy adoptions has consistently demonstrated that a greater presence of African Americans leads to diminutive monetary benefits and increasingly punitive program rules (Key 1949; Hero 1999; Soss et al. 2001; and Fellows and Rowe 2004). I argue that these racial considerations can extend to TANF administration in that states with more low-income minorities should be interested in shedding direct public responsibility for the especially marginalized, disadvantaged minority poor away from government and embrace private sector solutions.

The "social construction" of African Americans as it regards to welfare policy is based on "cultural characterizations or popular images" of negative racial stereotypes that potentially have "a powerful influence on public officials and shapes… the actual design of policy" (Schneider and Ingraham 1993 p. 2). Under this theoretical perspective, the beneficiaries of redistributive welfare programs may not be worthy of government guarantees and direct governmental administrative control. “Elected officials will find it easy to cut welfare policies when the poor were constructed as lazy or shiftless and were often believed to be minorities who were responsible for their own plight” (Schneider and Ingram 1993). Similarly, elected officials could find it easier to privatize social services and shed public responsibility, resources, and accountability away from government when the beneficiaries of welfare programs are disproportionately African American. Just as state governments reduce benefit levels and institute stringent program rules in the presence of African American populations, state governments should be less interested in public accountability and equity and more interested in efficient handling when minorities are the disproportionate beneficiaries of cash assistance programs.

H6: The percentage of a state’s TANF rolls comprised of African Americans will be positively related to TANF contracting.

Lower-Class Mobilization

Research in state welfare policy has consistently found that when lower-class citizens are mobilized and participate actively at the ballot box, they are rewarded with generous cash benefits and eased program requirements (Avery and Peffley 2005; Hill, Leighley, and Hinton-Andersson 1995). Interest groups representing poor individuals, such as the Welfare Information Network, have published works documenting the potential pitfalls of “profiteering off of the poor”, most notably decreased client attention and service quality in the dogged pursuit of corporate income (Yates 1998). When individuals with depressed socioeconomic status are mobilized, participating in legislative advocacy and in the voting booth, it is in the electoral interest of policymakers to react with policy "responsiveness" to powerful interests, favoring a greater role for governmental implementation over privatized approaches (Avery and Peffley, 2005 and Hill, Leighley, and Hinton-Andersson, 1995).

H7: Voter turnout among lower-class citizens will be negatively related to the proportion of TANF funds allocated to private service providers

State-Level Privatization Model:

$$У(\mathit{Privatization})_s = \beta 0 + \beta 1(\mathit{Population})_s + \beta 2(\mathit{Business})_s + \beta 3(\mathit{Nonprofits})_s + \beta 4(\mathit{Urbanism})_s + \beta 5(\mathit{PubEmployee})_s + \beta 6(\mathit{Ideology})_s + \beta 7(\mathit{Governor})_s + \beta 8\,(\mathit{Caseload})_s + \beta 9(\mathit{Poverty})_s + \beta 10(\mathit{Capacity})_s + \beta 11(\mathit{Mobilization})_s + \beta 12(\mathit{Race})_s + \varepsilon$$

s = state

ANALYSIS AND FINDINGS

The estimations of TANF contracting across the American states for the year 2001 are found in Table 3.2. A brief overview of the results suggests that patterns in TANF contracting are determined by at least four variables: levels of fiscal capacity, urbanism, African American welfare caseloads, and non-profit presence. Due to Mississippi's extremely high value on the TANF privatization variable, the discussion of the results will center on the *Private2* model that excludes Mississippi and the *LogPriv* model that examines a logarithmic transformation of the original 50 state privatization analysis.

An interesting initial observation of the results in Table 3.2 is the lack of significance among several familiar variables thought to be associated with government contracting decisions. The *strength of public employee* measure is insignificant in every model along with the state *ideology* variable and state *governorship* variable. Liberalism among state governments and Democratic control of state governorships does not yield fewer TANF contracts just as governmental conservatism and Republican governorships do not increase privatization, most likely highlighting the pragmatic nature of welfare privatization as an all-purpose administrative strategy, embraced by both liberal and conservative governments alike. The slope coefficients for the gubernatorial party variable are negative in every model indicating less contracting when Democratic governors are elected into power, but are ultimately insignificant to the estimations.

Previous research has failed to uncover any consistent ideological link to administrative contracting decisions, and scholars such as Price and Riccucci (2005) have documented a counterintuitive *positive* association between liberalism and administrative contracting in areas such as prison privatization. The evidence here largely confirms the notion that "current reform efforts have taken on pragmatic dimensions at the state and local level" (Sanger 2003, p. 17), and that the politics of TANF privatization seemingly extend beyond conventional left-right ideological divisions.

Directing attention to the statistically significant independent variables in the *Private2* model in Table 3.2, States are seemingly *less* likely to privatize TANF funds when they have *greater* fiscal capacity. As hypothesized, the unstandardized slope coefficient is negative indicating that states with higher values on the *Capacity* index are less likely to contract-out TANF funds to private providers and more likely to keep welfare services in-house. Another way to interpret the *Capacity* variable is that states with weaker fiscal capacity are more apt to privatize TANF services. The slope coefficient of -.189 means that increasing the fiscal capacity index by one unit decreases TANF privatization by .189 percent.

(Table 3.2 about here)

In order to put the beta coefficients into more substantive analytical context, I calculated standardized beta coefficients for the *Private2* model[24]. As evidenced by the beta coefficients for the *Private2* model in Table 3.2, *fiscal capacity* has the largest substantive impact on TANF privatization levels relative to the other statistically significant independent variables, *urbanism* and *African American caseloads* (standardized coefficient = -.425)[25]. A beta coefficient of -.425 in this scenario represents a .425 standard deviation *decrease* in TANF privatization for every standard deviation *increase* in fiscal capacity. What does this signify for predicted TANF privatization levels exactly? The average state in 2001 had 12.53 percent of TANF funds allocated to private organizations, with a standard deviation of 11.21[26]. Thus, .425 standard deviation units of the TANF privatization dependent variable is equal to 4.76 percent (.425 * 11.21 = 4.76 percent). This figure tells us that for every standard deviation movement on the fiscal capacity index, TANF privatization is predicted to change by 4.76 percent.

The average state in 2001 had a fiscal capacity index score of 101.96 with a standard deviation of 20.57. Thus, increasing the fiscal capacity index by one standard deviation to 122.53 decreases privatized spending levels to 7.77 percent (12.53 – 4.76). A two standard deviation increase on the fiscal capacity index reduces predicted TANF

[24] Standardized coefficients are based upon the standard normal distribution (mean = 0; standard deviation = 1), and represent the standard deviation unit change in the dependent variable for a one standard deviation movement in the independent variable holding all other independent variables constant. For instance, a standardized beta of .562 means that for every standard deviation increase in the independent variable, the dependent variable increases by .562 standard deviation units.

[25] The fiscal capacity beta coefficient is larger in the *Private1* model when Mississippi is included in the analysis. Mississippi scores lowest on the fiscal capacity scale and was also the most privatized state.

[26] The mean and standard deviation figures exclude both Washington D.C. and Mississippi.

privatization levels to 3.01 percent (12.53 – (4.76)*2). In the same vein, *decreasing* the fiscal capacity index by one standard deviation from the mean predicts an increase in TANF privatization levels to 17.29 percent (12.53 + 4.76), while decreasing the index by two standard deviations pushes TANF privatization upward to 22.05 percent (12.53 + (4.76)*2). Put another way, moving a theoretical state from two standard deviations below mean fiscal capacity to two standard deviations above the mean *decreases* predicted TANF privatization levels by 19.04 percent in total (22.05 – 3.01). Figure 3.3 illustrates the predicted change in TANF privatization levels when decreasing/increasing by different standard deviations from the fiscal capacity mean holding all other variables constant[27].

(Figure 3.3 about here)

An opposing point of view argues that privatization should accompany fiscal capacity because policymakers will respond to public employee demands for continued employment when public budgets are stressed (see Pallesen 2005). Although there is some past empirical support for the notion of *increased* contracting with fiscal capacity, I argue that this research uncovers an inverse relationship between fiscal capacity and TANF contracting exists for several potential reasons.

Cash assistance programs represent a relatively modest portion of state budgets and the influence of established public welfare bureaucracies has arguably been weakened by reorganization and social service retrenchment associated with conservative reforms such

[27] Negative privatization values are predicted three standard deviations above the fiscal capacity mean, and are recoded as zeros because privatization levels cannot fall below zero in reality.

as the Workforce Investment Act (WIA) and PRWORA. Moreover, the majority of Americans hold unfavorable views toward redistributive income maintenance programs (Gilens 1999), thus when policymakers confront fiscal constraint they may be more apt to remove direct government involvement in unpopular redistributive activities, in turn embracing private sector solutions to welfare administration.

Secondly, TANF contracting is more prevalent in more *urban* and presumably more competitive states. As seen in Table 3.2, the urbanism slope coefficient is positive and significant both when Mississippi is removed from the analysis (*Private2* model) and when the original privatization dependent variable takes on a logarithmic transformation (*LogPriv* model)[28]. Increasing a states urban population by one percent point in the *Private2* model, increases the proportion of TANF funds devoted to private entities by approximately 0.29 percent (.291, $p < .05$). The urbanism slope coefficient is numerically larger than the fiscal capacity coefficient in the *Private2* model (.291 versus .189), but the standardized beta coefficient suggests that the influence on TANF privatization is marginally weaker than fiscal capacity.

The beta coefficient for the urbanism variable is .392 meaning that a one standard deviation *increase* in the urbanism measure yields a .392 standard deviation unit *increase* in TANF privatization. The standard deviation of the privatized TANF spending variable is 11.21, thus .392 standard deviation units of the TANF privatization dependent variable is equal to 4.39 percent (.392 * 11.21 = 4.39). For every standard deviation increase in urbanism, TANF privatization is predicted to rise by 4.39 percent. The average state in

[28] The urbanism slope coefficient is positive but lacks statistical significance in the initial 50 state analysis that includes Mississippi. Mississippi scores on the lower end of the urbanism measure but is by far the most privatized state in 2001. A statistically significant urban connection exists both when Mississippi is removed from the analysis (*Private2 model*), and when the original 50 state privatization measure undertakes logarithmic transformation (*LogPriv model*).

2001 had 66.98 percent of the population residing within a census defined Metropolitan Statistical Area (MSA), with a standard deviation of 12.73. Thus, increasing state urbanism by one standard deviation to 79.71 percent urban increases privatized TANF spending levels to 16.92 percent (12.53 + 4.39). Increasing urbanism by two standard deviations predicts a privatized TANF spending level of 21.31 percent (12.53 + (4.39)*2). Thus, moving two standard deviations below mean urbanism to two standard deviations above increases TANF privatization by 17.56 percent (21.31 – 3.75). Figure 3.4 illustrates the predicted change in TANF privatization when increasing/decreasing by different standard deviations from the urbanism mean[29].

(Figure 3.4 about here)

Admittedly, the *urbanism* variable is likely capturing much more than the geographic presence of multiple potential service providers. Because the arguably more numerically valid measures of marketplace competition (i.e., *the log of service business establishments* and *log of non-profits*) were insignificant to the *Private1* and *Private2* estimations, it is unclear that policymakers are responding to the potential presence of multiple providers specifically, or rather responding to other underlying factors present in more urbanized states.

One likely explanation for a significant urbanism connection is that states with physically concentrated urban populations needed to respond to PRWORA with increased capacity to administer workfare services among concentrated demand. Welfare

[29] Negative TANF privatization values are predicted three standard deviations below the urbanism mean, and are recoded as zeros because privatization levels cannot fall below zero.

entitlement offices were transformed into employment centers overnight and one logical and practical way of briskly ramping up social service capacity involves contracting with the private sector (Savas 1998; Brudney 2005). Apart from the necessity to undertake service capacity among concentrated urban populations, another possible explanation for an urbanism connection is that private vendors actively seek out prime metropolitan markets with the largest contracts and largest pools of welfare clients (Sanger 2003). Due to this desire to enter metropolitan markets there are likely more opportunities open to metropolitan officials when deciding to contract out. Multiple rival potential providers will increasingly battle over lucrative metropolitan contracts, and urbanized states have a full menu of local non-profits and profit-seekers at their immediate geographic disposal (Warner 2003).

Next, concurrent with established research in race and welfare politics, states with higher percentages of African Americans on the welfare rolls are also more likely to contract out TANF services to private organizations. The African American caseload slope coefficient is positive and statistically significant in all three OLS estimations. Even though African Americans are oftentimes associated with urbanism and "ghetto" poverty (Wilson 1996), the racial variable remains significant when urbanism and a battery of additional control variables are included in the OLS estimations. This suggests that there is an independent effect of race on welfare contracting decisions. Just as African American populations can shape TANF policy adoptions (see Soss et al 2001), racial effects seemingly extend to TANF administrative structuring.

The beta coefficient in the *Private2* model suggests that while race matters to welfare contracting decisions, it has less influence than either fiscal capacity or urbanism. The beta coefficient for the African American caseload variable is .303 meaning that a one standard deviation *increase* in the racial caseload measure yields a .303 standard deviation unit *increase* in TANF privatization. The standard deviation of the TANF privatization measure is 11.21, thus .303 standard deviation units of the TANF privatization dependent variable is equal to 3.40 percent (.303 * 11.21 = 3.40). The average state in 2001 had 35.42 percent of their TANF caseload comprised of African American clients with a standard deviation of 27.71. Thus, increasing the African American TANF caseload by one standard deviation to 63.13 percent black increases expected TANF privatization levels to 15.93 percent (12.53 + 3.40). A two standard deviation increase to 90.84 percent African American elevates TANF privatization to 19.33 percent. As visually evidenced in Figure 3.5, moving from two standard deviations below the African American caseload mean to two standard deviations above increases TANF privatization by 13.6 percent (19.33 – 5.73). Not only does racial caseload composition have a nontrivial statistical effect on TANF privatization levels, it additionally appears to have a nontrivial substantive impact.

Considering the well-documented racial connections to the American welfare state, this evidence could suggest that state governments are attempting to shed direct public responsibility for this historically disadvantaged group that is inextricably linked to welfare policy by unflattering undertones of "dependency" and "laziness" in the minds of citizens and policymakers (Soss et. al. 2001; Gilens 1999; Schnider and Ingraham 1998). A summary of the predicted change in TANF privatization percentage across differing levels of fiscal capacity, urbanism, and racial caseloads are found in Table 3.3.

(Figure 3.5 about here)

(Table 3.3 about here)

Lastly, the slope coefficients for the *log of total non-profits* measure are positive in every estimation in Table 3.2 and the variable achieves statistical significance when the TANF privatization dependent variable takes on a logarithmic transformation (*LogPriv* model). The significant slope coefficient of 1.15 means that a one unit increase in the non-profit log measure predicts a 1.15 unit increase in the TANF privatization log measure. This suggests that privatizing welfare funds in part is a matter of numerical convenience that seemingly follows existing patterns in non-profit presence across states. When more non-profits operate within states, more non-profit organizations are performing administrative workfare duties[30].

For-profit and Non-profit Contracting Models

The same study by the GAO (2002) additionally published the *percentage of privatized funds devoted to both non-profit and for-profit organizations*, also for the year 2001. These measures represent the next stage of the contracting decision when

[30] I performed an estimation with regional controls for the Northeast, Midwest, South, and West (West = reference category) and uncovered no significant statistical relationships. Nor does the inclusion of regional controls change the substantive findings reported in Table 3.2. The Northeast variable was positive (Beta = 7.65) and narrowly misses statistical significance ($p < .124$). The Northeast region houses multiple high privatization states (New Jersey, Pennsylvania, etc.) but regional competition or policy diffusion are not confirmed in the analysis. I also included a MS dummy variable in the model to directly account for Mississippi in the model. This affects the analysis in several meaningful ways. The MS beta coefficient is expectedly large, positive, and highly significant (Beta = 52.24, $p < .001$), and the R-squared jumps to .619. With the MS dummy included in the estimation, both urbanism and black caseloads remain significant predictors of TANF privatization but the fiscal capacity variable no longer achieves statistical significance ($p < .147$). The fiscal capacity variable still has the largest predicted standardized beta coefficient (-.31) but the null hypothesis that fiscal capacity is unrelated to TANF privatization cannot be rejected. The significant fiscal capacity connection reported in Table 3.2 can seemingly be attributed to MS alone (it is not surprising to report that MS scores lowest on the fiscal capacity index). Future research will need to confirm that fiscal stress yields increased TANF privatization. See Table A6 in the Appendix for OLS regression results for this alternate specification.

jurisdictions choose the particular types of private organizations that will deliver services. The data shows that states overwhelmingly preferred to contract-out services with *non-profit* providers. On average, state and local officials devoted approximately three-fourths (74.45 percent) of privatized funds toward non-profit organizations, leaving the average state with just 26.55 percent of privatized funds afforded to for-profit firms. National non-profits along with less well-known local non-profits have established "social missions that commit them to improving the well-being of disadvantaged populations, and many have been doing this work for a long time" (Sanger, 2003 p. 49). Non-profits and faith-based groups historically provide charitable services to disadvantaged families and this trend continues with contemporary TANF administration.

Table 3.4 highlights the findings for the *ForProfit* and *NonProfit* models that predict the percentage of total TANF spending directed at for-profit or non-profit organizations. The *ForProfit* estimations are void of significant explanatory variables. Not only were for-profits frequented less by TANF government contractors generally in 2001, but the regression model attempting to explain variation in for-profit privatization cannot account for for-profit contracting levels across states. These models suggest that the decision to contract with for-profits occurs at random. While this is all but assuredly not the case, future research will have to continue searching for the determinants of profit-seeking TANF arrangements across states.

(Table 3.4 about here)

Not overly surprising considering the original distribution of the dependent variable, the *NonProfit* model in Table 3.4 largely resembles the original general TANF contracting models. Similar to *Private2* model in Table 3.2, levels of *urbanism* and *fiscal capacity* predict levels of non-profit contracting for reasons likely consistent with the prior state-level analysis. States with larger urban populations and states with lower fiscal capacity are *more* likely to utilize non-profit contracting than comparatively rural states and states with greater fiscal capacity. The African American caseload variable is positive in the *NonProfit* model suggesting a positive association with non-profit contracting levels but falls outside of accepted levels of statistical significance. African American TANF caseload levels are significantly associated with welfare contracting generally, but do not explain levels of non-profit contracting specifically.

One particular variable rises to the explanatory forefront in the *NonProfit* model, the *log of total non-profits*. When greater numbers of non-profits are in operation, welfare funds are more likely to not only be privatized but those privatized dollars are more likely to be directed at non-profit organizations. The beta coefficient of .914 means that for every standard deviation increase in the log of non-profits, TANF privatization is expected to increase by .914 standard deviation units. The average state in 2001 had 13.43 percent of total TANF outlays directed at non-profit organizations, with a standard deviation of 16.90[31]. Thus, .914 standard deviation units of the TANF non-profit privatization variable is equal to 15.45 percent (.914 * 16.90). Increasing one standard deviation on the log of non-profits measure from 3.81 to 4.20 increases non-profit TANF outlays to 28.88 percent of total TANF spending (13.43 + 15.45). Increasing two standard deviations on the log of non-profits measure elevates non-profit TANF outlays to 44.33 percent of total TANF spending. In 2001, the presence of non-profit

[31] The average state in 2001 had 3.71 percent of TANF outlays directed at profit-seeking organizations, with a standard deviation of 5.63.

organizations within a state is the strongest predictor of non-profit contracting and movement along the log of non-profit measure has a significant substantive impact on the levels of non-profit contracting in particular.

CONCLUSION

Studies examining the prevalence of contracting are numerous; however, most of these studies center on hard services such as refuse collection, asphalt laying, and construction projects, and few incorporate quantitative analyses across a large number of cases. With privatization increasing in the social policy arena it is imperative that policy researchers begin explicating the antecedents and patterns of contracting decisions occurring across the American states. This dissertation represents the first and only existing scholarly endeavor directed at understanding the reasons why states choose to privatize TANF funds.

The quantitative analysis first and foremost highlights the difficulty in modeling privatized TANF spending generally. Two points are known with complete certainty. One, states have disproportionally chosen public agencies over private entities in the implementation of TANF in that the majority of states privatized 15 percent or less of their total TANF outlays in 2001 (GAO 2002). Secondly, states have disproportionately chosen to contract-out TANF funds with non-profit organizations as opposed to for-profit firms (GAO 2002). Welfare privatization operates largely among national non-profit organizations such as Goodwill Industries or Catholic Charities and lesser-known community-based non-profit networks that traditionally focus on serving low-income populations (Sanger 2003).

The OLS regression estimations from this chapter offer evidence that TANF contracting patterns in 2001 are significantly driven by at least four independent variables: fiscal capacity, urbanism, racial composition of caseloads, and non-profit presence. Fiscal capacity is inversely related to TANF privatization and displays the strongest explanatory impact according to standardized beta coefficients. More fiscally stressed states are more likely to privatize TANF dollars than fiscally healthy states. The evidence also suggests that states with more urbanized populations, states with more African Americans on welfare, and states with more non-profit organization are inclined to utilize the private sector in welfare reform implementation.

The results presented here once again corroborate the indelible racial connection to the American welfare state, in that states with sizable African American welfare populations are more likely to privatize welfare funds. This could possibly mean that altruistic policymakers believe in the ability of the private sector to deliver quality services, and are attempting to assist historically disadvantaged blacks by providing the highest possible quality workfare service. Another scenario is that policymakers in heavily black states are purposefully attempting to lessen direct public responsibility for this marginal population that disproportionately participates in public assistance programs. Welfare is not a politically fashionable program and blacks are oftentimes associated with "undeserving" welfare receipt and "dependency" on cash assistance programs in the eyes of white Americans (Gilens 1999). The risks of weakening public accountability and inequitable program treatment that potentially accompany privatized motivations appear worthwhile when African American constituencies demand social services.

Lastly, utilizing modified measures from the GAO report, I attempted to model the particular non-profit and for-profit contracting decisions of states with marginal levels of success. The predictors in the for-profit estimations were wholly insignificant, while the non-profit estimations largely mirrored the earlier privatization analysis. In the non-profit models, the original statistically significant racial effect observed in Table 3.2 disappears, and the log of non-profits measure increases in explanatory power. The beta coefficients in Table 3.4 suggest that non-profit presence has the strongest affect on non-profit contracting levels in 2001. The average state in 2001 had 11.64 percent of total TANF funds allocated to non-profits. Moving from two standard deviations below the mean of the log of non-profits measure to two standard deviations above boosts non-profit contracting by a robust 22.96 percent (34.60 – 11.64).

Future research should center on observing and collecting more extensive TANF contracting data. The GAO measures examined in this chapter were collected a decade ago and currently represent the only systematic TANF contracting data available across states. TANF has been reauthorized several times by Congress and the implementation of cash assistance programs remains highly decentralized, meaning that states and localities are likely continuing to experiment with unique welfare delivery systems that involve private sector actors. The delivery of cash assistance programs are arguably increasing in importance with the latest economic downturn experienced in late 2008 and early 2009 resulting in heightened unemployment and poverty levels. It behooves social policy researchers to examine how TANF administration is evolving and currently operating in the face of magnified social needs.

Additionally policy researchers should begin examining variation in privatization *within* states where unique mixes of public and private networks oftentimes administer welfare programs. "Second-order devolution" potentially extends policy authority and contracting decisions downward to counties and local governments, and these jurisdictions are often in charge of contracting welfare services, resulting in meaningful variation in service arrangements *within* states (Gainsborough 2003; Beller 2005; Fording and Kim 2010). Examining patterns of TANF contracting across states is an appropriate first step in the empirical analysis, but these efforts should be complimented by studies that examine patterns in contracting that are taking place below the state-level.

Table 3.1. TANF Privatization Across the American States, 2001

State	Privatization (%)	State	Privatization (%)
Alabama	5	**Nebraska**	20
Alaska	4	**Nevada**	11
Arizona	9	**New Hampshire**	9
Arkansas	11	**New jersey**	42
California	7	**New Mexico**	1
Colorado	11	**New York**	9
Connecticut	12	**North Carolina**	2
Delaware	15	**North Dakota**	7
Florida	4	**Ohio**	16
Georgia	10	**Oklahoma**	4
Hawaii	3	**Oregon**	1
Idaho	43	**Pennsylvania**	39
Illinois	18	**Rhode island**	8
Indiana	9	**South Carolina**	16
Iowa	2	**South Dakota**	0
Kansas	2	**Tennessee**	31
Kentucky	3	**Texas**	8
Louisiana	20	**Utah**	8
Maine	9	**Vermont**	29
Maryland	11	**Virginia**	6
Massachusetts	9	**Washington**	20
Michigan	6	**Washington D.C.**	74
Minnesota	21	**West Virginia**	13
Mississippi	71	**Wisconsin**	43
Missouri	7	**Wyoming**	3
Montana	8		

Note: Source, General Accounting Office (2003). The cell values indicate the total value of TANF spending awarded to private entities as a percentage of total TANF outlays including mandatory maintenance of effort (MOE) funds.

Table 3.2. Determinants of TANF Privatization Across the American States, 2001

IVs	***Private1***	***S.E.***	***Private2***	***S.E.***	***S.β.***	***LogPriv***	***S.E***
Competition							
Log-Pop	**-34.73**	*(28.57)*	**-21.96**	*(16.86)*	**-.861**	**-1.37**	*(1.16)*
Log-Bus	**1.38**	*(1.77)*	**.778**	*(.655)*	**.221**	**.455**	*(.383)*
Log-Nprof	**27.86**	*(19.21)*	**13.71**	*(10.28)*	**.484**	**1.15***	*(.653)*
Urbanism	**.128**	*(.192)*	**.291***	*(.181)*	***.392***	**.009***	*(.005)*
PubEmploy							
FTE PerCap	**-.004**	*(.006)*	**- .029**	*(.021)*	**-.172**	**-.001**	*(.001)*
Politics							
GovtID	**.081**	*(.086)*	**.007**	*(.065)*	**.041**	**.003**	*(.003)*
Governor	**-4.13**	*(4.14)*	**-.117**	*(3.34)*	**-.027**	**-1.43**	*(5.59)*
Capacity							
FiscalCap	**-.297****	*(.143)*	**-.189****	*(.092)*	**-.425**	**-.007***	*(.004)*
Demand							
CasePop	**-.305**	*(.228)*	**-.116**	*(.212)*	**-.219**	**-.011**	*(.008)*
Poverty	**-1.14**	*(.836)*	**-.637**	*(.601)*	**-.568**	**-.015**	*(.028)*
Mobilization							
UC-Turnout	**.086**	*(.099)*	**.127**	*(.080)*	**.246**	**.001**	*(.004)*
Minority							
AA-Caseload	**.173***	*(.102)*	**.146***	*(.083)*	**.303**	**.006***	*(.003)*
N	50		49			50	
R^2	.354		.446			.492	

Note: OLS coefficients in bold, with robust standard errors in parentheses. The Private1 dependent variable is measured as the total percentage of TANF funds awarded to private providers and all 50 states are represented. The Private2 model drops Mississippi from the analysis. The LogPriv dependent variable is measured as the log (base 10) of the original Private1 measure. **p < .05; *p < .10.

Table 3.3. Predicted Change in TANF Privatization Percentage Across Levels of Fiscal Capacity, Urbanism, and Race, 2001

Std. Dev.	**FISCAL**	**URBAN**	**RACE**
3	0	25.71	22.73
2	3.01	21.31	19.33
1	7.77	16.92	15.93
Mean	***12.53***	***12.53***	***12.53***
-1	17.29	8.14	9.13
-2	22.05	3.75	5.73
-3	26.81	0	2.33

Note: The cell values represent the predicted percentage of privatized TANF funds for a given level of fiscal capacity, urbanism, or black caseloads.

Table 3.4. Determinants of Non-Profit and For-Profit TANF Privatization Levels Across the American States, 2001

IVs	*NonProfit*	*S.β.*	*LogNP*	*ForProfit*	*LogFP*
Service Supply					
Log-Pop	**-.277**	**-.121**	**1.98**	**7.39**	**2.14**
	(.194)		*(1.02)*	*(9.82)*	*(1.24)*
Log-Bus	**0.31**	**.068**	**.697**	**7.92**	**1.01**
	(.126)		*(.705)*	*(7.32)*	*(.846)*
Log-Nprof	**.253***	**.917**	**1.89***	**-10.17**	**-2.11**
	(.136)		*(.965)*	*(10.67)*	*(1.31)*
Urbanism	**.003***	**.284**	**.018***	**.031**	**.023**
	(.001)		*(.009)*	*(.088)*	*(.014)*
PubEmploy					
FTE PerCap	**-.009**	**-.338**	**-.001**	**-.004**	**.002**
	(.021)		*(.002)*	*(.014)*	*(.002)*
Ideology					
GovtID	**-.001**	**-.009**	**.003**	**.065**	**.008**
	(.001)		*(.004)*	*(.046)*	*(.006)*
Governor	**-.023**	**.144**	**.014**	**-1.72**	**-.220**
	(.051)		*(.228)*	*(2.36)*	*(.318)*
Capacity					
FiscalCap	**-.004***	**-.441**	**-.019****	**-.065**	**-.002**
	(.002)		*(.007)*	*(.064)*	*(.009)*
Demand					
CasePop	**-.002**	**.166**	**.074**	**6.43**	**.435**
	(.003)		*(.136)*	*(3.92)*	*(.541)*
Poverty	**.015**	**.425**	**.041**	**-.189**	**.013**
	(.009)		*(.466)*	*(.406)*	*(.057)*
Mobilization					
UC-Turnout	**.002**	**.242**	**.006**	**.065**	**.002**
	(.001)		*(.005)*	*(.064)*	*(.009)*
Minority					
AA-Caseload	**.001**	**.118**	**.003**	**.012**	**.005**
	(.001)		*(.004)*	*(.044)*	*(.006)*
N	50		50	50	50
R^2	.318		.387	.276	.321

Note: OLS coefficients in bold, with robust standard errors in parentheses. The NonProfit dependent variable is measured as the percentage of total state TANF spending awarded to non-profit providers. The LogNP dependent variable is measured as the log (base 10) of the original NonProfit variable. The ForProfit dependent variable is measured as the percentage of total state TANF spending awarded to for-profit providers. The LogFP dependent variable is measured as the log (base 10) of the original ForProfit variable. **p<.05; *p<.10.

Figure 3.1. TANF Privatization Across the American States, 2001

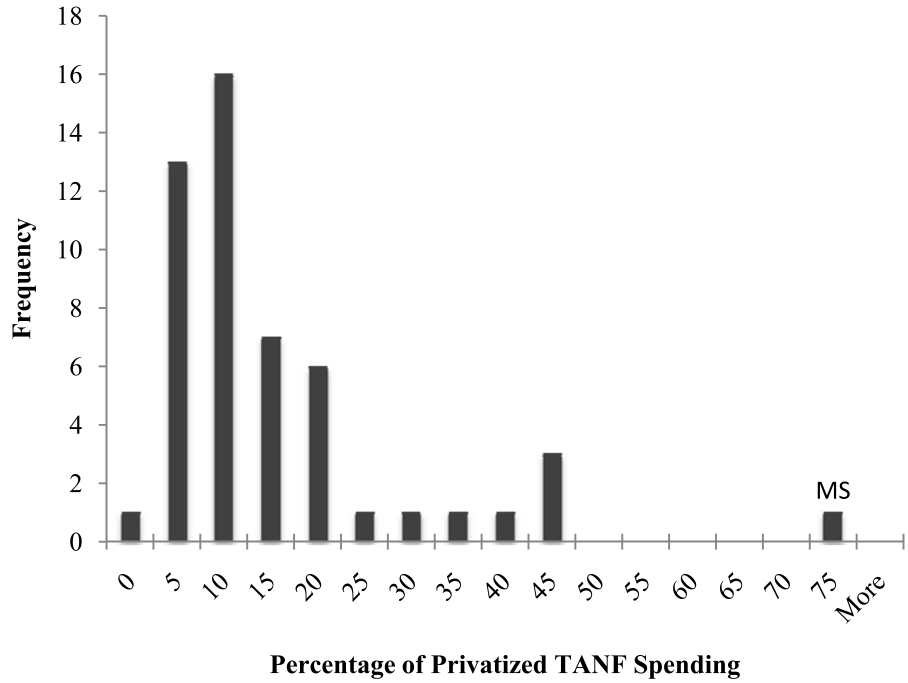


Figure 3.2. TANF Privatization Across the American States (Log), 2001

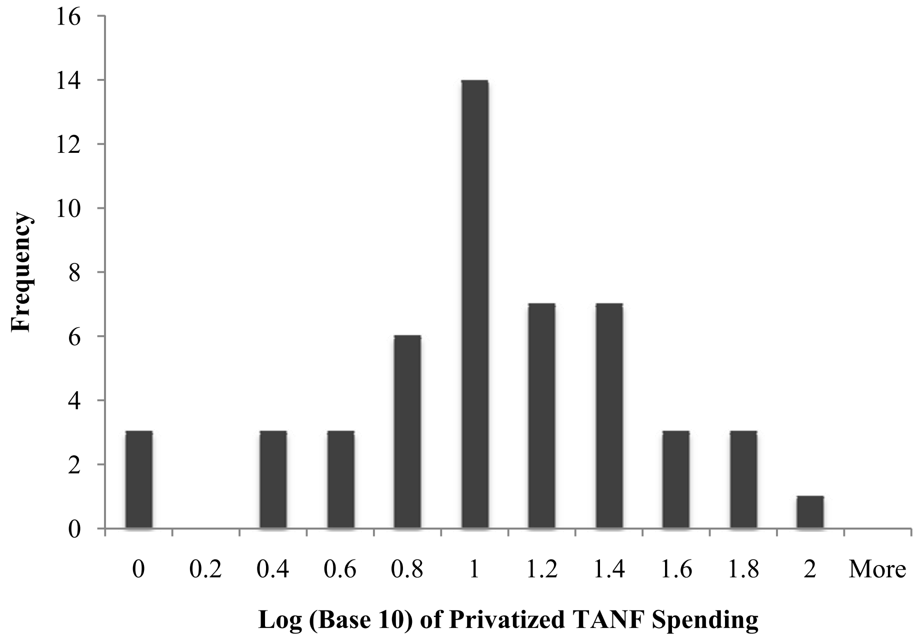
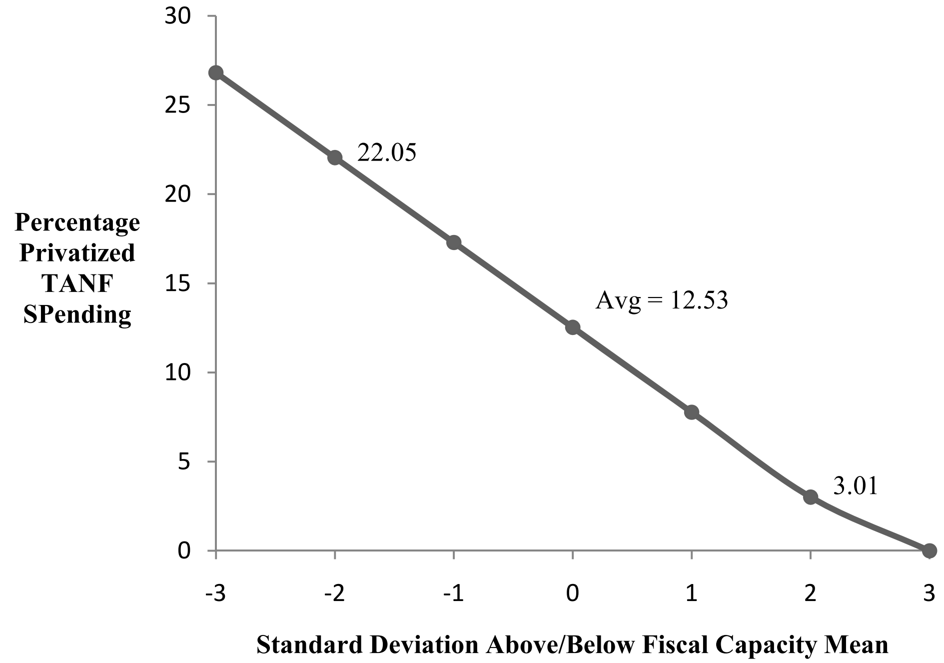


Figure 3.3. Fiscal Capacity and TANF Privatization, 2001



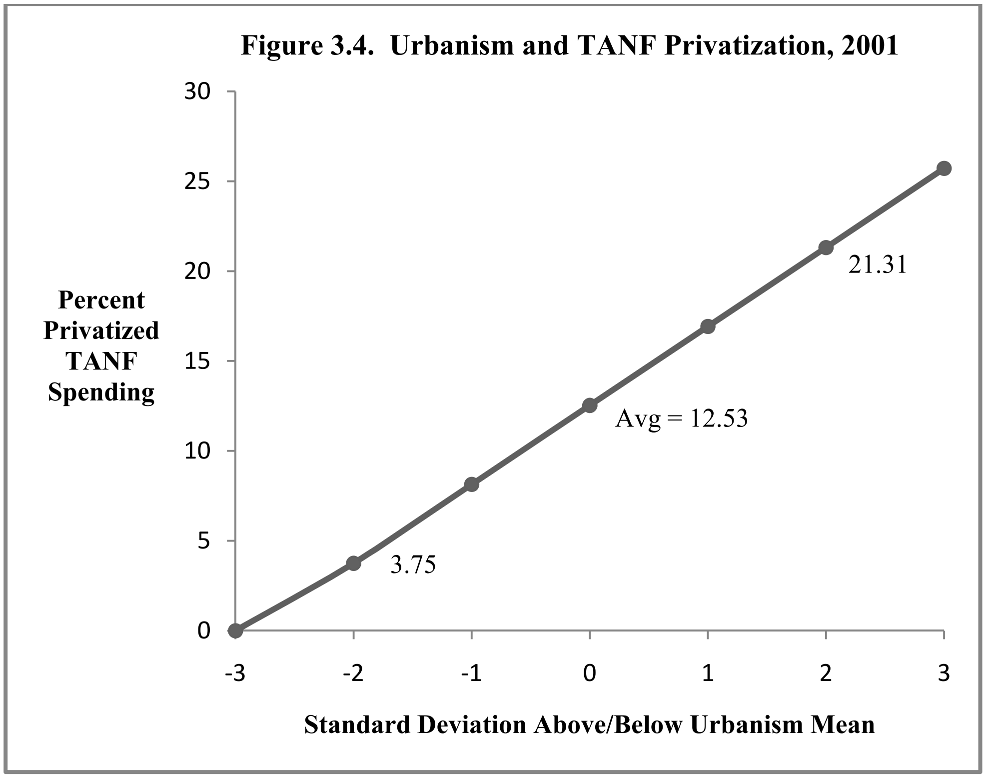


Figure 3.4. Urbanism and TANF Privatization, 2001
Percent Privatized TANF Spending
30
25
20
15
10
5
0
-3
-2
-1
0
1
2
3
3.75
Avg = 12.53
21.31
Standard Deviation Above/Below Urbanism Mean

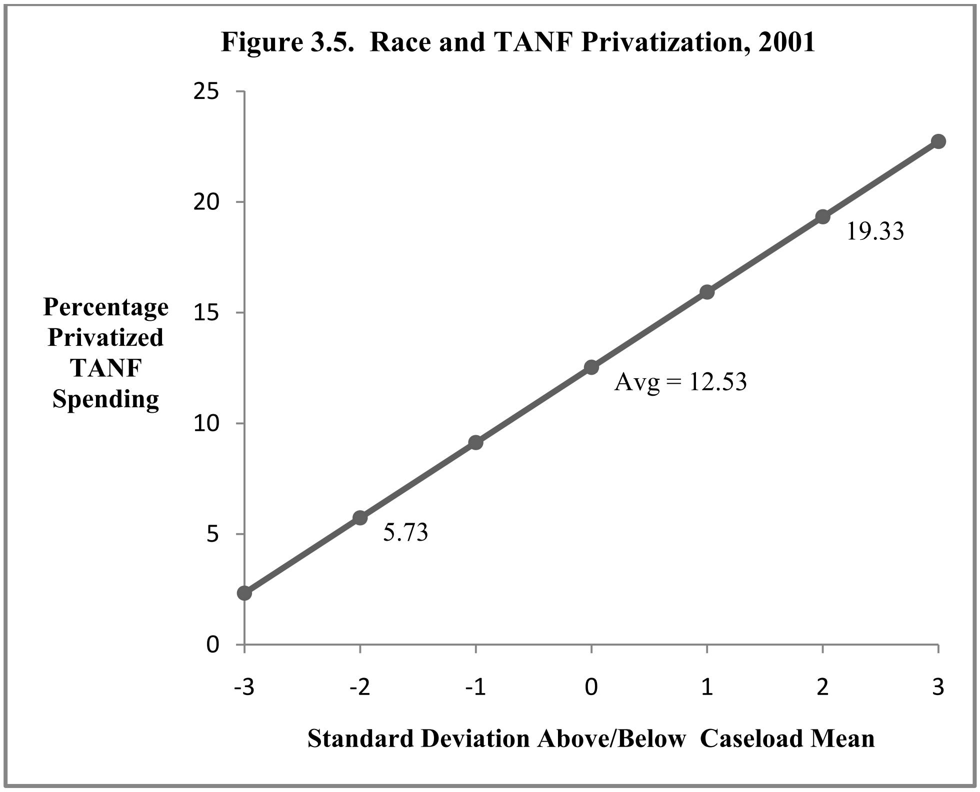


Figure 3.5. Race and TANF Privatization, 2001
Percentage Privatized TANF Spending
Standard Deviation Above/Below Caseload Mean
0
5
10
15
20
25
-3
-2
-1
0
1
2
3
19.33
Avg = 12.53
5.73

CHAPTER FOUR

Privatization and Performance: Methodologies and Measures

INTRODUCTION

Past research discussed in Chapter Two has begun exploring the link between privatization and administrative performance, but much of this research examines hard services such as garbage collection and undertakes limited case-study methodologies. Research into human support privatization is relatively sparse, which presents a disservice because privatization into social services has more vocal critics and arguably less theoretical possibility for administrative success. In response, this section of the dissertation brings expansion to quantitative studies of social policy privatization and performance. In this chapter, I detail the methodological approaches, including data and measures, which will be used to study privatization and performance in welfare implementation. After discussing the dimensions of bureaucratic performance as it relates to welfare reform, this chapter outlines both an aggregate statistical approach across the American states and a multi-level approach within a single state. The multi-level analysis centers on the state of Florida in which a mixture of TANF providers operate welfare services, and will provide a clear picture of how program clients are faring in the welfare marketplace.

CONCEPTUALIZING AND OPERATIONALIZING PERFORMANCE

Adequately conceptualizing and measuring bureaucratic performance, especially in human service delivery, is anything but black and white. Reforming prisoners, educating schoolchildren, and employing welfare recipients is not analogous to routinized tasks like collecting garbage or paving roads, but burgeoning scholarship in public administration is enlightening the discipline. Research operating under the title of "new governance" or "new public management" suggests that we can (and should) attempt to analyze unique administrative arrangements and the quality of the *results* that they produce, in an effort to improve government functioning and public well-being (Heinrich and Lynn 2000; Ingraham and Lynn 2004). Just as we can judge the performance of economies in terms of the *outputs* produced, such as GDP, inflation, and stock market returns, we can scrutinize public policy implementation in terms of the program outputs and outcomes produced by front-line workers and experienced by the clients they service. A better understanding of why agencies and individuals achieve various outcomes can eventually lead to knowledge of best practices that will maximize bureaucratic effectiveness for clients and taxpayers in policy implementation at the street-level.

In short, the "new governance" framework borrows from theories of political economy and conceptualizes performance as the quality or superiority of outputs achieved by administrative *organizations* and the *clients* serviced through policy implementation (Ingraham and Lynn 2004). Thus, the dependent variables of interest in implementation studies can be defined and measured at either the organizational-level (aggregate outputs of agencies, counties, or states) or at the individual-level (client based outputs). The specific outputs or performance measures under scrutiny will vary with the *objectives* or *goals* of specific policies being implemented. For instance, analysis of Head Start educational programs will examine outputs related to educational achievement, operationalized perhaps as standardized test or other aptitude test scores (See Currie and Thomas 1995), whereas, studies of substance abuse programs will inspect performance outputs related to sobriety and employment (See Heinrich and Fournier 2004).

In the case of welfare implementation, the performance objectives of AFDC administrators had traditionally been to provide timely cash payments and undertake routine case management procedures. Under TANF, the objectives clearly shifted from eligibility determination and income maintenance to a work-first approach (Soss et. al. 2001; Sanger 2003; Fellows and Rowe 2004). Apart from explicitly promoting sub-national policy autonomy, the stated goals (and subsequent performance objectives) of PROWRA legislation are to promote work and ultimate self-sufficiency through encouraging employment and responsible life choices, reducing dependence on public assistance. Other policy goals including increasing rates of marriage and reducing out-of-wedlock births are significant but doubtless secondary goals to employment and reducing chronic welfare dependency in America (Winston 2002).

PROWRA mandated that clients receiving assistance beyond 24 months must be engaged in work activities that are tightly defined by federal legislation (i.e. vocational training, community service, or actual employment). In order to curb long-term dependency, federal legislation also mandated that clients receive public assistance payments for no more than 60 months. States did have wide latitude in relaxing the stringent national guidelines, exempting clients from work requirements or extending time limits, but the fact remains that maximum federal block grant subsidies are based upon moving individuals off the roles and into employment (Sanger 2003). For instance, PROWRA mandated that states have 25 percent of the TANF caseload participating in full-time work activities in 1997. Federal work participation mandates increased to 40 percent in 2000, then increased further to 50 percent in 2002 with TANF reauthorization. TANF policy guidelines related to work and self-sufficiency inform the actions of front-line administrators and thus inform which dependent variables capturing administrative performance that will be explored in this section of the dissertation.

Market theories assert that two sides of the performance concept exist, one based upon *cost reduction* and another based upon service *quality improvement* or the superiority of administrative service outputs (Brudney 2005; Boyne 1998). Privatization should theoretically incite the highest quality service at the lowest cost, and current research demonstrates that public officials seek both quality improvement *and* cost efficiency when deciding to contract-out services (Brudney 2005). State policymakers and citizen taxpayers desire better services at cheaper cost and administrative strategies, such as privatization, should reflect those interests. It can be argued that analyzing service *quality* is relatively uncomplicated in that we can dissect the performance objectives of TANF and observe how the quality of these desired outputs, such as work participation and occupational earnings, vary across jurisdictions and clients[32].

The dependent variables capturing service quality indicators of administrative performance will be measured aggregately across states to examine general patterns

[32] The primary difficulty in assessing service quality is in deciding which quality indicators to choose. For instance, do we assess quality in terms of client employment status, earnings, marital decisions, sanctions or some combination of the innumerable output measures available? In this dissertation I focus on work participation and employment-based outputs because of the interest in the ability of reform measures to move welfare recipients into the workforce.

across the whole of America, and also measured at the individual-level across TANF clients in multi-level models to ensure improved internal validity. In the quantitative analysis, I choose to focus on employment-based TANF outputs that are of keen interest to both policymakers and taxpayers alike. Four aggregate output and outcome measures are employed in a state-level analysis and include TANF *work-participation rates*, *employment rates*, *average monthly earnings from employment*, and *sanction rates* for non-compliance with program rules. Client-level outputs will be employed in intrastate multi-level statistical models discussed in detail below and will include items such as individual TANF *work participation*, *employment, monthly earnings from employment, closure due to employment,* and *sanction* for non-compliance with program rules.

Costing measures that capture the financial burden of providing services are unquestionably more convoluted and limited Because of the redistributive and charitable nature of social welfare programs, it is on one front difficult to separate increasing administrative costs from increasing generosity associated with welfare provision. In other words, showing that one state or agency has higher service costs than another may not be a sign of bloated inefficiency but an indication of supplementary resources purposefully being directed at human support administration.

On another front, costing measures are restricted to operate singularly at the aggregate level in that individual clients do not have direct costing-based outcomes. We can ascertain if one client has superior employment, participation, or monthly earnings over another client, but have more difficulty ascertaining that one client "costs" more to service than another. Furthermore, there is some evidence that the costing dimension of cash assistance programs is not as politically salient as benefit levels and access boundaries, and that welfare costs may not follow the usual "race to the bottom" policy dynamics (Bailey and Rom 2004). For all of these reasons, indicators of cost are tabled in the quantitative analysis in favor of more readily observable dimensions of program outputs related to work participation, employment, earnings, and sanction for non-compliance with program rules[33].

INTERSTATE ANALYSIS

The first set of performance models is estimated at the state-level with aggregate measures of privatization and TANF outputs. Although extending empirical analyses to the individual-level remains the ultimate goal of this research, exploring patterns in TANF privatization and performance across states will set the foundation for empirical extensions later in the dissertation. Examining state-level variation in contracting levels and program outputs will offer nationwide patterns of administrative effectiveness across America, but causal inferences concerning individual clients are admittedly not optimized until TANF clients are introduced into the methodology as opposed to aggregate performance measures.

Dependent Variables

Data for TANF policy outputs and outcomes at the state-level come from the Department of Health and Human Services (DHHS) *Characteristics and Financial*

[33] The dependent variables appear to be capturing distinct TANF outcomes. The work participation and employment status variable are moderately correlated (.31, $p < .05$), but any correlations among the sanction and earnings variables are statistically insignificant. The sanction variable is negatively correlated with the work participation, employment status, and earnings variables (i.e. higher sanction rates are associated with less participation, employment, and lower earnings), but none of the negative correlations achieve statistical significance.

Circumstances of TANF Recipients for the fiscal year 2001. The state-level data from DHHS is available across several years for all states, but the GAO privatization measures representing the primary independent variables of interest are only available for the year 2001. The TANF performance objectives examined at the state-level focus primarily on employment-related outputs, or how successful states have been in preparing and moving welfare clients into the labor force. The *TANF work participation rate* is measured as the percentage of a state's adult active TANF recipient population that is engaged in any of five (5) work-related categories[34]. This particular program output has been used in past research to capture administrative "effectiveness" in TANF programs (Crew and Lamothe 2003), and has recently gained increased attention as TANF reauthorization mandates that 50% of single adult recipients be participating in at least 30 hours of work-related activities.

Work preparation activities are meaningful, but entering paid employment is a particularly important first-step to achieving self-sufficiency, thus I include the *percentage of active TANF cases that were engaged in paid employment* in 2001. Along with employment, one must also have adequate earnings to eventually realize financial independence and security. Thus, I include the state *average monthly earnings from employment* earned by adult TANF recipients as an indicator of how effective TANF administrators have been in moving clients into jobs that allow for comfortable living and social mobility. The "carrots" of TANF public assistance program include incentives like professional employment assistance, transportation and child-care subsidies; however

[34] The categories include "unsubsidized employment", "work preparation", "job search", "job training", and "other work activities". The "other" category is not specified but likely includes activities such as community service or another form of subsidized employment. The average state in 2001 had a TANF participation rate of 48 percent with a standard deviation of 19.13.

TANF implementation also involves "sticks" or punitive policy tools meant to control the behavior and ensure compliance with stringent program regulations (Fellowes and Rowe 2004).

Thus, I include a measure of the TANF *sanction rate* for non-compliance with program rules to examine privatization and the punitive measures in welfare reform programs that punish clients for misbehavior (Meyers et al. 2006). If administrative organizations are effective in treating TANF clients then fewer clients should be failing to comply with program rules. When workfare programs operate effectively ideally more clients will be participating in work preparation activities, working full-time, and fewer clients will be sanctioned for non-compliance. Although greater program compliance is an indicator of effective administration, the relationship between administrative ownership and sanctioning outputs can be complicated because of perverse economic incentives embedded in many performance-based contracts (Soss, Fording, and Schram 2011). Because TANF contracts are oftentimes based upon benchmarks related to employment outcomes and caseload decline (Winston 2002), for-profit organizations can perversely improve performance numbers through sanctioning clients more often, removing non-complying or difficult clients off the rolls completely so they will not count in the denominator of employment-based benchmarks (Soss, Fording, and Schram 2011). Because this dissertation lacks data on particular TANF contract details across jurisdictions the analysis cannot match contract incentives and sanctioning outputs, but nonetheless sanctioning can be a form of "creaming" and an administrative tool that improves employment-based performance numbers and improves the financial returns of profit-seekers.

INDEPENDENT VARIABLES

TANF Contracting

State-level data on TANF contracting consists of the measures available from the GAO (2002) that represented the dependent variables in the contracting estimations discussed in chapter three.[35] The TANF contracting measures (*TVPrivate*; *NonProfit*; and *ForProfit*) are now deployed as the primary independent variables of interest in models predicting TANF outputs across states. For quick review, *TVPrivate* is measured as the percentage of total TANF spending contracted-out to private organizations, and represents the general privatization effort of states. *NonProfit* and *ForProfit* capture the percentage of *total TANF spending* allocated to either non-profit or for-profit entities. The baseline expectation throughout the performance analysis is to observe a positive relationship at the state-level between levels of privatization and performance measures that include TANF work-participation, full-time employment, earnings from employment, and sanction rates.

H1: TANF privatization produces superior program outputs across states. TANF contracting levels will be positively related to state work participation rates, full-time employment, average monthly earnings from employment, and exits due to employment, and will be negatively related to sanctions for non-compliance with program rules.

Service Supply and Urbanism

An explanatory variable of interest from the opening analysis on contracting decisions, *marketplace competition*, is also used to model administrative performance at

[35] The GAO contracting data for the year 2001 includes the "total value of TANF contracts as a percentage of total federal and state MOE expenditures" (TVPrivate), the "percentage of contracted funds with non-profit providers" (NonProfit), and "the percentage of contracted funds with for-profit providers" (ForProfit).

the state-level. Including controls for service supply is paramount to examine the independent effect of the privatization on TANF performance outcomes when *controlling* for marketplace competition. That is to say we can observe the statistical impact of administrative ownership while variation in the competitive environment is held constant across space. Proponents of privatization argue that administrative ownership matters to policy implementation not because of organizational form necessarily, but instead due to competitive forces and the prospect of failure, and that competition in the contracting process is the most important condition that predicts privatized success (Savas 1988, 1998). The proxies for marketplace competition from the contracting analysis in Chapter three are utilized in OLS regression models of privatization and performance.

H2: The log of service business establishments, log of non-profit organizations, log of state population, and levels of urbanism will be positively related to participation rates, employment status, earnings from employment, and exits due to employment, and will be negatively related to sanctions for non-compliance

While measures of privatized contracting and statistical controls for the competitive environment are of the upmost significance to performance analysis, they are not the only variables that theoretically matter to policy outputs. Research in "new governance" argues that apart from administrative structuring, additional variables such as client characteristics, policy treatments, and the local task environment will also impact outputs (Ingraham and Lynn 2004). In order to better isolate the independent effect of privatization and competition on state-level TANF performance, I will include further controls that are found in existing research on TANF caseload decline across states (see Ewalt and Jennings 2004).

Client Characteristics

Characteristics of TANF clients are theorized to impact the probability of achieving program success. I include state-level indicators of disadvantaged populations who should have a relatively challenging time participating in work-activities, finding employment with high wage levels, and exiting the program due to employment. Two measures routinely operationalized in state-level studies of welfare policy adoptions and implementation outcomes, the *percentage of a state's TANF rolls comprised of African Americans* and *percentage of out-of-wedlock births among TANF cases,* are included in the performance models.

The inauspicious connection of African Americans to the welfare state is well documented as discussed previously in Chapter Three, and current welfare reform research finds that this historically marginalized group resides in states with the lowest monetary benefit levels, the most stringent program rules, and are more likely to be sanctioned than non-black clients (Soss et. al. 2001; Kalil et al. 2002; Fellows and Rowe 2004; Fording et al 2007). African Americans have encountered historical occupational discrimination and lag behind other ethnicities in terms of education and skills training, and should hence struggle under employment based social services, achieving inferior TANF program outcomes vis-à-vis other demographic groups. Single mothers do not face an equal history of discrimination but encounter persistent gender discrimination nonetheless, and handling the rigors of child-rearing should find it more difficult to gain meaningful employment and remain successfully in TANF program compliance.

H3: The percentage of African Americans and unmarried births among TANF cases will be negatively related to work participation, full-time employment, earnings from employment, and will be positively related to sanction for non-compliance

Policy Treatments

Next, the stringency of policy choices adopted by states, especially those related to work requirements and sanction policies, will guide the policy treatments undertaken by street-level administrators and should be related to the quality of employment related outputs. In other words, states with more stringent *work requirement policies* (requiring immediate work preparation enrollment upon initial program registration for example) should have a greater proportion of TANF clients working and have more case closures due to employment than for other reasons. States adopting stricter work requirements or sanction policies are sending a signal to front-line administrators that pursing employment outcomes and punishing misbehavior is prioritized over other objectives, and front-line workers should more vigorously pursue these approaches. Existing evidence suggests that states with strict sanctioning policies are more likely to experience precipitous caseload decline (Rector and Youssef 1999; Mead 2000), and that relatively punitive states like Florida are likely to emphasize sanctioning penalties and more readily pursue sanctioning avenues (Fording et al. 2007). On the other hand, because welfare grants are oftentimes reduced substantially upon initial program infractions, strict sanction policies increase the cost of non-compliance to welfare recipients and thus provide incentives for clients to remain eligible and participate more consistently in program activities. Thus, instead of increasing sanction rates, strict sanctioning policies could potentially be associated with lower sanction rates and improved employment outcomes (Meyers et al. 2006).

The work requirement variable is measured dichotomously, taking on a value of 0 or 1, with 1 representing stricter states that require work before the 24-month federal requirement, and 0 representing those states that retain the 24-month federal requirement. Because of the coding scheme I would expect a positive relationship between the work requirement variable and employment related outputs. Alternatively, instilling stricter work requirements could make it more difficult for program clients to remain in compliance with program rules, and as a result could be sanctioned off the TANF rolls at a higher rate. The sanction severity measure ranges from 0 to 100 and represents the percentage of TANF benefit reduction upon a first non-compliance offense. States scoring 100 are deemed to be the strictest states in that 100 percent of the client's welfare benefit is reduced upon first behavioral infraction, while states scoring zero or on the lower end of the sanction measure (i.e. benefit levels remain untouched upon first offence) are deemed more lenient.

H4: States with more restrictive work requirements and more stringent sanction policies will experience increases work participation, full-time employment, and higher sanction rates

The Socioeconomic and Political Environment

Lastly, the local socioeconomic and political environment should shape the opportunities available to TANF clients and the values of program administrators and influence eventual program outcomes. In difficult administrative task environments, both clients and administrators should encounter more difficulty in achieving program success. Two state-level indicators of the socioeconomic environment, the *unemployment rate* (Ewalt and Jennings 2004) and *poverty rate* (Fording et al. 2006), should be negatively related to work participation, paid employment, earnings from employment, and positively related to sanction rates. In softer labor markets employers will resist actively seeking potential job applicants to fill job openings and administrators will find it more difficult to place clients into meaningful employment (Sanger 2003). States with higher poverty rates could face similar challenges in that promoting work and self-sufficiency could be more difficult in poorer environments with fewer economic resources and opportunities for economic success.

The political environment that administrators operate within should shape the values and priorities of local welfare offices and impact the outcomes of TANF clients taking part in the program (Fording et al. 2007). More conservative state citizenries and governments likely have a greater preference for the neoliberal goals of moving welfare clients into low-wage employment, and punishing welfare clients that do not strictly adhere to program requirements. Conservatism espouses individual-level reasons for poverty conditions, such as laziness or irresponsible life choices, and will thus administer individual-level remedies that improve work ethic and impose swift punishment for breaking program rules. Relatively liberal states should focus more on structural or contextual reasons for poverty, such as discrimination, suburbanization or globalization, in policy formulation and administer programs that prioritize equitable provision, benefit generosity, and skills training over immediate employment and sanction tendencies (Fording et al. 2007). Thus, *liberalism* among state citizens and governments should be negatively related to the state employment outputs *and* negatively related to sanction rates. As an additional indicator of the political environment, I also include the party of the governor serving in 2001.

H5: The unemployment rate and poverty rate in a state will be negatively related to participation rates, earnings from employment, and exits due to employment, and will be positively related to sanction rates.

H6: Political liberalism and Democratic governorships in state governments should be negatively related to employment outcomes and negatively related to sanction rates.

State-Level Performance Model:

$Y(\textit{Program Outputs})_s = \beta 0 + \beta 1(\textit{Privatization})_s + \beta 2(\textit{Business})_s + \beta 3(\textit{Nonprofits})_s + \beta 4(\textit{Population})_s + \beta 5(\textit{Urbanism})_s + \beta 6(\textit{Race})_s + \beta 7(\textit{Unmarried})_s + \beta 8(\textit{Work Requirement})_s + \beta 9(\textit{Sanction Stringency})_s + \beta 10(\textit{Unemployment})_s + \beta 11(\textit{Poverty})_s + \beta 12(\textit{Ideology})_s + \beta 13(\textit{Governor})_s + \beta 14(\textit{Mississippi})_s + \varepsilon$

s = state

INTRASTATE ANALYSIS: A HIERARCHICAL APPROACH TO STUDYING TANF PRIVATIZATION AND PEFORMANCE

Studying aggregate performance measures can uncover meaningful patterns of policy implementation and bureaucratic performance across the American states. Indeed, external validity is maximized through an exhaustive spatial approach that encompasses the fifty states, but in order to make more accurate causal inferences regarding the direct effects of privatization on client outcomes, data on individual program clients must be examined. TANF outputs (employment, earnings, sanctions, etc.) at the street-level occur principally among individuals, not agencies, cities, or states and thus incorporating data on individual clients is methodologically appropriate. In order to incorporate individual-level data, this research employs an intrastate "hierarchical" methodology, known as multi-level modeling or hierarchical linear modeling (HLM), in which individual-level data are analyzed alongside higher-level contextual measures, such as TANF administrative arrangements. In essence, HLM techniques allow the program outputs of *individuals* to be modeled simultaneously as a function of both individual client characteristics and measures at higher levels of analysis improving internal validity.

HLM techniques have recently garnered popularity in social science research because of the distinctive ability to model outcomes with (linear and non-linear) equations that estimate individual (level-1) and contextual (level-2) parameters simultaneously. In education research, for example, scholars can observe how pupil-level achievement varies across pupil-level traits while also observing the independent and interactive effects of higher-level variables related to families, schools, or school districts[36]. Administrative researchers of policy implementation and performance operating within the new governance framework recognize the hierarchical nature of relationships that are of interest to this research (Lynn, Hienrich, and Hill 2000; Ingraham and Lynn 2004).

Under the new governance framework, administrative outputs (O) are conceived as a function of five sets of variables that include client characteristics (C), administrative structures (S), environmental factors (E), and other variables such as policy treatments, and managerial roles and actions. This research is centered on examining variation in administrative structures (S), and understanding how privatized delivery arrangements interact with client characteristics (C) and the local environment (E) to impact TANF client outputs. In the multi-level models constructed here, level-1 variables represent the *outcomes and characteristics of TANF clients,* while level-2 variables are measured across counties and capture the local *administrative*, *economic*, and *political* environments in which implementation takes place.

In order to capture more direct measures of the independent variable of utmost concern, TANF provider type, one must observe variation in welfare contracting taking

[36] HLM simultaneously estimates two models: first, it estimates parameters among individual-level variables, while also estimating how individual-level outcomes vary across higher-level variables. HLM is a methodological improvement because instead of aggregating individual-level data to higher levels (then performing an OLS regression), individual-level slopes and intercepts are allowed to vary randomly across higher levels of analysis. Individuals nested within higher-level contexts are likely to share specific unobserved characteristics with level-2 variables. This violates the independence assumptions of non-hierarchical OLS techniques and assumptions regarding the (random and normal) distribution of error terms, thus HLM should produce more efficient estimations.

place *within* states, where an exclusive blend of private and public agencies administer localized welfare services. TANF service providers can operate at the county-level, and counties (not states) oftentimes have sole responsibility for TANF implementation and contracting decisions (Fording et al. 2007 and Winston 2002).

Fourteen states have instituted significant "second-order devolution" (SOD), granting local officials broad discretion in the implementation of TANF policy (Kim and Fording 2010). Eight states have undertaken complete SOD, granting counties or local governments sole authority over contracting decisions and program rules. States such as California, New York, Ohio, North Carolina, and Wisconsin devolved policy authority to county governments (Kim and Fording 2010). In nearly every case, the states afford block-grants to county governments, which then take on responsibility for administering and monitoring the TANF program. Counties are free to establish unique administrative arrangements, and can oftentimes choose to impose a more lenient or restrictive set of program rules on welfare clients, ensuring that variation in street-level operations and program outcomes likely exist across states and localities (Gainsborough 2003; Beller 2005; Kim and Fording 2010).

Another six states granted substantial policy authority to local advisory boards or "regional workforce boards" (RWBs). Much like county governments under SOD, these entities have the authority to contract services with private sector providers, and oftentimes have the power to impose unique program rules and offer a unique menu of available services. Local workforce boards operate in the wake of the WIA passed in 1998 and are generally comprised of a mixture of local government officials and members of the local business and social service community (Kim 2010). In some cases the state government retained the power to determine eligibility and outline basic TANF program rules, but nonetheless local workforce boards enjoy wide latitude in constructing local bureaucratic arrangements, and local providers enjoy wide latitude in shaping day-to-day operations at the street-level (Gainsborough 2003). The existence of SOD means that any macro, interstate analysis must be extended through an *intrastate* approach that examines variation in privatized arrangements and individual client outcomes *within* states. Because welfare providers can vary at the county-level *within* states, undertaking an intrastate approach that examines sub-state differences is methodologically appropriate[37].

Florida represents one immediate state of interest for the intrastate HLM analyses. In the aftermath of PROWRA, Florida pursued extensive SOD, granting twenty-four Regional Workforce Boards (operating in 67 Florida counties) the autonomy to contract services to either private, public, or a mix of agency types, and allowed private entities to operate entire local welfare offices[38]. The state of Florida retained the power to determine initial program eligibility, established uniform program workfare rules, and established uniform performance objectives across all counties.

Florida's general demographic diversity and pursuit of decentralized bureaucratic control results in meaningful variation in provider types and street-level operations, making this state a popular choice for welfare reform researchers[39]. To date, all

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[37] One could feasibly pool administrative ownership data across multiple states and perform a multi-state analysis, but it would require the collection of localized provider type data to correctly match clients to welfare services. Unfortunately, county-level TANF contracting data are not readily available across space or time.

[38] The Florida Department of Children and Families (DCF) did retain power to determine initial TANF eligibility. Private entities in Florida are potentially in charge of all case management and monitoring activities but cannot determine who is initially eligible to participate in the program.

[39] The Florida TANF program is decentralized in many respects but remains centralized and uniform in several other respects that will allow for statewide controls in the analysis. For instance, all providers must

systematic quantitative studies published on TANF privatization and performance examine Florida (Crew and Lamothe 2003; Fording et. al. 2007), and the ready availability of provider type data in Florida makes this state an ideal place to begin studying privatization and outputs across TANF clients[40].

Client-Level Data: Outcomes and Predictors

Data for individual TANF clients in Florida come from a generous database of cross-sectional administrative data compiled by the U.S. Department of Health and Human Services (DHHS) and includes six years of observations (2000-2005) for both open and closed TANF cases[41]. Individual program outcomes for open TANF cases serving as the dependent variables in the multi-level models include *participation in work activities*, *earnings from employment,* and *sanctions for non-compliance*. The work participation and sanction variables are all operationalized in a dichotomous fashion (meeting participation requirements (1) or not (0) and received sanction (1) or not (0)). Earnings from employment are measured continuously as the total income from work activities reported from the previous month in the TANF program.

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meet uniform performance goals established at the state-level, thus performance management is controlled for in the analysis. In another dimension, localities are forbidden from changing basic TANF boundaries or treatments such as work participation requirements. Local welfare offices can adapt innovative operational processes but cannot alter the basic framework of TANF rules. TANF rules are constant across the state of Florida and thus are controlled for in the analysis.

[40] Data on the administrative ownership of local TANF offices does not exist in any systematically organized way. Fortunately, researchers studying Florida have collected sporadic ownership data at different points in time. Privatization data in Florida is available for the years 2000 and 2001 from Crew and Lamothe (2003) and data for the year 2004 is available from Fording et al. (2007).

[41] "Open" cases represent TANF clients that were currently participating in the Florida TANF program at the time of DHHS data collection. "Closed" cases represent TANF clients who had previously participated in the TANF program, but were not currently receiving public assistance when the DHHS survey was administered. Open and closed TANF cases were surveyed separately and represent two distinct datasets, but both clientele groupings answered a relatively similar battery of survey questions, allowing for continuity and comparisons to be made among these different types of TANF clients. By examining open TANF cases, this research can better understand how current clients are fairing in the TANF program; whereas, examining closed cases will elucidate the reasons for case closure and earning potential after leaving the TANF program. See the Appendix for descriptive statistics that highlight the consistency of the individual-level variables among the two datasets.

The dependent variables employed in the closed case multi-level models include *reason for closure* and *earnings from employment*. Monthly earnings from employment are measured analogous to the open cases. There are two *closure* variables. The first represents *closure due to employment or earnings* and another relates to *closure due to sanction for non-compliance*. Both are measured in a dichotomous fashion (1 if case closes for reasons of employment or earnings and 0 if otherwise; 1 if case closes due to non-compliance (sanction) and 0 if case closes for other reasons).

Individual predictors of program outputs for both “open” and “closed” cases include *race*, *gender*, *education*, and *marital status*. African Americans, Hispanics, and females have experienced a history of occupational discrimination and continue to face unique challenges to employment that might incite substandard program outputs (Fording et al. 2007; Kalil et al. 2002; Gooden 2000; Danziger et al. 2000). Next, levels of education should predict program success in that clients with higher levels of education are theorized to have an easier time procuring employment and finding jobs that offer elevated wages (Kaushal and Kaestner 2001; Bos et al. 2002). Lastly, clients that are married presumably have greater domestic stability and fewer burdens in their search for employment and likely have more successful program outcomes than single clients (Chase-Landsdale et al. 2003).

Client *race*, *gender*, *education*, and *marital status* are operationalized as a set of dummy variables (African American (1) or not (0); Hispanic (1) or not (0); female (1) or male (0); Less than 12 years of education (1) or 12 or more (0); and single (1) or married (0)).

H7: Client characteristics affect the TANF program outputs experienced by clients. African American, Hispanic, single, and female identity will be negatively related to work participation, earnings from employment, and closure due to employment, and positively related to sanction for non-compliance. Education will be positively related to employment outputs and negatively related to case sanctioning.

Operationalizing Administrative Ownership and Other Contextual Measures

The provider type data used in this preliminary analysis are measured across counties in Florida and are measured from available and collected data for the years 2000 - 2005 as an annual series of mutually exclusive dummy variables. Crew and Lamothe's ownership data are available for the years 1997-2001, thus the provider type and client-level data align only for the years 2000 and 2001. Data from Fording et al. (2007) are available for the year 2004. Data for the years 2002, 2003, and 2005 were collected and coded by the author. The analysis follows the basic 3-part coding scheme developed by Crew and Lamothe in which RWBs choose to retain governmental administration (*Public*), or contract out to either for-profit (*ForProfit*) or non-profit (*NonProfit*) organizations. *Public* serves as the reference category throughout the analysis, thus the basic expectation is to observe higher quality work-related outcomes (more work participation, higher earnings, and more closure due to employment) and fewer punitive sanctions among clients served within for-profits and non-profits *vis-à-vis* public agencies[42].

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[42] Provider type data is included for all years and Florida regions except for First Coast and Alachua in 2002, 2003, and 2005. Mirroring the mutually exclusive coding scheme of Crew and Lamothe each region and subsequent counties are coded either *for-profit*, *non-profit*, or *public* depending on which provider type was most prevalent in each respective fiscal year. The vast majority of locales chose to contract exclusively with either for-profits, non-profits, or public agencies, but a minority did utilize a hybrid approach. For instance, a blend of providers operates in Miami-Dade but non-profits are most common from year to year and thus it is coded as *non-profit* throughout the entirety of the dataset. I utilized a multifaceted approach to collecting TANF ownership data for the years 2002, 2003, and 2005 including internet archive searches, phone calls, and emails to local RWBs in the state of Florida. When internet

Welfare contracting is pervasive and varied within the state of Florida over the 2000-2005 time period examined in this study. TANF privatization is not exclusive to any one geographic region in Florida, and privatization (especially with for-profits) has been increasing over the six years of observation in this dissertation. In 2000 and 2001, government agencies operated TANF offices in nearly one in three Florida counties, but accounted for less than fifteen percent of welfare offices in 2004 and 2005. Public welfare agencies oftentimes work in tandem with the Department of Children and Families and are primarily housed within local community colleges (Gulf Coast Community College in Bay County, St. Petersburg College in Pinellas County, and Pensacola Community College in Escambia County for example), or other institutions of higher learning (Florida Atlantic University in Palm Beach County).

Next, a variety of non-profits operate TANF offices across the state of Florida. Approximately one-third of Florida counties contract with non-profit organizations, and that figure stays relatively steady across the 2000-2005 time period. Catholic Charities and Goodwill Industries were awarded contracts over the six year period examined here in counties such as Miami-Dade, Broward, and Leon-Tallahassee. Other locally-based non-profits operating TANF offices are the Florida Institute for Workforce Innovation (Highlands County), Workforce Connection, Inc. (Okaloosa and Walton Counties), and Experience Works (Duval, Baker, Putnam, and Nassau Counties).

Several for-profit firms operate TANF offices in Florida, and for-profit contracting is found to be increasing during the 2000-2005 time period. This is largely due to Affiliated Computer Services (ACS), the most prevalent for-profit workfare entity

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searches were unfruitful, I contacted the offices of the RWBs members primarily through email and directly inquired about administrative ownership for the years 2002, 2003, and 2005.

in the state of Florida. By 2004, ACS operated welfare offices in approximately one-third of Florida counties. There is not much turnover in welfare providers from year to year in the state of Florida, but ACS has managed to successfully increase TANF market share across counties over the time period examined here. Other profit-seeking firms operating in Florida include the Paxen Group (Pasco and Hernando Counties), Kaiser Group (Brevard County), and the Training Institute (Martin and St. Lucie Counties). Figure 4.1 illustrates TANF administrative ownership across RWBs in Florida over the 2000- 2005 time period.

(Figure 4.1 about here)

In order to more completely isolate the independent and conditional effects of TANF administrative ownership, this analysis includes variables related to the local socioeconomic and political environment that should theoretically shape the administrative environment and the program outcomes of TANF clients. Additional county-level socioeconomic control variables utilized in the HLM analysis include the *unemployment rate* (Ewalt and Jennings 2004), *poverty rate* (Fording et al. 2006; Kim 2010), and the *percentage of African American residents* and the *percentage of Latino American residents* (Kalil et al. 2002). Secondly, the indicator of the local political environment is conceptualized as a traditional left-right ideological scale and is captured with data that were collected by the author and developed by Fording, Soss, and Schram (2007). The county ideology measure is operationalized as the factor score from referenda results of eighteen ideologically relevant Constitutional Amendments from

1996-2004 in the state of Florida[43]. The ideology scores range from zero to one, with higher values representing increased conservatism.

H8: Contextual variables influence TANF client outputs within the state of Florida.

H8(a): Privatized administrative ownership, for-profit and non-profit ownership, will be positively related to work participation, earnings from employment, and closure due to employment, and will be negatively related to the probability of sanction for non-compliance with program rules.

H8(b): The county unemployment, African American, and Latino populations will be negatively related to employment outcomes and positively related to sanctions.

H8(c): Political conservatism will be positively related to both employment outcomes and the probability of sanction.

Intrastate Hierarchical Logit Model:

Level 1: $Ln\ [P_{ic}/1\text{-}P_{ic}]\ (Program\ Outputs) = \beta 0 + \beta 1(African\ American)_{iwr} + \beta 2(Latino)_{iwr} + \beta 4(Gender)_{iwr} + \beta 5(Marital\ Status)_{iwr} + \beta 6(Education)_{iwr}$

Level 2: $\beta 0_{c} = \gamma 0_{0} + \gamma 1(Public)_{wr} + \gamma 1(ForProfit)_{wr} + \gamma 2(NonProfit)_{wr} + \gamma 3(Race)_{wr} + \gamma 4(Unemployment)_{wr} + \gamma 5(Poverty)_{wr} + \gamma 6(Ideology)_{wr}$

iwr = Individual client in workforce region
wr = workforce region

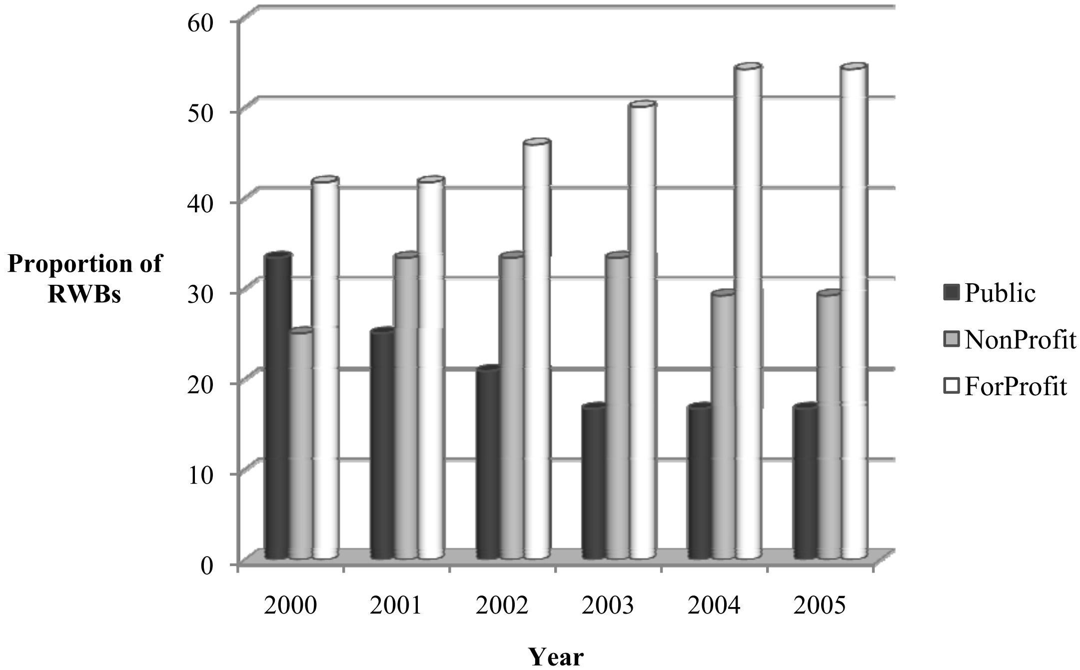
CONCLUSION

The empirical analysis initially explores state-level patterns in TANF privatization and performance, and additionally explores intrastate multi-level estimations that incorporate individual-level data. Examining performance outcomes at the state-level provides substantial external validity and generalizability across America,

[43] The Constitutional Amendments included several pertinent issues with clear ideological dimensions, such as preservation of the death penalty, transportation subsidies, universal public education , gun rights, animal cruelty, and the minimum wage. The factor analysis combines the scores into a single index that ranges from zero to one, with higher numbers indicating increased political conservatism.

while multi-level estimations improve internal validity and statistical inference. Now that the methodologies and measurements have been discussed, Chapter 5 of the dissertation examines the findings of the state-level and multi-level TANF performance models. Competing theoretical perspectives spar over the potential benefits and drawbacks of social service contracting and only objective empirical analysis can begin to unlock the true implications of the welfare marketplace as it concerns administrative performance and client well-being. Case studies of TANF contracting and county-level quantitative evidence (Crew and Lamothe 2003) suggests that privatizing welfare services will fail to significantly improve the welfare bureaucracy. Do these findings hold under different methodological conditions that involve patterns of performance across the American states and across TANF clients on the front-line service provision? Chapter five begins to answer these empirical concerns.

Figure 4.1. Florida TANF Administrative Ownership across RWBs, 2000-2005



Note: Vertical-axis represents the percentage of RWBs with various TANF administrative arrangements for a given year. Data for the years 2000 and 2001 come from Crew and Lamothe (2003). Data for the year 2004 come from Fording et al. (2007). Data for the years 2002, 2003, and 2005 were collected and coded by the author.

CHAPTER FIVE

Privatization and Performance: Analysis and Results

INTRODUCTION

Chapter Five begins to unlock the empirical associations between TANF privatization and TANF program outputs and outcomes. State-level patterns in privatization and performance are initially explored in route to multi-level models that include client-level data and contextual measures simultaneously. The findings presented in this chapter suggest that TANF privatization is inconsistently and oftentimes insignificantly related to TANF program outputs concerning work participation, employment, sanctioning, and monthly earnings. Throughout both the state-level and multi-level estimations, for-profit welfare administration seldom improves the outcomes of TANF clients, while non-profit administration is found to more frequently, yet still inconsistently, predict superior program results. Although the effects are inconsistent, non-profit contracting is found to yield higher TANF work participation rates at the state-level and yield more case closures due to employment at the individual-level. The results presented here routinely contradict any alleged privatization panacea, but when privatization does yield improved outcomes they are more likely to occur among non-profits than profit-seekers.

PRIVATIZATION AND PERFORMANCE ACROSS THE AMERICAN STATES

The analysis begins with a set of state-level multivariate OLS regression models in which TANF performance measures are regressed on the TANF privatization variables first explored as dependent variables in Chapter Three. As discussed in Chapter Four, the state-level dependent variables explored here are all measured for the year 2001 and include the TANF *work participation rate*, *full-time employment rate*, *sanction rate*, and *average monthly earnings* from employment. Dependent variables related to TANF participation, employment, sanctioning, and monthly earnings will also be explored at the client-level in the multi-level models, so these specific state-level variables were chosen for consistency with the individual-level outcomes.

For brief recap, the TANF privatization variables now serving as the independent variables of interest include *TVPrivate*, the percentage of TANF funds appropriated to private organizations. *NonProfit* is operationalized as the percentage of TANF funds awarded to nonprofit organizations, and *ForProfit* is operationalized as the percentage of TANF funds devoted to for-profit firms. The *TVPrivate* and *NonProfit* measures are highly correlated ($r = .91$; $p < .001$) and likely introduce multicollinearity into the regression models, thus I examine the *TVPrivate* and *NonProfit*/*ForProfit* variables in separate estimations. The performance models for the generic TANF privatization variable are found in Table 5.1, and the models for the specific non-profit/for-profit variables are found in Table 5.2.

(Table 5.1 about here)

(Table 5.2 about here)

The estimations presented in this chapter utilize many of the same controls used initially to predict privatization levels in Chapter Three. As discussed in Chapter Four, the state-level performance models presented in this chapter control for the competitive environment and urbanism, TANF client characteristics, welfare policy tools, and the political and socioeconomic environment. The models also include a Mississippi dummy variable because of the uniquely high level of TANF privatization present in that particular state. The coefficients for the control variables remain largely unchanged when the *TVPrivate* variable is substituted for the *NonProfit* or *ForProfit* variables, so I focus on the substantive findings from the initial *TVPrivate* models found in Table 5.1.

TANF Privatization and State-Level Patterns of Performance

Directing attention to the TANF privatization measures, the state-level OLS performance models in Tables 5.1 and 5.2 offer mixed results. For the most part, the administrative ownership variables are statistically insignificant to the estimations suggesting that privatized welfare delivery only seldom affects the quality of TANF outcomes. There is minimal evidence that general privatization levels (*TVPrivate*) or for-profit (*ForProfit*) contracting yield consistently superior program results across states. The *TVPrivate* slope coefficients in Table 5.1 have the theoretically expected positive and negative signs in the *Participate* and *Sanction* models, but the coefficients are unexpectedly negative in the *Employment* and *Earnings* models indicating lower levels of TANF employment and lower monthly earnings. Additionally, the *TVPrivate* slope coefficients *are statistically insignificant in every estimation* in Table 5.1 meaning that we cannot reject the null hypothesis that privatization has *zero effect* on TANF work participation rates, full-time employment rates, sanction levels, or monthly earnings from employment. There is little evidence of a privatization panacea in these initial aggregate performance models.

Similar to the general privatization variable, increasing contracting levels with for-profit firms seemingly does little to improve patterns of TANF performance across states in 2001. The *ForProfit* variable is statistically insignificant in the *Participation*, *Sanction*, and *Earnings* models in Table 5.2, and is unexpectedly negative and statistically significant in the *Employment* model suggesting that for-profit contracting is *inversely* associated with TANF employment rates. The beta coefficient of -.518 is less than the beta coefficient for urbanism but is larger than the beta for the black caseload variable. In other words, for-profit contracting levels have a larger substantive impact on TANF employment rates than the racial caseload but less impact than levels of urbanism.

.518 standard deviation units of the dependent variable, TANF employment rate, is equal to 4.39 percent (.518 * 8.48), thus every standard deviation *increase* in for-profit contracting is associated with a 4.39 percent *decline* in TANF employment rate. Increasing one standard deviation from the for-profit contracting mean to 9.34 percent (mean = 3.71; standard deviation = 5.63) decreases the predicted TANF employment rate to 19.32 percent (23.71 – 4.39). Increasing two standard deviations to 14.97 percent for-profit reduces the expected employment rate to 14.93 percent. Moving from two standard deviations below the privatization mean (i.e. those states with approximately zero for-profit contracting) to two standard deviations above lessens the predicted TANF employment rate by a total of 17.56 percent (32.49 – 14.93). Not only is profit-seeking administration largely insignificant to these state-level performance models, but for-profit contracting also predicts a *lower* expected TANF employment rate. Indeed, states with the greatest amounts of TANF dollars contracted with for-profit firms including Maryland, Nevada, Arkansas, Mississippi, Wisconsin, and Texas experienced relatively *lower* full-time employment rates in 2001. The highest full-time employment states frequently had fewer dollars contracted with for-profit firms (oftentimes at or near zero for-profit dollars) and included states like Illinois, Michigan, North Dakota, New Mexico, Connecticut, Minnesota, Virginia, and Alabama. Figure 5.4 illustrates the predicted relationship between profit-seeking welfare delivery and TANF employment rates across states in 2001.

(Figure 5.4 about here)

On the other hand, the percentage of TANF funds awarded to non-profits does significantly predict superior employment-based program outputs as it relates to TANF work participation rates. Controlling for several competing explanations including the competitive environment, policy tools, client characteristics, and the local political and socioeconomic environment, *non-profit contracting remains positively and significantly associated with TANF participation rates* in 2001. This suggests that when more TANF funds are directed at non-profit organizations, clients are more likely to be participating in work-related or work-preparation activities.

The beta coefficient for the *NonProfit* variable in the *Participate* model in Table 5.2 is .298 meaning that every standard deviation *increase* in non-profit contracting will yield a .298 standard deviation unit *increase* in the predicted TANF participation rate. The average participation rate in 2001 was 48 percent with a standard deviation of 19.13, thus .298 standard deviation units is equal to 5.70 percent (.298 * 19.13). Increasing one standard deviation from the non-profit spending mean to 29.42 percent non-profit (mean = 13.43; standard deviation = 16.09) increases predicted work participation levels to 53.7 percent (48 + 5.7). Increasing two standard deviations on the non-profit spending measure elevates the predicted work participation rate to 59.4 percent. Moving two standard deviations below the non-profit spending mean (i.e. those states with essentially zero non-profit contracting) to two standard deviations above increases the expected work participation by a total of 22.8 percent (59.4 - 36.6). Several states with the highest levels of non-profit contracting experienced healthy TANF participation rates including Wisconsin, Idaho, Montana, Washington, Illinois, Ohio, and Tennessee. A few high non-profit states including Mississippi, Pennsylvania, and Vermont experienced relatively low TANF participation rates, but the participation trend favors non-profit welfare delivery. For instance, states like Georgia, Maryland, North Carolina, Kentucky, and Oklahoma scored on the lower end of the participation scale and had very few of total TANF dollars contracted with non-profits. Figure 5.5 illustrates the predicted relationship between non-profit contracting and TANF participation rates across states in 2001.

(Figure 5.5 about here)

In these initial aggregate state-level models there is evidence that contracting welfare administration with non-profit entities could be to the advantage of low-income welfare recipients while profit-seeking welfare delivery might not be as advantageous, but without individual-level measures of program outputs, we are unsure that these aggregate relationships hold among individual clients. The next section of the dissertation examines the results of the multi-level models that incorporate both individual and contextual level variables into one comprehensive empirical analysis.

Several control variables thought to be associated with TANF outcomes are insignificant to the estimations in Tables 5.1 and 5.2. The *Earnings* model lacks statistically significant variables entirely. None of the numerical measures of marketplace competition are statistically significant in any estimation. State population, the number of service business establishments and number non-profit organizations are categorically unrelated to patterns of TANF performance. Additionally, the state governorship variable is also insignificant to the models along with the unmarried TANF population variable. Client characteristics as it pertains to the prevalence of unmarried TANF cases are not found to yield inferior outcomes at the state-level as predicted by theory. While being unmarried might not influence TANF outcomes in adverse ways, single clients are examined in the multi-level models in the next section that include individual-level data and can more accurately estimate individual-level effects.

Although inconsistent in their effects across models, control variables related to urbanism, client characteristics, policy tools and the political and socioeconomic environment significantly predict various indicators of state-level TANF performance in theoretically expected ways. *Urbanism* matters to TANF employment rates, *racial* *characteristics* matter to work participation and employment rates, *policy tools* matter to sanction rates, *political ideology* matters to participation rates, and the *socioeconomic environment* matters to both work participation and sanction rates. As with the privatization regression analysis presented in Chapter Three, standardized beta coefficients transform the OLS slope coefficients into a standardized scale based upon the standard normal curve (mean = 0; standard deviation = 1), and are analyzed to illustrate the substantive state-level findings throughout this chapter. This section begins with a discussion of the control variables then discusses how TANF privatization is potentially affecting the quality of program outcomes across states.

From examining the standardized beta coefficients in the *Participate* model in Tables 5.1 and 5.2, the socioeconomic environment operationalized as the state poverty rate is estimated to be the single biggest predictor of TANF work participation rates in 2001, followed closely by the black TANF caseload variable, and thirdly and less influentially by the political environment. While the political ideology variable is insignificant in several of the estimations along with the state governorship variable suggesting minimal political effects on TANF outcomes, the slope coefficient is negative and achieves statistical significance in the *Participate* model in Table 5.1. This suggests that states with more liberal governments have *fewer* TANF recipients participating in work-related or work preparation activities, and more clients are participating in more relatively conservative environs. Conservatives view poverty as driven primarily by individual shortcomings and are expected to put greater emphasis on improving work ethic and placing people into work preparation activities. The beta coefficient of -.312 indicates that the ideological substantive effect on TANF participation is less than the effect observed for the poverty rate or the racial caseload, but still significant in the model. The average state in 2001 had 48 percent of their TANF cases participating in work related activities with a standard deviation of 19.13, thus .376 standard deviation units is equal to 5.97 percent (.376 * 19.13). Moving two standard deviations below the mean ideology score (i.e. relatively conservative states) to two standard deviations above decreases the predicted TANF participation rate by 23.88 percent (59.94 – 36.06), less of an effect than the poverty rate or black caseloads but substantively important nonetheless.

Moving on to more influential factors in the *Participate* model, the negative and statistically significant *Poverty* slope coefficient in Table 5.1 indicates an inverse relationship meaning that states with higher poverty rates should predicatively experience lower participation rates. But just how much lower exactly? The beta coefficient of -.376 suggests that every standard deviation *increase* in the poverty rate *decreases* predicted TANF participation rates by .376 standard deviation units of the *Participate* dependent variable. The average state in 2001 had 48 percent of their TANF cases participating in work related activities with a standard deviation of 19.13, thus .376 standard deviation units is equal to 7.19 percent (.376 * 19.13).

Moving one standard deviation above the mean poverty level to a 15.33 percent poverty rate (Mean = 12.11; S.D. = 3.22) decreases the expected participation rate to 40.81 percent. Increasing by two standard deviations to an 18.55 percent poverty rate yields a predicted TANF participation rate of 33.62 percent. In total, increasing from two standard deviations below the mean poverty rate (i.e. low poverty states) to two standard deviations above *decreases* the predicted participation rate by a sizable 28.76 percent (62.38 – 33.62). High poverty states that follow the predicted pattern of dampened

TANF work participation include states like Arkansas, West Virginia, and Mississippi that have poverty rates of 17.8, 16.6, and 19.3 percent respectively and realized TANF participation rates of 32, 30.5, and 25.9 percent respectively. On the other hand, although New Hampshire is the lowest poverty state in 2001 and only experienced an average 44.8 percent participation rate, several other low poverty states such as Wisconsin, Iowa, South Dakota, and Nevada experienced relatively higher participation rates.

Racial characteristics also matter significantly and consistently in both the *Participate* and *Employment* models in Tables 5.1 and 5.2. The negative and statistically significant *AA-Caseload* slope coefficients indicate that fewer TANF clients are participating in work-related activities and fewer TANF clients are employed full-time in states with a greater percentage of African American welfare recipients. The beta coefficient of -.373 in the *Participate* model in Table 5.1 is only slightly less than the beta coefficient for state poverty rate (difference of .003), and thus the substantive predictions for race essentially mirror the state poverty rate. Moving from two standard deviations below the racial caseload mean to two standard deviations above decreases expected TANF participation rates by 28.56 percent (62.28 – 33.72). A similar two standard deviation movement along the poverty rate variable decreases predicted participation rates by 28.76 percent, representing a scant 0.20 percent predicted difference between the poverty rate and the racial caseload variable. Heightened levels of poverty and black TANF recipients are inversely related to work participation in roughly equal magnitude in Table 5.1. Several heavily black TANF states like Maryland, Georgia, Mississippi, Delaware, and North Carolina score on the lower end of the TANF participation measure, while states such as Montana, Idaho, Utah, Oregon, Maine, and South Dakota serve very few African American welfare recipients and experienced relatively high TANF participation rates. Several heavily African American TANF states actually did experience healthy participation rates in 2001 including Illinois, Wisconsin, and Ohio but the overall trend is decidedly toward observing reduced TANF participation in heavily black TANF states.

Racial caseloads are also a significant predictor in the *Employment* models in Tables 5.1 and 5.2 displaying a consistent negative relationship with TANF employment rates. Similar to the TANF work participation rate dynamic discussed above, *fewer* TANF clients are employed full-time in states with larger African American welfare caseloads. The beta coefficient of -.367 indicates that every standard deviation increase in the black caseload measure is accompanied by a .367 standard deviation *decrease* in the TANF employment rate. The mean TANF employment rate in 2001 was 23.71 with a standard deviation of 8.48, thus .367 standard deviation units is equal to 3.11 percent (.367 * 8.48). Increasing one standard deviation from the mean black caseload measure decreases the predicted TANF employment rate to 20.60 percent. Increasing by two standard deviations from the black caseload mean further reduces the expected TANF employment rate to 17.49 percent. Moving from two standard deviations below the racial caseload mean to two standard deviations above the mean *reduces* the predicted employment rate among active TANF cases by a total of 12.44 percent (29.93 – 17.49). Somewhat similar to the TANF participation dynamic, high black TANF states like Maryland, Arkansas, Georgia, Mississippi, and North Carolina experienced well below average full-time employment rates, with Maryland experiencing the lowest rate at just

5.7 percent employed. Although the state with the highest full-time TANF employment rate in 2001, Illinois, was unexpectedly a relatively high black TANF state (82.7 percent African American), the trend was for low black states to experience heightened levels of TANF employment. For instance, states like Hawaii, North Dakota, New Mexico, Washington, and Maine scored on the higher end of the full-time employment measure.

Previous research finds that African Americans are more likely to be sanctioned off the welfare rolls at much higher rates (Kalil et al. 2002), but the aggregate state-level models presented here lack such racial connections to sanction rates. There are fewer TANF clients participating in work activities and fewer employed TANF recipients in states with more black welfare recipients, but race does not matter significantly to sanction rates or monthly earnings across states in 2001.

(Figure 5.1 about here)

While racial caseloads do have a non-trivial substantive impact on TANF employment rates, the standardized coefficients in Table 5.1 and 5.2 suggest that levels of urbanism have a greater substantive effect than black caseload levels. The state *urbanism* variable displays a consistently *positive* and statistically significant effect in the *Employ* models in Tables 5.1 and 5.2. This suggests that urbanized states are likely to experience *higher* TANF employment rates among active welfare cases. When more state citizens reside within metropolitan statistical areas, there are likely more opportunities for employment and thus more welfare clients are more likely to be working.

The standardized coefficient in Table 5.1 is .474 and .474 standard deviation units of the employment rate is equal to 4.02 percent (.474 * 8.48). Thus, moving from two standard deviations below the urbanism mean to two standard deviation above increases the predicted TANF employment rate by a total of 16.08 percent (31.75 – 15.67). Being in more urbanized states does not influence state TANF participation rates, but more TANF clients are employed full-time in more urbanized environments. States with heavily urban populations such as Illinois, Hawaii, Michigan, California, and Connecticut experienced well above average full-time employment rates, whereas several less urbanized states such as Alaska, Wyoming, Nebraska, Montana, Arkansas, Oregon, and Kentucky routinely scored on the lower end of the TANF employment rate in 2001. The most urban state in 2001, New Jersey, experienced an average employment rate of 24.2 percent but nonetheless the TANF employment trend favors urbanization. In Chapter Three levels of urbanism were found to be positively related to TANF contracting levels in multivariate OLS models, but contracting levels themselves do not track significantly with TANF employment rates.

(Figure 5.2 about here)

Next, examining the coefficients in the *Sanction* models in Tables 5.1 and 5.2 both the stringency of sanction policies and the socioeconomic environment matter significantly to TANF sanction rates across states in 2001. The positive and significant *SanctSeverity* slope coefficients in Tables 5.1 and 5.2 suggest that when sanction policies are stricter, *more* TANF clients are sanctioned for non-compliance with program rules.

The standardized coefficients indicate that the strictness of state sanction policies has a larger substantive effect on sanction rates than the other two significant explanatory variables, the unemployment rate and the Mississippi dummy variable.

The beta coefficient for the *SanctSeverity* variable in the *Sanction* model in Table 5.1 is .321 meaning that a one standard deviation *increase* in the sanction severity scale yields a .321 standard deviation unit *increase* in the state sanction rate. The mean sanction rate in 2001 was 8.45 percent with a standard deviation of 9.71, thus .321 standard deviation units is equivalent to 3.12 percent (.321 * 9.71). Increasing one standard deviation from the mean of sanction severity index elevates predicted sanction rates to 11.57 percent. Increasing two standard deviations to states with the most severe sanction policies, increases predicted sanction rates to 14.69 percent (11.57 + .321). At two standard deviations below the mean sanction severity scale (i.e. states with the least stringent sanction policies) the predicted sanction rate is 2.21 percent, thus moving two standard deviations below the mean sanction severity scale to two standard deviations above increases the predicted sanction rate by a total of 12.48 percent (14.69 – 2.21).

The pattern between sanction stringency and sanction rates is evident. Mississippi, Oklahoma, and Florida are the three states with the highest rates of sanction in 2001 and each had adopted the strictest possible sanction policies (i.e. reducing the welfare grant by 100 percent on first sanction offense). Six of the top ten sanctioning states instituted full welfare grant reduction on first sanction offense. Several other states that had adopted the most stringent sanctioning posture score above the sanctioning average including Tennessee, Michigan, Kansas, Hawaii, and Nebraska. Indeed, Wyoming and Iowa are the only two full-benefit reduction states to experience below average TANF sanction rates in 2001. States with the most lenient sanction policies including Vermont, Pennsylvania, Minnesota, North Carolina, Texas, Arkansas, Maine and Wisconsin also experienced the *lowest* rates of sanction. The stringency of sanction policy choices seemingly affected patterns in sanction rates across states in 2001.

While more stringent sanction policies predict higher sanction rates, the relationship between policy tools and TANF performance in 2001 is inconsistent. The *WorkRequire* variable is statistically insignificant to the OLS estimations in Tables 5.1 and 5.2 suggesting that stricter work requirements on welfare clients are wholly *unrelated* to work participation rates and welfare employment. Get tough welfare sanction policies yield more sanctions for non-compliance, but on another front stricter work requirements are insignificant to the work participation and employment exits in these models. The inconsistent policy-performance relationship across states for the year 2001 means that no definitive claims can be made at this juncture, but future research should be mindful of the potential effects of various policy choices.

Finally, the socioeconomic context is also found to significantly affect TANF sanction rates in that the *unemployment rate* variable is found to have a statistically significant *positive* relationship with TANF sanction rates. Although less significant substantively than sanction stringency, the beta coefficient of .258 in Table 5.1 means that sanction rates are predicted to *increase* .258 standard deviation units for every standard deviation *increase* in the state unemployment rate. .258 standard deviation units of the sanction rate variable is equal to 2.51 percent (.258 * 9.71). Thus, moving two standard deviations below the mean unemployment figure to two standard deviations above *increases* the sanction rate by a total of 10.4 percent (13.47 – 3.43). This suggests that clients residing within states with higher unemployment rates might find it more difficult to remain in full program compliance, and consequently are being punished more often by front-line administrators. The unemployment rate measure is not found to significantly predict occupational outcomes related to work participation and full-time employment, but could potentially matter to welfare clients as it relates to their ability to remain in compliance with program rules. Figure 5.3 illustrates the predicted change in sanction rate across levels of sanction severity and the unemployment rate for the year 2001.

(Figure 5.3 about here)

Before delving into the state-level privatization findings and multi-level models presented in the next section of this dissertation, I offer one final observation concerning state-level patterns in TANF performance. Stated simply, there is a pattern of pronounced inferiority with regards to TANF performance measures within the state of Mississippi in 2001. The Mississippi dummy variable is negative and statistically significant in the *Participate* model in Table 5.2, indicating *lower* work participation rates among Mississippi TANF clients than recipients in other states. The dummy coefficients for the *Sanction* models are positive and statistically significant in Tables 5.1 and 5.2, indicating higher rates of sanction for Mississippi TANF clients in particular. The findings regarding TANF work participation and sanction rates should give the reader pause, especially considering the inordinately high level of welfare privatization found within the state (see Chapter Three).

PRIVATIZATION AND PERFORMANCE: HIERARCHICAL RESULTS

The results of the pooled multi-level estimations for the time period 2000 - 2005 are arranged into six (6) tables[44] [45]. Tables 5.3 and 5.4 contain the baseline non-interactive HLM estimations and reported odds ratios for both open and closed TANF cases. Tables 5.5 – 5.8 contain the interactive estimations across traditionally hard-to-serve clientele, including African American and low educated clients. In short, the HLM findings suggest that privatized arrangements infrequently and inconsistently influence or improve the quality of program outcomes for both open and closed TANF cases in Florida. Similar to the state-level analysis, there is inconsistent yet persistent evidence to suggest that TANF outcomes are relatively superior under non-profit welfare delivery, and inferior or unchanged under profit-seeking arrangements.

Table 5.3 presents the results from the pooled HLM estimations for open TANF cases in Florida. The individual-level (level-1) predictors are often statistically significant in expected ways. Female, single, and low education status is negatively associated with participation in full-time work activities. Additionally, female and low education TANF clients are predicted to earn less monthly income from employment in the initial models, and low education clients are associated with higher rates of

[44] All hierarchical estimations were performed in HLM (version 6.06).

[45] It can be argued that pooling the entire TANF sample is methodologically inappropriate. Because the TANF caseload is traditionally and disproportionately comprised of singe females, this group should exhibit unique program dynamics and be examined separately from male and married clients. However, approximately one quarter of the Florida TANF clients are married in both the open and closed case datasets, providing sufficient variation for inclusion of a marital status variable in the final pooled models. Secondly, the HLM models were estimated separately for females only and the substantive results do not change. The reason removing men from the datasets only has a negligible impact on the coefficients is largely because there are very few men in the datasets originally. Women make up 93.3% and 92.5% of the open and closed TANF cases respectively, thus removing men does not meaningfully change parameter estimates. There should be some caution in interpreting the highly skewed gender variable in the pooled models, but the other coefficients remain all but unchanged when men are removed from the sample.

sanctioning than more educated peers. While the *Latino* variable proves to be insignificant in the estimations, African American identity is negatively related to full-time work participation and positively related to the probability of being sanctioned (.708; $p < .05$).

Briefly turning to the level-2 measures in Table 5.3, we unexpectedly observe three negative and statistically significant coefficients for the *ForProfit* variable. This is interpreted to mean that vis-à-vis the reference category (public agencies), clients served within for-profit settings are *less* likely to be currently employed (-.243; $p < .05$), *less* likely to be participating in full-time work activities (-.266; $p < .05$), and are also earning slightly *less* monthly income from work activities (-9.38; $p < .05$). The *NonProfit* variable is statistically insignificant in every estimation in Table 5.3 suggesting that the program outcomes of *NonProfit* clients do not differ significantly from public agencies. While the employment outcomes of *ForProfit* TANF clients are relatively inferior, *NonProfit* administration is not found to benefit TANF clients, nor does it have deleterious effects on TANF clients relative to public agencies.

While the regression coefficients for monthly earnings can be interpreted in a straightforward manner, the coefficients for the logistic HLM estimations are not directly interpretable, thus odds ratios are calculated for the TANF work participation, employment and sanction models because these outcomes are measured in a dichotomous fashion[46]. Odds ratios calculate the probability of one event occurring (i.e., participating

[46] Odds ratios are utilized to indicate the "odds" of an event taking place relative to the "odds" that an event will not take place and is calculated as the probability of an event occurring (P) divided by the probability of an event not occurring (1 – P). Because logistical regression coefficients represent the change in the "log of odds" and are not directly interpretable, odds ratios are often used to put coefficients into a substantive context. An odds ratio of "1" indicates that one event is just as likely to occur as another. An odds ratio > 1 indicates an event is more likely to occur than another, while < 1 indicates an event is less likely to occur. For instance, an odds ratio of "1.60" means that the odds of one event occurring is 1.6

in full-time work activities) as opposed to another event occurring (i.e., not participating in full-time work activities) and will be used to discuss the substantive findings throughout the rest of the paper.

Most of the statistically significant odds ratios presented in the work participation model (*WorkPart*) in Table 5.3 are less than one, indicating *reduced* odds of participating in full-time work activities. Females, low educated, and single clients have a 47.5 percent (1.00 - .525), 44.4 percent (1.00 - .556), and 54.4 percent (1.00 - .456) *reduced* odds of participating in full-time work activities relative to males, higher educated, and married clients. The *Latino* variable is insignificant in the *WorkPart* model in Table 5.3, but the odds ratio of .783 for African American clients suggests that odds of participating in full-time work activities is 21.7 percent (1.00 - .783) lower than for non-African American clients. The only statistically significant individual-level variable in the *Employ* model in Table 5.3 is education suggesting that less educated clients have a 41.8 percent reduced odds of being currently employed than clients with a high school education.

The odds ratios in the *Sanction* model in Table 5.3 indicate that those clients lacking a high school education are 1.10 times or 10 percent more likely to have had their case sanctioned for non-compliance than more educated clients. A similar positive relationship is even more dramatic for female TANF clients, whose odds of being sanctioned for non-compliance are 42 percent greater than for male clients in the sample (1.42). Concurrent with existing research, an even yet more dramatic sanctioning relationship is observed for African American clients. Among open TANF cases during

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times more likely than another, or that the odds of an event occurring is 60 percent (1.60 – 1.00) more likely to occur than another event.

2000-2005 period in Florida, the odds of being sanctioned for non-compliance for African American clients are 103 percent higher or approximately two times (odds ratio = 2.03 ; $p < .05$) greater than clients that are not African American. Put another way, for every non-African American TANF client that is sanctioned in Florida during the 2000-2005, there are approximately two African Americans sanctioned. Although these racial findings for open cases presented here are stronger than those usually reported in TANF sanctioning studies, they do mirror those of Kalil et al. (2002), who find that blacks are nearly twice as likely to have their case sanctioned for non-compliance in Michigan.

Turning to the odds ratios for level-2 county-level variables in Table 5.3, clients served by for-profit firms are predicted to have a 23.4 percent *reduced* odds of participating in full-time work activities (1.00 - .766), and a 21.5 percent *reduced* odds of being employed than clients served by public agencies. For every five TANF clients working in public agencies there are approximately four clients working in for-profit administrative settings in Florida during the 2000-2005 time period. On the other hand, the insignificant coefficients for the *NonProfit* variable suggest that clients are no more or less likely to be working under non-profit administration than in public settings. There is scant evidence of privatized superiority in these initial models. Figure 5.6 illustrates the reduced odds of participation and employment among profit-seeking welfare providers in the state of Florida.

(Figure 5.6 about here)

Two other level-2 variables, the county percentage of African Americans and Latinos, are interestingly statistically significant in opposite directions in the *WorkPart* model. The odds ratios predict that increasing one point on the county black percentage *reduces* the odds of participating in full-time work activities by 1.4% (1.00 - .986). Whereas, increasing one point on the county Latino measure *increases* the odds of participating in full-time work activities by 3 percent (odds = 1.03). Similar to the work participation dynamic, increasing by one point on the Latino variable increases the odds of being employed by 2 percent (odds = 1.02) as observed in the Employ model.

Turning to the *Sanction* model we observe two statistically significant contextual variables, the county unemployment rate and the county Latino measure. Firstly, concurrent with the previous state-level analysis, the positive and statistically significant unemployment rate coefficient suggests that when TANF clients reside in high unemployment counties their cases are more likely to be sanctioned for non-compliance. The odds ratio suggests that every point increase in the unemployment measure is associated with a 24 percent increased odds of being sanctioned (odds = 1.24). In Florida counties with greater unemployment, individual TANF clients are more likely to be sanctioned for non-compliance with program rules. Secondly, the *Latino* measure is negative and significant indicating that increasing by one point on the county *Latino* measure decreases the odds of being sanctioned by 3 percent (1.00 - .970). The findings in Table 5.3 suggest that among counties with a higher percentage of Latinos, TANF clients are more likely to be participating in full-time work preparation activities, more likely to be employed, and less likely to be sanctioned for non-compliance.

(Table 5.3 about here)

(Table 5.4 about here)

Table 5.4 contains the baseline HLM results and subsequent odds ratios of the HLM estimations for closed TANF cases in Florida. Once again, the individual-level variables largely behave in an expected fashion. Lacking a high school education is negatively associated with case closure due to employment or earnings, and less educated clients earn less monthly income from employment (-37.77; $p < .01$). Females also earn less monthly income, and are 1.87 times (odds ratio = 1.87) more likely to have their case closed due to sanction for non-compliance.

Once again, the individual-level *Latino* variable proves insignificant to the estimations, but race continues to be a significant predictor in the models. The odds that African American clients exit TANF due to employment are 21.3 percent *less* than for non-African Americans in this sample. Put another way, for every five non-African American TANF clients exiting due to employment or earnings, there are fewer than four African American clients exiting due to employment. Furthermore, African American identity is associated with a 19 percent *increase* in the odds of being sanctioned off the welfare rolls (odds ratio = 1.19). This relationship is not as strong as the one observed among open TANF cases, yet remains consistent with the initial open cases findings and with existing research. The aggregate black caseload variable was statistically insignificant in the state-level sanction models estimated earlier in this chapter, but when individual African Americans are examined in multi-level models a strong statistical relationship with TANF sanctioning emerges.

One point of emphasis from the initial models is that African Americans consistently fare worse than other TANF clients in Florida during the 2000-2005 period examined here. Black clients are less likely to be in full-time work participation, less likely to be employed and exit welfare due to employment, and are more likely to have their case sanctioned. The state-level and multi-level findings of this dissertation further corroborate a substantial body of research that discovers intimate links between race and welfare policy in America. Figure 5.7 visually depicts the percentage change in odds of program success for open and closed case TANF outcomes for African American clients.

(Figure 5.7 about here)

Directing attention to the level-2 contextual variables in Table 5.4 (closed cases), we yet again observe that privatized administrative environments do not seemingly impact TANF clients in consistently superior ways. The *ForProfit* coefficients are statistically insignificant across all three closed case estimations meaning that we cannot reject the null hypothesis that for-profit firms have no effect on the superiority of client outcomes. Clients served by profit-seekers are *no more likely* to exit TANF due to employment, are not earning more in monthly income, and are no more or less likely have their case closed due to sanction. On the other hand, there is evidence in Table 5.4 that suggests clients are achieving superior program outputs when served under non-profit administration.

The *NonProfit* variable is positive and statistically significant in both the *Employ* model and negative and statistically significant in the *Sanction* model in Table 5.4. The odds that a client exits welfare due to employment or earnings is 43 percent *greater* when served under non-profits vis-à-vis public agencies (the reference category). Put another way for every 100 TANF clients exiting for employment under non-profits, only approximately 60 clients are exiting due to employment under public agencies. Secondly, according to the results of the *Sanction* model, TANF clients have a 23.6 percent *reduced* odds of exiting welfare due to sanction for non-compliance vis-à-vis government agencies. For every four clients sanctioned under government agencies there are approximately three clients expected to be sanctioned for non-compliance under non-profit ownership. Figure 5.8 illustrates the predicted non-profit relationships.

(Figure 5.8 about here)

In the open case estimations, government agencies were found to perform on par or in a superior fashion vis-à-vis non-profit organizations and especially for-profit firms. In short, there was no evidence of superiority in privatized welfare delivery systems in Table 5.3. In the closed case estimations (Table 5.4), public agencies continued to perform on par with profit-seekers. This suggests that there is no privatization panacea as it pertains to for-profit welfare delivery in the state of Florida during the 2000-2005 time period. However, there is evidence in the HLM models that non-profits are outperforming their government-controlled counterparts at least when it pertains to case closures.

TANF clients served under non-profit administration are *more* likely to exit welfare due to employment or earnings, and are *less* likely to exit welfare due to sanction for non-compliance with program rules. Although no definitive causal arguments can be put forth at this juncture, the evidence presented suggests that opening up welfare delivery to non-profit organizations can potentially yield superior program outcomes for TANF clients. Non-profit organizations have a storied history of providing services to low-income clientele and a particular adherence to compassionate social welfare missions that might be beneficial to poverty populations (Sanger 2003; Drucker 1990). In the state-level analysis, states with greater non-profit contracting levels experienced higher rates of TANF work participation. The positive relationship between non-profit contracting and TANF work participation at the state-level did not extend to individual participation in the multi-level open case estimation in Table 5.3, but the evidence among closed cases in Table 5.4 suggests that at the individual level clients within non-profits are more likely to be exiting welfare due to employment and less likely to be sanctioned off the welfare rolls. The multi-level evidence is not overwhelming, doubtless, or definitively causal at this juncture but there is a persistent if not consistent pattern of superior outcomes associated with non-profit welfare delivery.

PRIVATIZATION EFFECTS ACROSS DISADVANTAGED CLIENTELE

There is a concern among critics of social policy privatization that certain disadvantaged clientele groups will be treated inequitably by private, especially profit-seeking vendors, in an effort to "cream" the TANF pool, ultimately leading to inferior program outputs in the pursuit of profit maximization (Heinrich 2000; Gilman 2001; Sanger 2003; Soss, Fording, and Schram 2011). Non-profits and government agencies should have less organizational and frontline focus on the bottom line and more attention directed toward client barriers and individual needs, and thus program outcomes among disadvantaged clientele should be relatively superior compared to profit-seekers. For the most part, this research uncovers few statistically significant interactive relationships between disadvantaged characteristics and privatized administrative environments. The majority of interactive coefficients found in Tables 5.5 through 5.8 are statistically insignificant, suggesting that the outputs of the disadvantaged do not vary in systematically inferior ways across non-profit or for-profit welfare delivery systems.

Although I cannot readily confirm that statistically significant differences exist across administrative arrangements, odds ratios of achieving various TANF outcomes are calculated for both African American and less educated clients, and can illuminate how these individuals are potentially fairing under various forms of administrative ownership. The interactive odds ratios presented in this section of the dissertation lack any definitive pattern of inferiority, as each administrative form is found to induce superior quality in any single facet of TANF performance. Definitive patterns of profit-seeking inferiority are absent as for-profit firms routinely outperform government agencies, but generally speaking, the TANF outcomes of the disadvantaged among non-profit organizations are superior relative to both government agencies and profit seekers, further corroborating the potentially beneficial impact of non-profits in delivering welfare to especially disadvantaged clientele.

African American Clients

Tables 5.5 and 5.6 display the interactive racial estimations for open cases and closed cases respectively. Program outcomes of African American clients are found to differ significantly across administrative arrangements, but there is limited evidence to suggest that privatizing welfare services invariably leads to inferior outcomes for this historically disadvantaged group of clients. The interaction terms for open cases found in

Table 5.5 are oftentimes insignificant statistically speaking, but there remain some interesting findings in need of discussion. The substantive interpretation of the interaction terms and accompanying predicted odds ratios reported in Tables 5.5 and 5.6 is not obvious. In order to properly interpret coefficients, interaction terms and odds ratios must be examined and calculated *in relation to the baseline category* (Public). For instance, if we want to ascertain the predicted odds of work participation for black clients within for-profit firms, we must add together the *ForProfit*Black* coefficient and the baseline *Black* coefficient (i.e. blacks within government agencies). After summing the two coefficients (-.540 + .281 = -0.26) the exponential function [exp(-.26)] provides the difference in odds (odds = .77) of success for black clients within for-profits. The odds ratio of .77 for blacks within for-profits translates into a 23 percent *decreased* odds of participating in work activities (1 - .77). This means that the outcomes of black clients in for-profits are unexpectedly improved relative to government agencies, in which blacks have a 42 percent *decreased* odds of work participation (1 - .58). In other words, although blacks are less likely to be participating in work activities among for-profits than non-black clients (23 percent reduced odds), the odds of success are greater than in public settings, but the difference in odds does not achieved statistical significance.

Let us next examine how the TANF participation outcomes of black clients within non-profit providers compare to the other administrative forms examined above. The sum of the *NonProfit*Black* coefficient with the baseline *Black* coefficient equals (-.06) and [exp(-.06)] produces an odds ratio of .94, meaning that blacks within non-profits have a 6 percent reduced odds of participating in work activities (1 - .94). This suggests that two dynamics are taking place for African Americans within non-profit organizations. One, with a mere 6 percent reduced odds of participation for blacks there is minimal substantive difference in participation outcomes between blacks and non-blacks among this organizational form. Second, in relation to both profit-seekers and public agencies, black clients are achieving superior participation outcomes among non-profit providers in particular, and the interactive relationship does achieve statistical significance (see Table 5.5). Black clients served in non-profit settings still have a 6 percent *reduced* odds of participating in work activities but participation outcomes are especially inferior in for-profit and governmental settings. The predicted odds ratios of black client TANF outcomes for open cases across administrative ownership arrangements are illustrated in Figure 5.9.

Examining the odds ratios for the *Employment* and *Sanction* dependent variables for open cases in Figure 5.9, there is evidence that black clients are achieving *superior* employment and sanction outcomes under non-profits and for-profits compared to government agencies. For instance, black clients are predicted to have a 12 percent (odds = 1.12) and 13 percent (odds = 1.13) *increased* odds of being employed under non-profit and for-profit providers respectively, whereas black clients within government agencies have a 7 percent *decreased* odds of employment (odds = .93). This pattern of governmental inferiority holds for sanction outcomes among open case black clients in the 2000-2005 time period in that black clients are predicted to have a 75 percent increased odds of sanction under governmental administration, a 71 percent increased odds of sanction under non-profits, and a 65 percent increased odds of sanction under for-profits. There is minimal evidence of for-profit inferiority in the open case estimations.

The closed case interactive odds ratios for black clients across administrative arrangements are found in Figure 5.10. With a 43 percent *decreased* odds, the predicted odds of TANF case closure due to employment or earnings is lowest among public agencies followed in inferiority by profit-seekers in which black clients have a 22 percent reduced odds of exiting TANF due to employment or earnings. Alternatively, under non-profit administration, black clients have a 16 percent *increased* odds of having their case closed for reasons due to employment or earnings, and the difference in odds between non-profits and public agencies achieves statistical significance. These closed case findings suggest that while black clients are more likely to exit welfare due to employment or earnings under for-profit administration than under public administration (22 percent versus 43 percent reduced odds), non-profit TANF providers are found to outperform both for-profits and public agencies in terms of employment-based exits.

Non-profit superiority in employment or earnings closure for black clients does not extend to superiority for closure due to sanction for non-compliance. As observed in Figure 5.10, black clients within non-profit settings have a 14 percent increased odds of having their case closed due to sanction, whereas black clients have a 2 percent decreased odds of having their case closed due to sanction under government agencies. Black clients are more likely to experience sanction case closure under non-profits than government agencies, but the odds of closure due to sanction is predicted to be highest within for-profit firms in accordance with theoretical expectations. For the 2000-2005 period, black clients have a 31 percent *increased* odds of having their case closed due to sanction under for-profit administration, more than under both non-profits and public agencies. This could be evidence that profit-seekers in Florida are sanctioning black clients more often in an effort to “cream” the TANF pool (Soss, Fording, and Schram 2011), but the findings are not statistically significant and are inconsistent across open and closed cases. Black clients are sometimes worse off under for-profits, especially in terms of case closure but any definitive or pronounced pattern of inferiority is absent from the analysis. That being said, vis-à-vis non-profit organizations there is a pattern of profit-seeking inferiority in the interactive closed case estimations (Figure 5.10). Black clients served under non-profit organizations are more likely to experience case closure due to employment or earnings. This could be evidence that non-profits are disproportionately more engaged with historically disadvantaged African American clients and more apt to “expend resources to serve segments of the public that would otherwise be seen as too costly or unprofitable to serve.” (Heinrich 2000, p. 3), but inconsistencies will not allow for conclusive inferences.

Because of dichotomous measurement, odds ratios are required to interpret the work participation, employment, and sanction dependent variables, but what about predicted monthly income levels for black clients across administrative arrangements? The calculation and interpretation of the interactive monthly income coefficients is more straightforward, and the interactive income predictions for both open and closed cases are found in Figure 5.11. In order to ascertain the predicted monthly income level for black clients, one must simply add the interaction term to the baseline *Black* coefficient. For instance, open case black clients within for-profits are predicted to earn a mere 1.10 dollars (-8.73 + 7.63 = -1.11) *less* than non-black clients (essentially zero substantive difference in monthly income levels). Black clients within non-profits are predicted to earn slightly more at 11.82 dollars (-8.73 + 20.55 = 11.82). While small in magnitude black clients are predicted to do the worst under public agencies earning 8.73 dollars *less* monthly income than other clients. This patterns continues with closed case black clients as observed in Figure 5.11. Black clients are predicted to earn 38.87 dollars *less* in monthly income under public agencies, while earning 7.27 and 8.22 dollars *more* in predicted monthly income among for-profits and non-profits respectively.

The HLM empirical findings to this point suggest that privatizing welfare administration is no panacea in that the superiority of TANF outcomes are often statistically insignificant and inconsistent, but the findings also call into the question the presumed inferiority of profit-seeking firms to serve especially disadvantaged clientele. For-profits routinely outperform governmental ownership in terms of serving black TANF clients, while non-profits routinely induce higher quality relative to both government agencies and profit-seekers. This can be interpreted to mean that public policy scholars should remain critical of profit-seeking welfare delivery because for-profits rarely outperform non-profit or public welfare delivery, not because they provide inequitable, unjust services to black clients with significant or magnified barriers.

(Table 5.5 about here)

(Figure 5.9 about here)

(Table 5.6 about here)

(Figure 5.10 about here)

(Figure 5.11 about here)

Low Educated Clients

What about the quality of program outcomes for another historically disadvantaged group of TANF clients, those clients lacking a high school education? Once again, the cross-level interaction terms in Tables 5.7 and 5.8 are largely insignificant statistically in the estimations, suggesting that the open and closed case TANF outcomes of less educated clients seldom vary meaningfully across administrative contexts. When the interaction terms are significant, there is some evidence that low educated clients are fairing worse under for-profit arrangements and achieving relatively superior outcomes under non-profit administration.

The for-profit interactions (*ForPr*LTHS*) are statistically insignificant in six of the seven estimations presented in Tables 5.7 and 5.8, including all three closed case estimations, suggesting that the outcomes of low educated TANF clients *are no worse or better off under profit-seekers*. Similar to the for-profit interactive terms, the *NonPr*LTHS* coefficients are also largely insignificant in the estimations found in Tables 5.7 and 5.8 suggesting that non-profit organizations are not particularly beneficial or detrimental to low educated clients. However, as discussed earlier the interpretation of interactive coefficients and accompanying odds ratios is not obvious from the HLM tables. One must examine interactive odds ratios relative to the odds of success within the baseline *Public* category (i.e. low educated clients within public agencies). The predicted odds ratios of program outcomes for low educated clients across various administrative arrangements were calculated and are found in Figures 5.12 (open cases) and 5.13 (closed cases).

The open case interactive odds ratios in Figure 5.12 suggest that the TANF work participation and employment outcomes of low educated clients are improved among non-profit ownership relative to profit-seekers and public agencies. For instance, low educated clients have a 34 percent reduced odds (1 - .66) of work participation under non-profits, while having a 43 percent (1 – .57) and 47 (1 - .53) percent *reduced* odds of participation within public agencies and for-profits respectively, but the difference in odds between non-profits and public agencies does not achieve statistical significance. The superiority of non-profits and relative inferiority of for-profits in serving low educated clients is more pronounced in the *Employment* model in Table 5.7. Low educated clients have a 12 percent *increased* odds of being employed within non-profit settings, whereas low educated clients have a 33 percent and 58 percent *decreased* odds of being employed among public agencies and profit-seekers respectively. The difference in odds between for-profits and public agencies is statistically significant.

This pattern of improved work-based TANF outcomes among non-profits is confirmed further in Figure 5.13, which reports odds ratios for closed cases in Florida. For the 2000-2005 period, low educated clients do have an 11 percent decreased odds of case closure due to employment or earnings under non-profits, but these clients have a magnified 27 percent and 28 percent *decreased* odds of employment or earnings closure within public agencies and for-profit administration respectively. These findings suggest that under non-profit administration they are potentially more likely to be employed and are exiting welfare due to employment relative to government agencies and profit-seekers.

Non-profit superiority among low educated clients does not extend to TANF sanctioning outcomes. As observed in Figures 5.12 and 5.13 the sanctioning outcomes of low educated clients are predicted to be relatively superior among governmental settings and unexpectedly within for-profits relative to non-profits. Low educated open case clients (Figure 5.12) have a 21 percent *increased* odds of being sanctioned for non-compliance among non-profits, while low educated clients have a 22 percent *reduced* odds of being sanctioned among for-profits and a 3 percent reduced odds of sanction within public agencies. Low educated closed case clients (Figure 5.13) have a 3 percent reduced odds case closure due to sanction within non-profit settings, but have an 11 percent and 14 percent reduced odds of sanction closure within public agencies and profit-seekers respectively, although none of the interactive sanction coefficients reach statistical significance. There is evidence that the employment outcomes of low educated clients are markedly inferior among for-profit firms relative to non-profit organizations but sanctioning outcomes do not necessarily share a pattern of pronounced inferiority.

Although inconsistent, especially as it pertains to sanctions, there is evidence from both the open case and closed case samples that non-profit welfare implementation can be advantageous to low educated clients. Along with relatively superior participation, employment, and closure due to employment among non-profits, there is evidence that low educated clients are also earning more in monthly income as illustrated in Figure 5.14. For instance, the *NonPr*LTHS* coefficient is positive and significant in the *Earnings* model in Table 5.7 suggesting that low educated clients served under non-profits are earning more in monthly income. The effect in relation to the baseline *Black* coefficient is equal to 29.85 dollars (40.01 - 10.16) or the equivalent of 30 dollars more per month in employment income, and the interaction term reaches statistical significance. This translates into nearly 360 dollars more in yearly predicted earnings for low educated clients served under non-profits. On the other hand, low educated clients within for-profits are predicted to earn 15.91 dollars (-5.75 – 10.16) *less* in monthly income, worse than both non-profits and public agencies.

We observe a similar pattern in the closed case predicted income values. Low educated clients are predicted to earn less monthly income in every administrative setting but are predicted to earn the least amount among profit-seekers followed closely by government agencies, while achieving relatively superior earnings outcomes under non-profit providers. Low educated clients served under for-profits are predicted to earn 54.99 dollars *less* in monthly earnings. Similarly, low educated clients are predicted to earn 45.13 dollars less in monthly earnings under government ownership. The earnings outcomes among non-profit organizations are relatively improved in that low educated clients are only predicted to earn 7.62 dollars less in monthly income. The monthly earnings of disadvantaged clients are consistently improved under non-profit ownership relative to other administrative forms. There is little evidence that for-profits have especially deleterious effects on low educated clients relative to government agencies, but there is some evidence that low educated clients are achieving superior outcomes under non-profit arrangements.

(Table 5.7 about here)

(Figure 5.12 about here)

(Table 5.8 about here)

(Figure 5.13 about here)

(Figure 5.14 about here)

DISCUSSION AND CONCLUSION

Privatizing the administration of public policies through contracting with for-profit and non-profit service providers is a popular tool of governance, yet the implications of contracting decisions in human support policy remain understudied and relatively unknown. One recent case in need of study involves welfare policy in America. The latest wave of reform legislation devolved administrative authority to states and localities that have instituted privatized bureaucratic approaches at the street-level, in the hopes of achieving improvement in service quality for the poor (Sanger 2003; GAO 2002; and Winston 2002). It is well documented that sub-national jurisdictions are privatizing welfare implementation under PRWORA, yet researchers have accumulated very modest knowledge about how variation in privatized administration affects the TANF program outputs experienced by TANF clients. This analysis principally seeks to empirically connect administrative arrangements to TANF program outcomes through utilizing methodologically appropriate multi-level models that simultaneously incorporate and estimate both individual-level and contextual factors within the state of Florida. The primary expectation throughout this chapter is to observe that both client-level factors and administrative arrangements affect TANF outcomes and to observe superior program outcomes among clients served under privatized administration vis-à-vis public agencies. On one hand, the individual-level variables do display consistent and expected relationships with TANF outcomes. Clients that are female, single, low educated, and African American are found to generally participate in work activities at lower rates, earn less in monthly earnings from employment, and are sanctioned at higher rates.

More often than not, the provider type variables are insignificant to both the state-level analysis and the pooled multi-level open and closed case models. Ten of the twelve state-level privatization coefficients presented in Tables 5.1 and 5.2 are statistically insignificant, while nine of the fourteen privatization coefficients presented in the baseline multi-level Tables 5.3 and 5.4 are statistically insignificant. When variables are statistically insignificant, the null hypothesis that privatization has no appreciable effect on TANF outcomes cannot be rejected. In short, there is little empirical evidence of consistent privatized superiority in these models.

One possible reason for the prevalence of null findings in the multi-level analysis could likely pertain to the system of transparent performance-based contracting that exists within the state of Florida. Although RWBs within Florida are at liberty to contract welfare administration to private sector stakeholders, they are not at liberty to craft unique contracts that outline desired localized performance objectives. Performance benchmarks related to work-participation rates and wage ratios, for instance, are centrally and uniformly developed at the state-level by the Florida Department of Children and Families. Regardless of administrative ownership, all welfare providers in Florida are held to uniform performance standards, and performance outcomes are publicly scrutinized in quarterly "red" and "green" reports that rank how various regions are performing in terms of work participation and the like[47]. The uniformity of performance pressures inherent in the Florida contracting system likely mitigates any main effects of administrative ownership. When public agencies and non-profits must compete alongside profit-seekers for similar performance-based contracts, the efficacy of privatized ownership is seemingly muted. Privatization alone is not an administrative panacea.

Recent qualitative evidence on the Florida welfare system gathered by Soss, Fording, and Schram (2011) further highlights the weaknesses of welfare privatization, especially for-profit privatization, without proper contracting processes and institutional accountability. Profit-seeking entities were increasing their presence in Florida over the time period examined in this dissertation, but increased presence failed to materialize into consistent implementation successes for welfare clients. Why did privatization fail to yield consistently superior performance? There are several potential culprits. Perhaps most importantly, Soss, Fording, and Schram report that the TANF contracting process in Florida lacked open transparency. Although Florida has a history of broad "sunshine laws" when it comes to the activities of state-level departments, compulsory transparency does not extend to localized RWBs, whose activities operate in secrecy. Details about the particular contracting process or details within contracts are inaccessible to advocacy groups, researchers, or even state officials.

Along with a absence of contractual transparency, the loose collection of public-private RWBs in Florida lacked the proper capacity to adequately monitor the activities

[47] Top performing regions are put in the "green" while underperforming regions are put in the "red", and these summary TANF performance reports are distributed throughout the state. Having performance publicly scrutinized likely incentivizes welfare providers to optimize program outputs, irrespective of organizational form and ownership.

and results of welfare providers. The paradox of privatization is that shedding direct responsibility of administrative activities requires *more* intensive and comprehensive accountability mechanisms from government (Van Slyke 2002). In other words, government monitoring and oversight has become increasingly important as administrative activities flow to third-party providers. However, instead of instituting strong forms of public oversight and institutional accountability, Florida RWBs allowed welfare providers to *self-report* their results, inducing incentives to inflate performance numbers. Audits into several for-profit providers painted a damning picture of malfeasance in which corporations received performance bonuses with fabricated employment data (Soss, Fording, and Schram 2011).

The client-level data examined in this dissertation consists of administrative data voluntarily provided to the DHHS from state officials in Florida and found that profit-seekers are unlikely to improve the outputs and outcomes of TANF clients. In other words, private providers may not have been performing as highly as they were reporting publicly. Unknown contracting procedures, weak contracts, loose oversight, and self-reporting results likely doomed welfare privatization in Florida. Indeed, since 2008 some thirteen RWBs have completely terminated privatized contracts and have opted to retain welfare services in-house. Welfare privatization was popular for the 2000 – 2005 time period examined in this dissertation, but quickly fell out of favor with both clients and public officials.

When the privatization variables are statistically significant in the analyses presented in this chapter, there is a persistent pattern of superiority among non-profit welfare providers vis-à-vis profit-seeking and government controlled delivery. Non-profit TANF contracting is *positively* associated with TANF work participation rates at the state-level. In the open case multi-level models non-profit contracting was wholly unrelated to the superiority of TANF outcomes, but in the closed case models (Table 5.4) clients are *more likely* to exit welfare due to employment and *less likely* to exit welfare due to sanction. These findings comport with Crew and Lamothe's study in that non-profits were found to be more successful in employing TANF clients. Lastly, African American and low-income clients are intermittently achieving superior outcomes among non-profit provision. The social mission of non-profits to assist poverty populations and transform individual behavior could drive superior workfare performance all other things being equal. Non-profits have a long history of assisting in poverty governance and the evidence here suggests that non-profits should continue to operate alongside public agencies in human support provision. Including this dissertation, there is evidence from state-level, county-level (Crew and Lamothe 2003), and multi-level analyses that non-profits outperform other organizational forms in welfare implementation.

Future research should proceed in several directions. This analysis presented here utilized dummy variables (0 to 1 coding) to denote administrative ownership but there are likely other agency-level variables that matter to TANF employment outcomes. Factors found within different welfare agencies, such as organizational culture or managerial expertise, could theoretically influence TANF program outcomes. This dissertation assumes that privatized ownership entails flexible and innovative management systems, but data on specific managerial operations across providers were not analyzed. Administrative ownership may or may not be indicative of managerial styles and effectiveness, but more research will need to uncover these potential relationships.

Next, researchers should work to better understand how the decisions shaping initial contracting decisions can also potentially shape bureaucratic activities at the street-level. The multi-level analysis pursued in this dissertation assumes that Florida locales decide to contract with non-profits and for-profits at random, but that is all but assuredly not the case. For instance, certain organizational forms could be under or over performing because they are serving systematically different types of clients in systematically different geographical settings. A preliminary examination of Florida contracting patterns is ambiguous. Non-profits and for-profits are spread across both urban and rural settings and high unemployment and low unemployment counties. An initial logit analysis suggests that population size and ideology are also not significant predictors of contracting patterns in Florida. The analysis does suggest that for-profits are potentially more likely to serve Latino and black populations than non-profits and public agencies, but more research is needed to confirm any definitive associations.

Future research would also benefit from moving beyond the state of Florida. All current quantitative studies connecting TANF administration to employment outcomes are undertaken in Florida, thus the generalizability of any findings is incomplete until other states are examined. This research expands and largely confirms Crew and Lamothe's previous assertions about the inadequacies of TANF privatization in Florida and corroborates the more recent work by Soss, Fording, and Schram, but researchers and policymakers require a more general understanding of the relationship between contracting and outcomes. This can only be accomplished by extending multi-level statistical analyses to other state-level contexts.

Although privatized welfare providers are not found to consistently induce superior employment outcomes among the general TANF population in Florida, the evidence in the final section of this chapter suggests that privatizing welfare administration also does not have particularly deleterious effects on disadvantaged clientele. Vis-à-vis government agencies there is no consistent pattern of pronounced inferiority among for-profit providers, while non-profits are found to routinely outperform both public agencies and profit-seekers when serving particularly disadvantaged populations. For-profits regularly outperform government agencies in serving historically troubled clientele but rarely outperform non-profit organizations.

Table 5.1. TANF Privatization and Performance Outcomes Across the American States, 2001

IVs	*Participate*	*S.β.*	*Employment*	*S.β.*	*Sanction*	*S.β.*	*Earnings*
Privatization							
TVPrivate	**.264**	**.104**	**-.036**	**-.096**	**-.069**	**-.122**	**-1.92**
	(.282)		*(.085)*		*(.110)*		*(1.74)*
Service Supply							
Log-Pop	**1.30**	**.227**	**4.73**	**.361**	**15.78**	**.682**	**-127.68**
	(26.63)		*(15.33)*		*(12.96)*		*(157.22)*
Log-Bus	**5.88**	**.266**	**6.61**	**.381**	**1.32**	**.129**	**-142.64**
	(5.28)		*(7.61)*		*(7.24)*		*(108.22)*
Log-Nprof	**-.901**	**-.148**	**2.78**	**.303**	**-24.33**	**-.959**	**188.33**
	(27.21)		*(16.72)*		*(14.34)*		*(157.82)*
Urbanism	**.084**	**.013**	**.305****	**.473**	**.069**	**.107**	**1.23**
	(.210)		*(.150)*		*(.131)*		*(2.08)*
Policy Tools							
WorkRequire	**2.27**	**.051**	**1.13**	**.053**	**-1.86**	**-.159**	**48.41**
	(5.16)		*(2.92)*		*(2.70)*		*(35.03)*
SanctSeverity	**-.039**	**-.069**	**-.018**	**.075**	**.087****	**.321**	**-.763**
	(.061)		*(.038)*		*(.043)*		*(.623)*
Client Traits							
AA-Caseload	**-.257****	**-.373**	**-.112***	**-.367**	**.066**	**.269**	**1.54**
	(.119)		*(.066)*		*(.068)*		*(.932)*
Unmarried	**-.054**	**-.151**	**-.051**	**-.148**	**.056**	**.158**	**-.517**
	(.079)		*(.048)*		*(.061)*		*(.803)*
Socioeconomics							
Unemployment	**5.57**	**.243**	**-.162**	**-.039**	**2.87***	**.258**	**68.41**
	(4.66)		*(2.24)*		*(1.67)*		*(62.36)*
Poverty	**-2.22***	**-.376**	**-.249**	**-.381**	**.848**	**.232**	**-17.28**
	(1.22)		*(.626)*		*(.571)*		*(11.97)*
Politics							
GovtID	**-.228***	**-.312**	**.062**	**.156**	**-.001**	**.003**	**2.10**
	(.122)		*(.065)*		*(.059)*		*(2.07)*
Governor	**1.39**	**.074**	**-.871**	**-.029**	**-1.45**	**-.077**	**36.12**
	(7.28)		*(3.51)*		*(3.56)*		*(49.02)*
Mississippi	**-21.70**	**-.169**	**3.98**	**.049**	**16.20***	**.227**	**36.04**
	(16.93)		*(7.76)*		*(8.39)*		*(128.02)*
N	50		50		50		50
R^2	.397		.364		.480		.505

Note: OLS coefficients in bold, with robust standard errors in parentheses. All dependent variables are measured for the year 2001. TVPrivate is measured as the percentage of TANF funds awarded to private entities. The Participation dependent variable is measured as the percentage of TANF caseload that is currently participating in at least 30 hours of work preparation activities. The Employment dependent variable is measured as the percentage of the TANF active adult cases that were employed in 2001. The Sanction dependent is measured as the percentage of the TANF caseload that was closed due to sanction (work related or other reasons) in 2001. The Earnings dependent variable is measured as the average monthly earnings for active adult TANF cases. **p < .05; *p < .10.

Table 5.2. TANF Privatization and Performance Outcomes Across the American States, 2001

IVs	*Participate*	*S.β.*	*Employment*	*S.β.*	*Sanction*	*S.β.*	*Earnings*
Privatization							
ForProfit	**.028**	**.161**	**-.781****	**-.518**	**-.106**	**-.222**	**-1.32**
	(.557)		*(.203)*		*(.272)*		*(4.45)*
NonProfit	**.354***	**.298**	**-.037**	**-.068**	**-.054**	**-.085**	**-1.37**
	(.210)		*(.087)*		*(.075)*		*(1.29)*
Service Supply							
Log-Pop	**6.70**	**.127**	**13.29**	**.559**	**16.16**	**.595**	**-135.02**
	(27.74)		*(13.01)*		*(13.57)*		*(193.28)*
Log-Bus	**7.12**	**.146**	**-22.81**	**-.421**	**2.38**	**.079**	**-140.09**
	(6.35)		*(8.00)*		*(7.11)*		*(111.19)*
Log-Nprof	**-9.45**	**-.179**	**-8.10**	**-.212**	**-24.82**	**-.828**	**195.39**
	(29.77)		*(13.11)*		*(14.83)*		*(201.83)*
Urbanism	**-.107**	**-.229**	**.370****	**.575**	**.074**	**.084**	**1.01**
	(.221)		*(.150)*		*(.133)*		*(2.10)*
Policy Tools							
WorkRequire	**3.52**	**.032**	**.421**	**.049**	**-1.93**	**-.126**	**49.62**
	(5.66)		*(2.79)*		*(2.67)*		*(34.72)*
SanctSeverity	**-.015**	**-.017**	**-.018**	**-.037**	**.086****	**.321**	**-.771**
	(.067)		*(.032)*		*(.042)*		*(.618)*
Client Traits							
AA-Caseload	**-.205***	**-.301**	**-.122****	**-.401**	**.063**	**.232**	**1.50**
	(.111)		*(.057)*		*(.067)*		*(.949)*
Unmarried	**-.023**	**-.012**	**-.027**	**-.219**	**.058**	**.221**	**-.523**
	(.082)		*(.042)*		*(.060)*		*(.800)*
Socioeconomic							
Unemployment	**5.62**	**.222**	**-.326**	**-.031**	**2.78***	**.241**	**66.83**
	(4.79)		*(2.27)*		*(1.60)*		*(62.36)*
Poverty	**-2.24****	**-.383**	**-.296**	**-.077**	**.838**	**.056**	**-17.89**
	(1.06)		*(.557)*		*(.526)*		*(11.97)*
Politics							
GovtID	**-.139**	**-.296**	**.093**	**.007**	**.003**	**.026**	**2.09**
	(.144)		*(.055)*		*(.059)*		*(2.02)*
Governor	**3.37**	**.013**	**-3.02**	**-.004**	**-1.78**	**-.028**	**-38.96**
	(7.75)		*(3.31)*		*(3.57)*		*(50.85)*
Mississippi	**-26.03***	**-.192**	**9.63**	**.261**	**16.09****	**.234**	**9.79**
	(13.94)		*(6.61)*		*(7.05)*		*(116.17)*
N	50		50		50		50
R^2	.414		.443		.483		.511

Note: OLS coefficients in bold, with robust standard errors in parentheses. All dependent variables are measured for the year 2001. TVPrivate is measured as the percentage of TANF funds awarded to private entities. The Participation dependent variable is measured as the percentage of TANF caseload that is currently participating in at least 30 hours of work preparation activities. The Employment dependent variable is measured as the percentage of the TANF active adult cases that were employed in 2001. The Sanction dependent is measured as the percentage of the TANF caseload that was closed due to sanction (work related or other reasons) in 2001. The Earnings dependent variable is measured as the average monthly earnings for active adult TANF cases. **p < .05; *p < .10.

Table 5.3. Pooled HLM Analysis of TANF Privatization and Client Outcomes for Open Cases in the State of Florida, 2000-05

IVs	***WorkPart***	***Odds***	***Employ***	***Odds***	***Sanction***	***Odds***	***Earnings***
Individual							
Female	**-.605*****	**.525**	**-.069**	**.944**	**.345****	**1.42**	**-15.02***
	(.143)		*(.047)*		*(.171)*		*(8.94)*
LTHS	**-.591*****	**.556**	**-.519*****	**.582**	**.099***	**1.10**	**-52.42****
	(.002)		*(.115)*		*(.053)*		*(15.05)*
Single	**-.786*****	**.456**	**-.147**	**.863**	**-.097**	**.908**	**-4.94**
	(.071)		*(.113)*		*(.241)*		*(4.80)*
Black	**-.244*****	**.783**	**-.041**	**.959**	**.708****	**2.03**	**4.12**
	(.077)		*(.127)*		*(.279)*		*(5.30)*
Latino	**.162**	**1.17**	**.237**	**1.27**	**.357**	**1.43**	**3.14**
	(.101)		*(.159)*		*(.423)*		*(7.12)*
Contextual							
ForProfit	**-.266****	**.766**	**-.243****	**.785**	**.202**	**1.22**	**-9.38***
	(.072)		*(.118)*		*(.547)*		*(4.94)*
NonProfit	**-.035**	**.966**	**-.083**	**.992**	**.094**	**1.09**	**13.86**
	(.162)		*(.249)*		*(.242)*		*(11.36)*
Ideology	**-.084**	**.919**	**.064**	**1.01**	**.032**	**1.03**	**3.98**
	(.098)		*(.074)*		*(.144)*		*(3.10)*
Unemploy	**-.029**	**.971**	**.028**	**1.03**	**.187***	**1.24**	**-2.79**
	(.046)		*(.040)*		*(.102)*		*(2.45)*
BlackPct	**-.014****	**.986**	**-.020**	**.979**	**.017**	**1.03**	**-.623**
	(.006)		*(.011)*		*(.021)*		*(.447)*
LatinoPct	**.031*****	**1.03**	**.018****	**1.02**	**-.030****	**.970**	**.335**
	(.004)		*(.006)*		*(.015)*		*(.268)*
N	4340; 67		4340;67		4340;67		4340;67
μ0	.364		.145		.370		13.46
Chi-Square	213.20***		60.76*		74.06*		94.89*

Note: Cell entries are multi-level maximum likelihood coefficients/odds ratios (WorkPart, Employ, and Sanction models) and regression coefficients (Earnings model) with robust standard errors in parentheses. The WorkPart, Employ, and Sanction dependent variables are all measured dichotomously indicating whether an open case client was engaged in full-time work participation activities, was currently employed, or was currently sanctioned at the time of being surveyed (coded 1 if participating, working, or sanctioned and 0 if otherwise). The Earnings dependent variable is measured continuously and represents total monthly earnings from the previous month of employment. ***p < .001; ** p < .05; *p < .10.

Table 5.4. Pooled HLM Analysis of TANF Privatization and Client Outcomes for Closed Cases in the State of Florida, 2000-05

IVs	*Employ*	*Odds*	*Sanction*	*Odds*	*Earnings*
Individual					
Female	**-.024**	**.976**	**.626*****	**1.87**	**-41.86****
	(.145)		*(.132)*		*(16.28)*
LTHS	**-.258*****	**.981**	**-.111**	**.895**	**-37.77****
	(.086)		*(.072)*		*(14.51)*
Single	**.082**	**1.09**	**.023**	**1.02**	**15.79**
	(.066)		*(.073)*		*(10.71)*
Black	**-.239****	**.787**	**.174****	**1.19**	**-3.52**
	(.079)		*(.068)*		*(.13.94)*
Latino	**-.017**	**.983**	**.023**	**1.02**	**-5.78**
	(.072)		*(.077)*		*(16.18)*
Contextual					
ForProfit	**-.025**	**.971**	**-.131**	**.877**	**5.80**
	(.093)		*(.098)*		*(16.06)*
NonProfit	**.355****	**1.43**	**-.270****	**.764**	**23.64**
	(.142)		*(.130)*		*(20.99)*
Ideology	**-.109**	**.897**	**-.079**	**.924**	**-4.29**
	(.062)		*(.073)*		*(7.88)*
Unemploy	**-.062***	**.940**	**.006**	**1.02**	**7.99**
	(.033)		*(.004)*		*(10.03)*
BlackPct	**-.005**	**.986**	**-.010**	**.990**	**.784**
	(.094)		*(.011)*		*(1.26)*
LatinoPct	**-.012****	**.988**	**.001**	**1.00**	**.314**
	(.019)		*(.005)*		*(1.23)*
N	4624; 67		4624;67		4624;67
μ0	.156		.224		36.99
Chi-Square	72.95*		91.96**		106.40***

Note: Cell entries are multi-level maximum likelihood coefficients/odds ratios (Employ and Sanction models) and regression coefficients (Earnings model) with robust standard errors in parentheses. The Employ and Sanction dependent variables are measured dichotomously indicating whether a case was closed due to employment/earnings or closed due to sanction (coded 1 if case closed due to employment/earnings or sanction and coded 0 if case closed for other reasons). The Earnings dependent variable is analogous to the open case estimations and represents total reported monthly earnings from the previous month of employment. ***p < .001; **p < .05; *p < .10.

Table 5.5 Pooled Interactive HLM Analysis of TANF Privatization and Client Outcomes for Open Cases, 2000-2005

IVs	*WorkPart*	*Odds*	*Employ*	*Odds*	*Sanction*	*Odds*	*Earnings*
Individual							
Female	**-.611***** *(.102)*	**.524**	**-.069** *(.050)*	**.944**	**.341**** *(.118)*	**1.40**	**-18.63** *(7.23)*
LTHS	**-.586***** *(.060)*	**.557**	**-.519***** *(.114)*	**.595**	**.140** *(.243)*	**.881**	**-10.85**** *(4.29)*
Single	**-.786***** *(.081)*	**.456**	**-.161*** *(.098)*	**.852**	**.091** *(.245)*	**.917**	**3.61** *(4.26)*
Black	**-.540**** *(.196)*	**.583**	**-.076** *(.112)*	**.927**	**1.01***** *(.272)*	**1.75**	**-8.73** *(7.82)*
Latino	**.194** *(.143)*	**1.21**	**.227** *(.163)*	**1.26**	**.346** *(.994)*	**1.41**	**7.87** *(7.81)*
Contextual							
ForProfit	**-.017** *(.138)*	**.983**	**-.305**** *(.145)*	**.737**	**.456** *(.342)*	**1.58**	**-6.71** *(7.70)*
NonProfit	**-.035** *(.231)*	**.965**	**-.001** *(.191)*	**.999**	**-.158** *(.768)*	**.854**	**-13.68** *(9.78)*
Ideology	**-.079** *(.090)*	**.924**	**.038** *(.073)*	**1.04**	**-.057** *(.144)*	**.945**	**2.35** *(5.20)*
Unemploy	**-.029** *(.045)*	**.971**	**.029** *(.040)*	**1.03**	**.185*** *(.102)*	**1.25**	**-2.93** *(2.48)*
BlackPct	**-.007** *(.011)*	**.993**	**-.016** *(.011)*	**.985**	**.014** *(.019)*	**1.01**	**-.481** *(.592)*
LatinoPct	**-.013*** *(.008)*	**1.01**	**.015*** *(.007)*	**1.02**	**-.029**** *(.013)*	**.971**	**-.169** *(.276)*
Interaction							
Prof * Black	**.281** *(.105)*	**1.32**	**.199** *(.171)*	**1.22**	**-.510** *(.377)*	**.601**	**7.63** *(7.82)*
NonPr *Black	**.482**** *(.042)*	**1.62**	**.186** *(.364)*	**1.20**	**-.482** *(1.56)*	**.618**	**20.55** *(8.92)*
N	4340; 67		4340;67		4340;67		4340;67
μ0	.361		.156		.389		14.24
Chi-Square	211.19***		64.72*		79.29*		96.78**

Note: Cell entries are multi-level maximum likelihood coefficients/odds ratios (WorkPart, Employ, and Sanction models) and regression coefficients (Earnings) with robust standard errors in parentheses. The WorkPart, Employ, and Sanction dependent variables are all measured dichotomously indicating whether an open case client was engaged in full-time work participation activities, was currently employed, or was currently sanctioned at the time of being surveyed (coded 1 if participating, working, or sanctioned and coded 0 if otherwise). The Earnings dependent variable is measured continuously and represents total reported monthly earnings from the previous month of employment. ***p < .001; **p < .05, *p < .10.

Table 5.6 Pooled Interactive HLM Analysis of TANF Privatization and Client Outcomes for Closed Cases, 2000-2005

IVs	*CloseEmpl*	*Odds*	*CloseSanct*	*Odds*	*Earnings*
Individual					
Female	**-.022**	**.978**	**.629*****	**1.87**	**-41.98****
	(.166)		*(.132)*		*(19.09)*
LTHS	**-.248*****	**.780**	**-.109**	**.896**	**-37.13****
	(.060)		*(.072)*		*(14.61)*
Single	**.074**	**1.08**	**.022**	**1.02**	**15.32**
	(.066)		*(.067)*		*(10.74)*
Black	**-.562****	**.570**	**-.008**	**.991**	**-38.87**
	(.072)		*(.132)*		*(16.54)*
Latino	**.121**	**1.13**	**.014**	**1.01**	**-.537**
	(.089)		*(.092)*		*(20.56)*
Contextual					
ForProfit	**-.101**	**.904**	**-.275***	**.760**	**-17.53**
	(.141)		*(.145)*		*(20.37)*
NonProfit	**.068**	**1.08**	**-.348****	**.706**	**-2.12**
	(.162)		*(.162)*		*(27.88)*
Ideology	**-.110***	**.896**	**-.086**	**.918**	**-5.60**
	(.068)		*(.073)*		*(8.28)*
Unemploy	**-.074****	**.928**	**-.007**	**.993**	**7.51**
	(.035)		*(.039)*		*(10.18)*
BlackPct	**-.005**	**.994**	**-.011**	**.989**	**.652**
	(.007)		*(.011)*		*(1.26)*
LatinoPct	**-.013***	**.987**	**.001**	**1.00**	**.297**
	(.006)		*(.005)*		*(1.16)*
Interaction					
Profit * Black	**.322****	**1.39**	**.276**	**1.32**	**46.14****
	(.105)		*(.156)*		*(26.18)*
NonProfit *Black	**.708*****	**2.04**	**.138**	**1.15**	**47.09****
	(.042)		*(.176)*		*(26.91)*
N	4624; 67		4624 ;67		4624 ;67
µ0	.199		.223		37.47
Chi-Square	82.22*		91.41**		108.09***

Note: Cell entries are multi-level maximum likelihood coefficients/odds ratios (Employ and Sanction models) and regression coefficients (Earnings model) with robust standard errors in parentheses. The Employ and Sanction dependent variables are measured dichotomously indicating whether a case was closed due to employment/earnings or closed due to sanction (coded 1 if case closed due to employment/earnings or sanction and coded 0 if case closed for other reasons). The Earnings dependent variable is analogous to the open case estimations and represents total reported monthly earnings from the previous month of employment. ***p < .001; **p < .05; *p < .10.

Table 5.7 Pooled Interactive HLM Analysis of TANF Privatization and Client Outcomes for Open Cases, 2000-2005

IVs	*WorkPart*	*Odds*	*Employ*	*Odds*	*Sanction*	*Odds*	*Earnings*
Individual							
Female	**-.615***** *(.102)*	**.524**	**-.068** *(.047)*	**1.06**	**.342**** *(.121)*	**1.42**	**-18.97**** *(7.23)*
LTHS	**-.558***** *(.082)*	**.572**	**-.396**** *(.112)*	**.673**	**-.031** *(.375)*	**.970**	**-10.16*** *(5.72)*
Single	**-.787***** *(.082)*	**.455**	**-.162*** *(.098)*	**.851**	**-.085** *(.218)*	**.919**	**3.30** *(4.26)*
Black	**-.205**** *(.077)*	**.814**	**-.023** *(.096)*	**.984**	**.736***** *(.257)*	**2.09**	**3.33** *(4.27)*
Latino	**.138** *(.149)*	**1.15**	**.268*** *(.141)*	**1.31**	**.278** *(.348)*	**1.32**	**5.21** *(8.13)*
Contextual							
ForProfit	**.002** *(.153)*	**1.00**	**-.001** *(.158)*	**.999**	**.231** *(.321)*	**1.26**	**-4.24** *(10.01)*
NonProfit	**-.077** *(.238)*	**.926**	**-.118** *(.238)*	**.889**	**-.557** *(.615)*	**.573**	**- 30.89**** *(10.46)*
Ideology	**-.073** *(.088)*	**.930**	**.052** *(.085)*	**1.05**	**-.049** *(.139)*	**.952**	**3.57** *(4.62)*
Unemploy	**-.029** *(.045)*	**.971**	**.032** *(.043)*	**1.03**	**.185*** *(.102)*	**1.25**	**-2.80** *(2.39)*
BlackPct	**-.009** *(.011)*	**.991**	**-.014** *(.012)*	**.986**	**.014** *(.019)*	**1.01**	**-.525** *(.559)*
LatinoPct	**.014*** *(.008)*	**1.01**	**.013*** *(.007)*	**1.01**	**-.028**** *(.013)*	**.972**	**-.041** *(.285)*
Interaction							
Prof * LTHS	**-.076** *(.142)*	**.927**	**-.467*** *(.259)*	**.627**	**-.224** *(.414)*	**.799**	**-5.74** *(9.36)*
NonPr *LTHS	**.139** *(.207)*	**1.15**	**.505** *(.469)*	**1.66**	**.220** *(1.17)*	**1.26**	**40.01**** *(13.73)*
N	4340; 67		4340;67		4340;67		4340;67
µ0	.365		.149		.369		12.98
Chi-Square	213.37***		60.82*		73.27*		93.49*

Note: Cell entries are multi-level maximum likelihood coefficients (WorkPart, Employ, and Sanction models) and regression coefficients (Earnings) with robust standard errors in parentheses. The WorkPart, Employ, and Sanction dependent variables are all measured dichotomously indicating whether an open case client was engaged in full-time work participation activities, was currently employed, or was currently sanctioned at the time of being surveyed (coded 1 if participating, working, or sanctioned and 0 if otherwise). The Earnings dependent variable is measured continuously and represents total reported monthly earnings from the previous month of employment. ***p<.001; **p < .05; *p < .10.

Table 5.8 Pooled Interactive HLM Analysis of TANF Privatization and Client Outcomes for Closed Cases, 2000-2005

IVs	*CloseEmpl*	*Odds*	*CloseSanct*	*Odds*	*Earnings*
Individual					
Female	**-.014** *(.181)*	**.987**	**.632***** *(.132)*	**1.87**	**-41.96**** *(19.13)*
LTHS	**-.319**** *(.115)*	**.727**	**-.128** *(.094)*	**.896**	**-45.13**** *(22.28)*
Single	**.096** *(.067)*	**1.10**	**.033** *(.066)*	**1.02**	**17.17** *(11.78)*
Black	**-.233**** *(.072)*	**.792**	**.178**** *(.068)*	**1.19**	**-1.49** *(14.09)*
Latino	**-.018** *(.072)*	**.982**	**.022** *(.077)*	**1.01**	**-4.50** *(15.99)*
Contextual					
ForProfit	**.036** *(.141)*	**1.04**	**-.117** *(.142)*	**.760**	**16.28** *(22.98)*
NonProfit	**.229** *(.152)*	**1.26**	**-.328**** *(.138)*	**.706**	**-10.35** *(35.99)*
Ideology	**-.110*** *(.063)*	**.899**	**-.080** *(.072)*	**.918**	**-2.89** *(8.67)*
Unemploy	**-.062*** *(.033)*	**.940**	**.005** *(.038)*	**1.03**	**8.34** *(10.17)*
BlackPct	**-.005** *(.007)*	**.995**	**-.010** *(.011)*	**.989**	**.693** *(1.34)*
LatinoPct	**-.012*** *(.005)*	**.988**	**.001** *(.005)*	**1.00**	**.513** *(1.20)*
Interaction					
Profit * LTHS	**-.011** *(.158)*	**.989**	**-.029** *(.150)*	**1.32**	**-9.86** *(22.82)*
NonProfit *LTHS	**.205*** *(.127)*	**1.23**	**.098** *(.102)*	**1.15**	**37.51** *(28.40)*
N	4624; 67		4624;67		4624;67
μ0	.156		.225		37.97
Chi-Square	73.36*		92.11**		109.04***

Note: Cell entries are multi-level maximum likelihood coefficients/odds ratios (Employ and Sanction models) and regression coefficients (Earnings model) with robust standard errors in parentheses. The Employ and Sanction dependent variables are measured dichotomously indicating whether a case was closed due to employment/earnings or closed due to sanction (coded 1 if case closed due to employment/earnings or sanction and coded 0 if case closed for other reasons). The Earnings dependent variable is analogous to the open case estimations and represents total reported monthly earnings from the previous month of employment. ***p < .001; **p < .05; *p < .10.

Figure 5.1. Predicted Decrease in TANF Work Participation Rate Across Poverty, Race, and Ideology, 2001

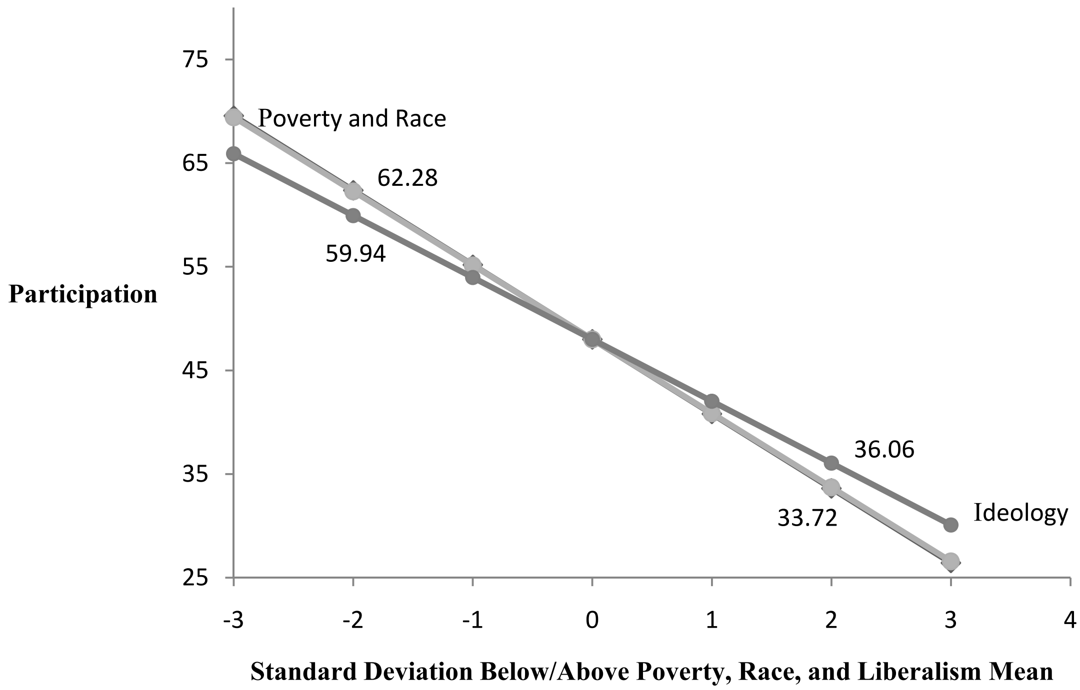


Figure 5.2. Predicted Change in TANF Employment Rate Across Levels of Urbanism and Race, 2001

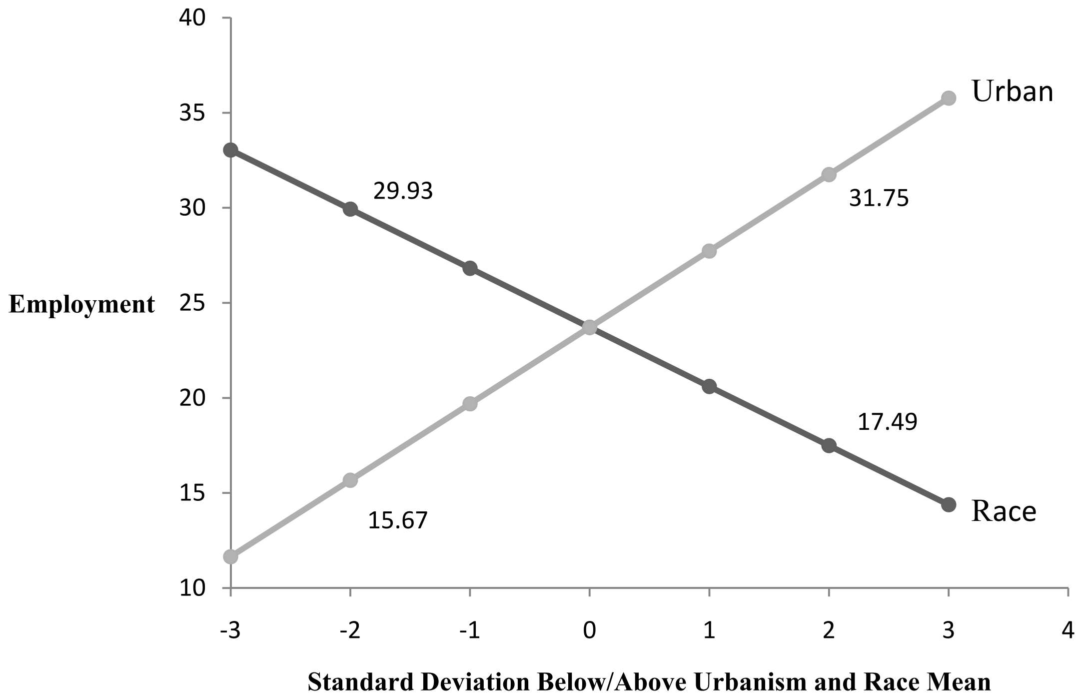


Figure 5.3. Predicted Increase in TANF Sanction Rate Across Sanction Severity and Unemployment Levels, 2001

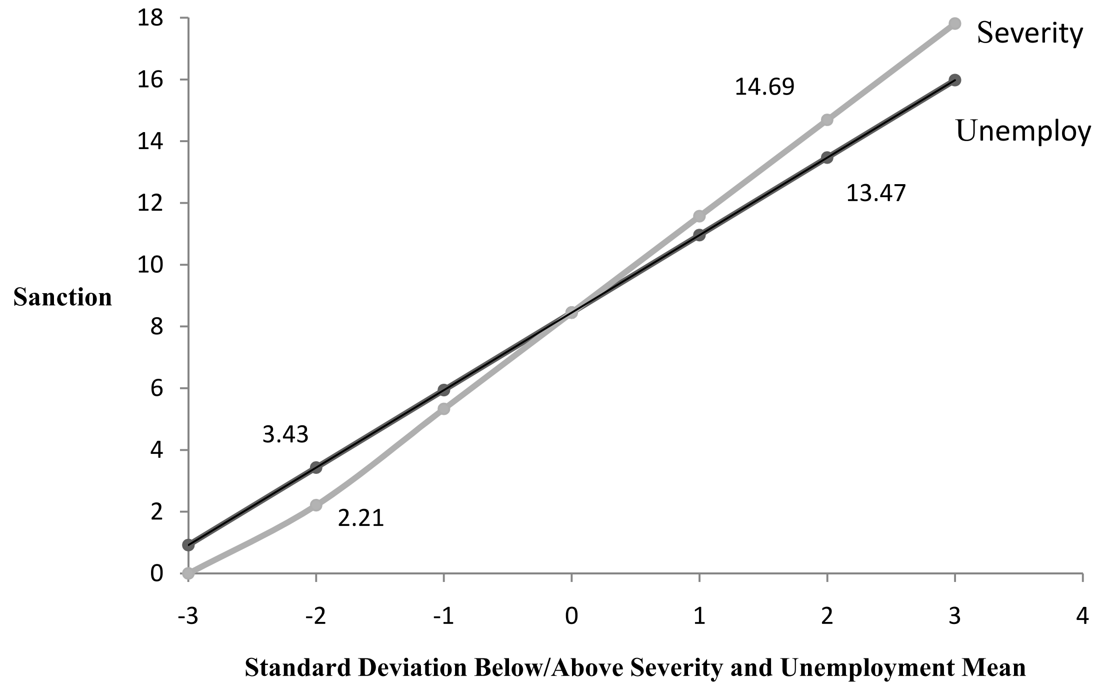
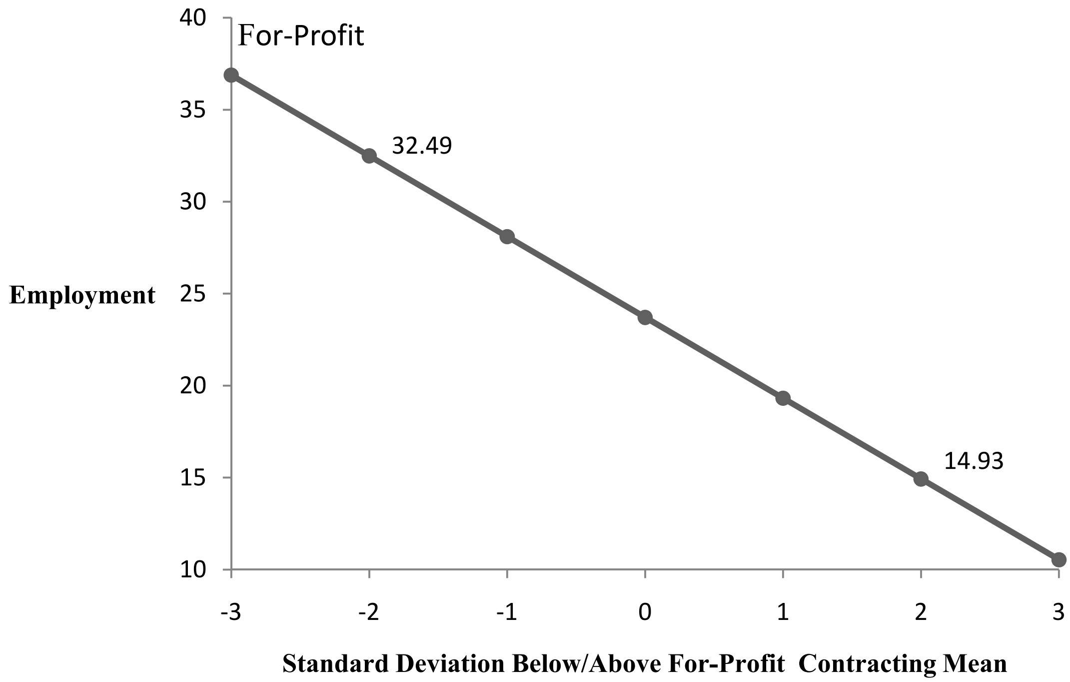


Figure 5.4. Predicted Decrease in TANF Employment Rate Across For-Profit Contracting Levels, 2001



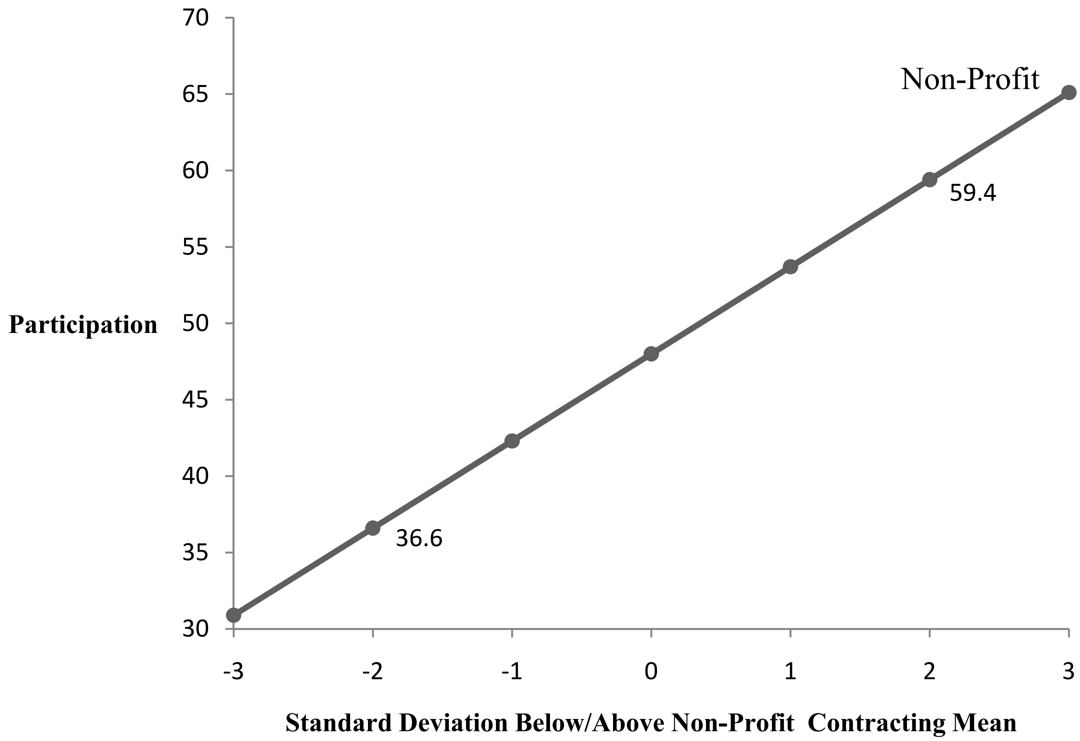


Figure 5.5. Predicted Increase in TANF Work Participation Rate across Non-Profit Contracting Levels, 2001

Figure 5.6. Predicted Decrease in Odds of TANF Work Participation and Employment among For-Profits for Open TANF Cases in Florida, 2000-2005

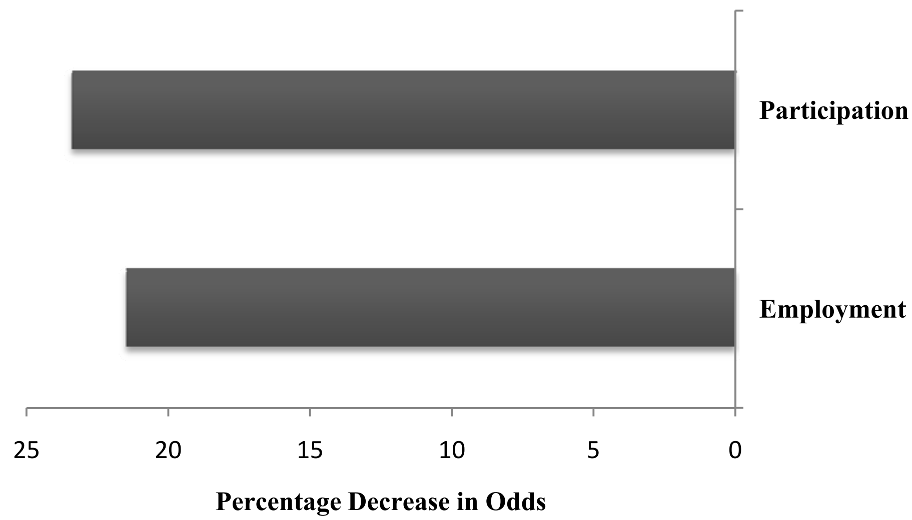


Figure 5.7. Predicted Increase or Decrease in Odds of TANF Work Participation, Sanction, Closure Due to Employment, and Closure due to Sanction for Black TANF Clients in Florida, 2000-2005

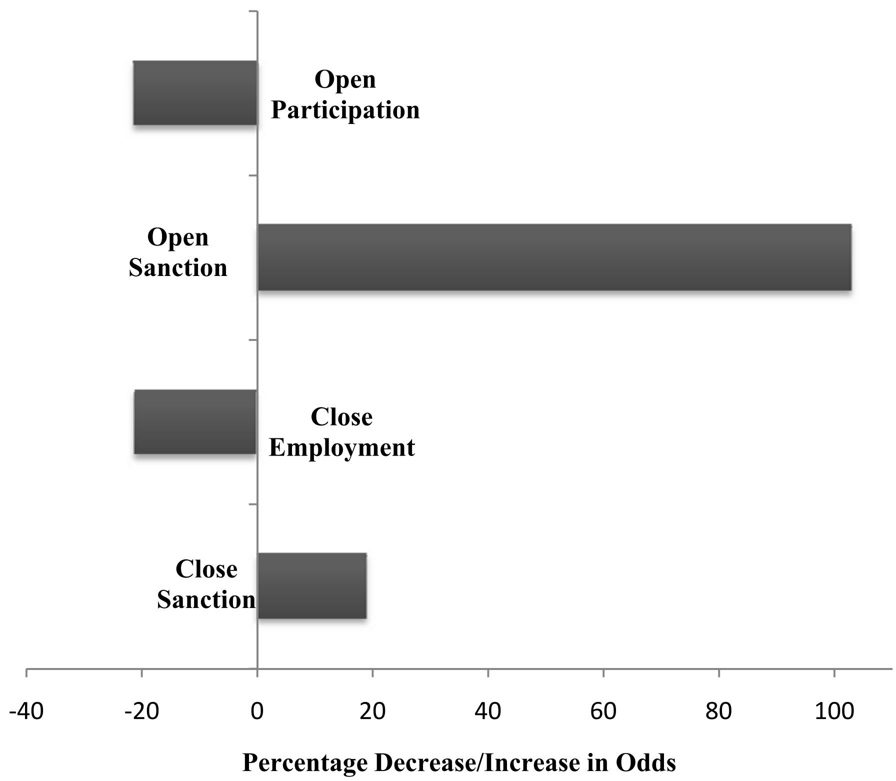


Figure 5.8. Predicted Increase or Decrease in Odds of Employment and Sanction among Non-Profits for Closed TANF Cases in FL, 2000-2005

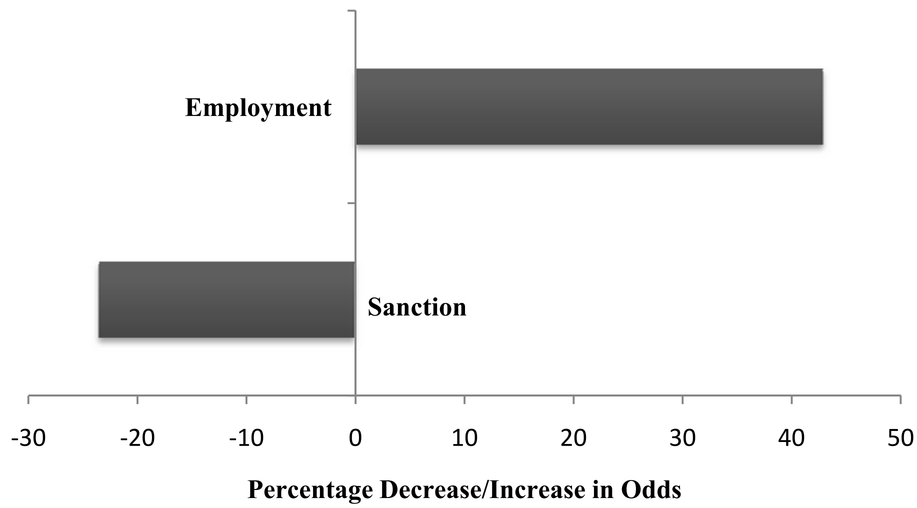
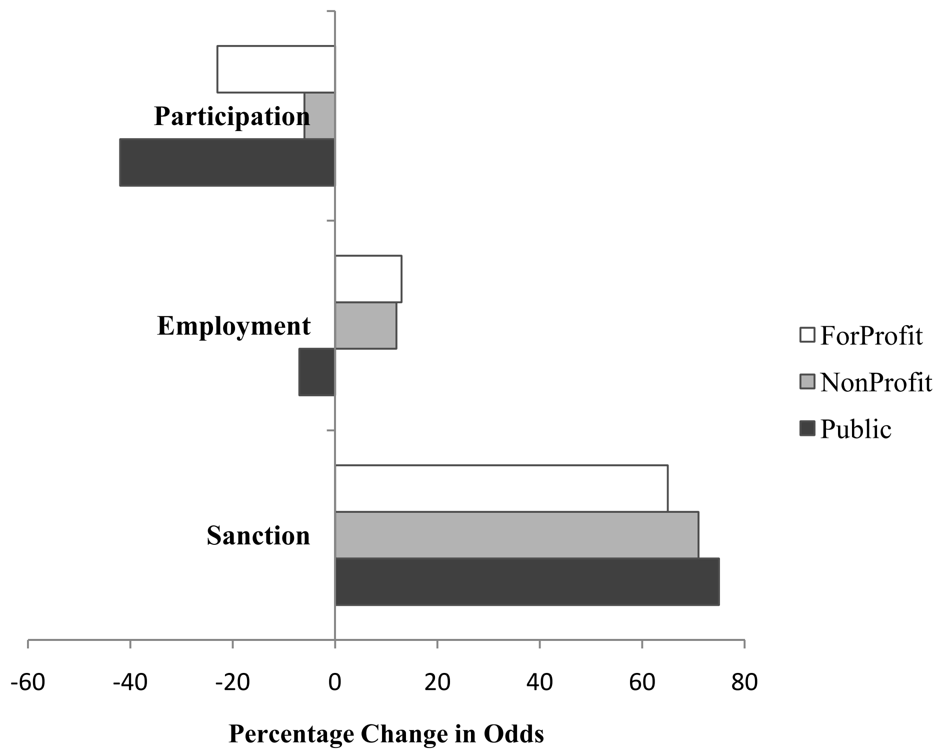
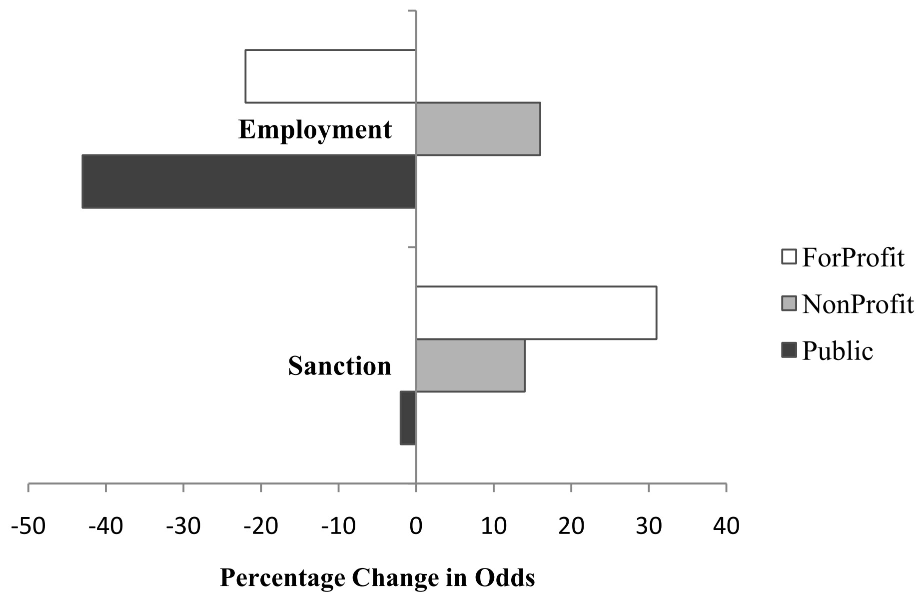


Figure 5.9. Predicted Increase or Decrease in Odds of TANF Work Participation, Employment, and Sanction for Open Case Black TANF Clients in Florida, 2000-2005



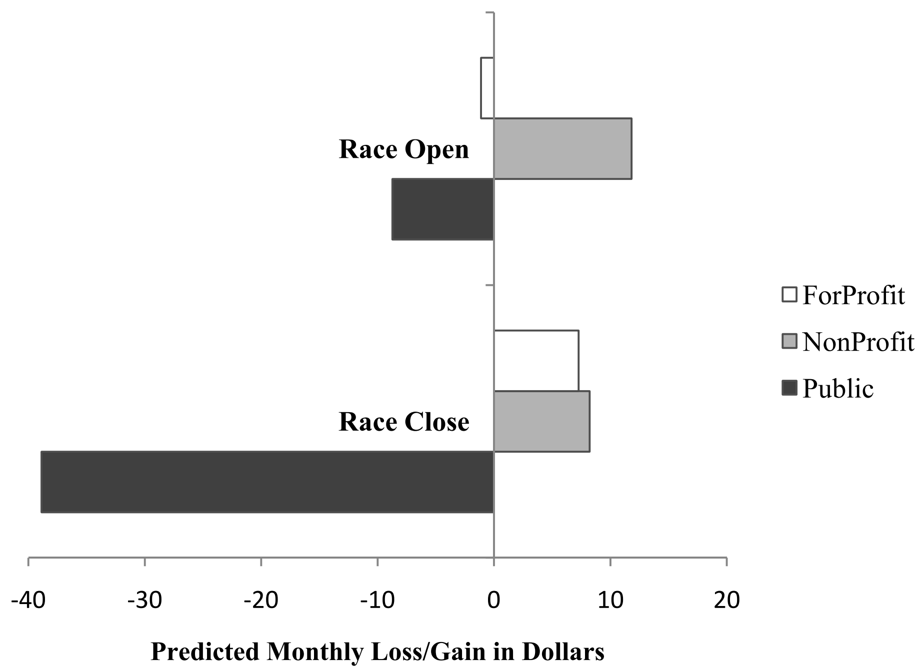
Note: The x-axis represents the predicted increase or decrease in odds of work participation, employment, or sanction for open case African American clients.

Figure 5.10. Predicted Increase or Decrease in Odds of Closure Due to Employment/Earnings and Sanctions for Black TANF Clients in Florida, 2000-2005



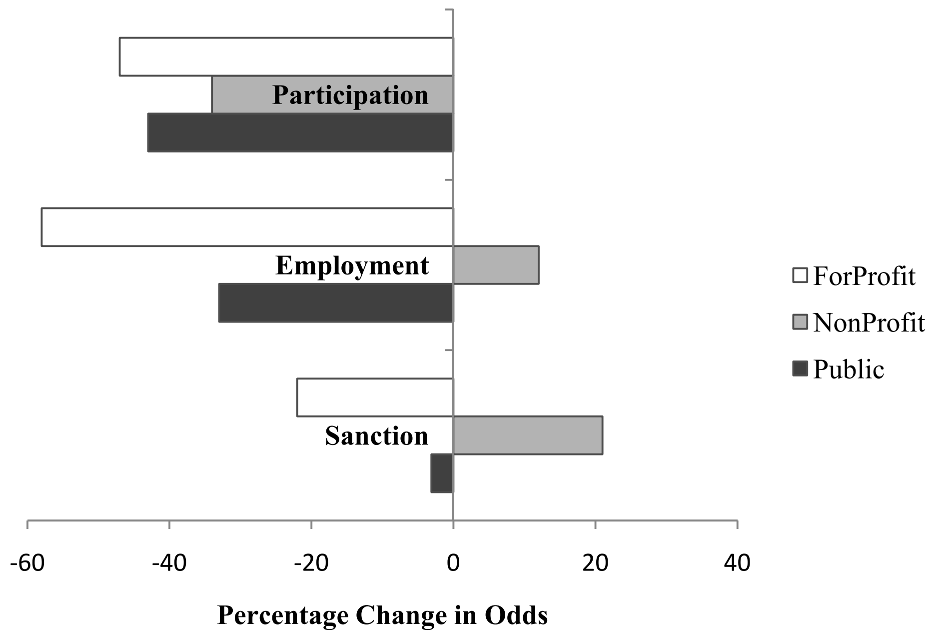
Note: The x-axis represents the predicted increase or decrease in odds of closure due to employment/earnings or sanction for African American clients.

Figure 5.11. Predicted Gain or Loss in Monthly Income for Black TANF Clients in Florida, 2000-2005



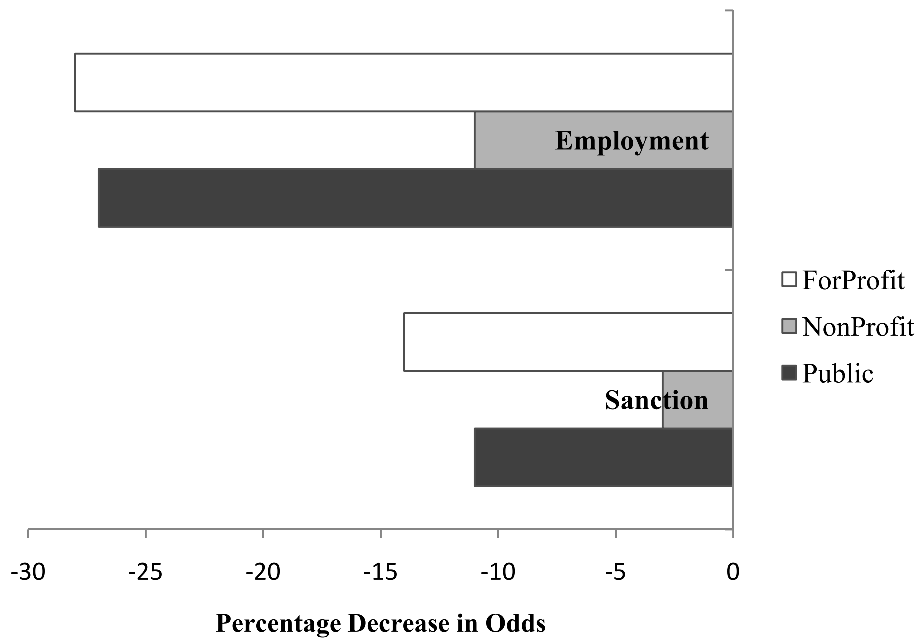
Note: The x-axis represents the predicted increase or decrease in monthly income for both open and closed case African American clients.

Figure 5.12. Predicted Increase or Decrease in Odds of TANF Work Participation, Employment, and Sanctions for Open Case Low Educated TANF Clients in Florida, 2000-2005



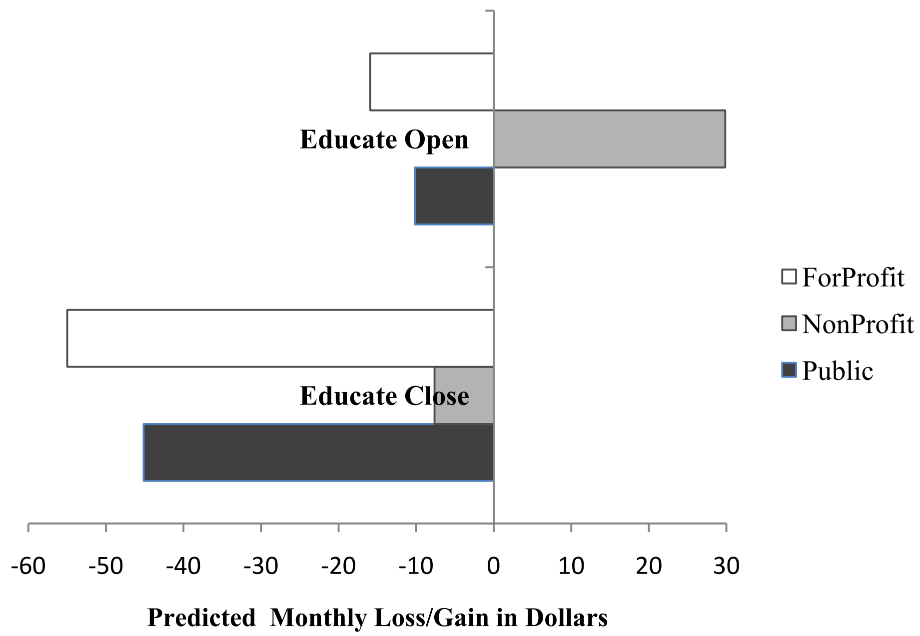
Note: The x-axis represents the predicted increase or decrease in odds of work participation, employment, or sanction for open case clients that lack a high school diploma.

Figure 5.13. Predicted Decrease in Odds of Closure Due to Employment/Earnings and Sanction for Low Educated TANF Clients in Florida, 2000-2005



Note: The x-axis represents the predicted increase or decrease in odds of closure due to employment/earnings or sanctions for clients that lack a high school diploma.

Figure 5.14. Predicted Loss or Gain in Monthly Income for Low Educated TANF Clients in Florida, 2000-2005



Note: The x-axis represents the predicted increase or decrease in monthly income for both open and closed case clients that lack a high school diploma

CHAPTER SIX

Conclusion and Direction for Future Research

CONCLUSION

Privatizing the administration of public policies through contracting with for-profit and non-profit service providers is a popular tool of poverty governance in 21st Century America and increasingly across the globe, yet the implications of contracting decisions across human support policy remain especially understudied and relatively unknown. One recent case in need of clarity involves welfare policy in America. The latest wave of reform legislation instituted staunch work requirements, time limits, and sanctions, and devolved administrative authority to states and localities that have instituted privatized bureaucratic approaches at the street-level, in the hopes of achieving improvement in service quality (GAO 2002; Winston 2002; Crew and Lamothe 2003; Sanger 2003).

It is well documented that sub-national jurisdictions are privatizing welfare implementation under PRWORA, yet researchers have accumulated modest knowledge about patterns in privatized administration and how administrative ownership affects the TANF program outputs experienced by participating clients. This dissertation attempts to augment the welfare privatization literature through systematically examining both the antecedents and consequences of privatized welfare delivery.

Chapter Three examined patterns in welfare contracting across the American states. Utilizing GAO privatization data from the year 2001, the statistical analysis uncovered numerous statistically and substantively significant relationships at the state-level. Firstly, the state of Mississippi was found to be a statistical outlier. It was the only state that contracted a majority of TANF outlays and was found to be over five times more privatized than the average state in 2001[48]. With Mississippi excluded from the analysis and with logarithmic transformation of the GAO privatization measures, states were found to be more likely to contract TANF dollars to private entities when fiscal capacity is weak, populations are more urbanized, welfare rolls are disproportionately comprised of African Americans, and when more non-profit organizations are existing in operation. Examining patterns in welfare contracting across states represents an important first step in understanding the antecedents of make-or-buy administrative decisions, but substantial room exists for future research.

On one hand, minimal numerical or qualitative data exists on welfare contracting, thus future research should focus on systematic data collection that can broaden our scholarly horizons beyond merely the single year 2001. PRWORA has operated as the law of the land for fifteen years and privatized administrative structures likely continue to serve welfare clients, yet data collection efforts are essentially nonexistent. On another front, while contracting differences across states represents important variation in need of exploration, "second-order devolution" can extend administrative decisions to the local level inducing intrastate variation in administrative ownership within states. Future research should aim at better understanding county-level approaches to welfare

[48] Similar to Mississippi, Washington D.C. also contracted a majority of TANF funds with private organizations but was excluded from the statistical analysis because it lacks statehood.

contracting and more localized sets of determinants. Just as state-level contexts can influence administrative structuring, local social and economic contexts can also play a significant role in shaping approaches to welfare implementation, especially in states that devolve policy authority to lower levels of governance.

Secondly this dissertation endeavored to better understand the effects of privatization on the implementation outcomes of TANF clients using a mixture of statistical methodologies and producing a mixed bag of results. State-level performance models included aggregate indicators of TANF performance and suggested that privatizing welfare delivery is anything but an administrative panacea. For-profit contracting is not found to induce superior TANF outcomes and is negatively associated with employment rates, while non-profit contracting is also oftentimes statistically insignificant but is found to be positively associated with TANF work participation rates. Examining state-level patterns of privatization and performance improves generalizability and represents an appropriate launching point for the statistical analysis, but ultimately TANF outcomes occur amongst individual TANF clients, not states, thus this dissertation introduces multi-level models from the state of Florida that incorporate both individual clients and county level measures of TANF privatization to improve internal validity.

The multi-level analysis presented in Chapter Five of this dissertation largely confirms the "mythology" of contracting in social services (Van Slyke 2002). There is minimal systematic evidence to suggest that private, especially for-profit firms are inducing superior TANF program outputs and outcomes among impoverished clientele. More often than not, the statistical models return statistically insignificant privatization coefficients suggesting that administrative ownership has minimal direct effects on the quality of program results. When the privatization results are statistically significant the multi-level evidence mirrors the state-level findings in that clients served under non-profit organizations are achieving higher rates of employment and lower rates of sanction or fewer policy punishments for non-compliance with program rules. Under non-profits, TANF clients are working more and being punished less often.

As discussed in Chapter Two, the findings concerning non-profit superiority are not without theoretical merit. Non-profit organizations operate as charitable organizations uniquely dedicated to achieving altruistic social missions as opposed to achieving maximum profits. Non-profits are centered on community activism and the potential of transformative change in individuals and society (Drucker 1990). Focusing on transforming individuals and changing individual behavior sits at the heart of both welfare reform policy in America and the center of non-profit functioning. This research suggests that the mythology of contracting in social services could most especially fall upon profit-seeking firms. There is minimal evidence found in this dissertation or elsewhere that profit-seeking firms can deliver welfare services consistently better than non-profit or government-run alternatives. Atomized profit-seeking and charitable support servicing among the impoverished represent strange commercial bedfellows, and could ultimately hinder the success of welfare clients in becoming fully employed and self-sufficient members of society. Public assistance implemented by for-profits is centered ultimately on the bottom-line and enriching shareholder value instead of focusing on supportive human development tasks and the overall well-being of America's poor, and thus commercial incentives could have potentially negative effects on the life outcomes of the needy.

Future research examining the efficacy of privatized service delivery in social policy implementation should proceed in several distinct avenues. First as a general matter, more rigorous, systematic, peer-reviewed research in the social policy arena is needed. Likely because privatization strategies in policy implementation traditionally favor hard services, the bulk of privatization research centers on functions like garbage collection, building construction, and asphalt laying. Apart from a burgeoning academic literature investigating prison privatization there exists a paucity of research on contracting arrangements within social service programs. Arguably, even within the growing prison privatization arena, the scholarly community knows little about why privatized structures arise and the implications of privatization on the quality of program outcomes remain equally murky. Federal, state, and municipal governments continue to privatize public services and engage in public-private partnerships in 21st Century America, and it thus researchers should maintain commitment to studying privatized administration. Private sector entities funded with taxpayer dollars will continue impacting American lives on the front lines of public service, and a better understanding of the costs and benefits of contracting arrangements can improve administrative effectiveness and quality of life outcomes.

Apart from increasing investigative frequency, future research should proceed in several directions. First, future research should examine the intersection between performance management and contractual incentives that can potentially affect the behavior of private firms and could theoretically influence the quality of TANF program outputs. Performance-based systems of organizational rewards were uniform in the Florida case examined in this dissertation, but there likely exists interesting variation in performance-based contracts across states and counties. Different jurisdictions possibly structure welfare contracts around various policy dimensions and performance benchmarks (Winston 2002). Understanding how administrative ownership and profit-seeking motivations respond to performance-based contractual incentives, and how incentivized behavior affect TANF program outcomes will provide researchers with insight into both organizational behavior in welfare implementation and the most effective ways to structure privatized arrangements contractually.

For instance, Soss, Fording, and Schram (2011) theorize that performance-based contracts in the state of Florida induce perverse incentives among for-profits to sanction clients at a higher rate than other forms of administrative ownership. Because state performance benchmarks in TANF contracts reward employment ratios and income levels of TANF recipients, these researchers argue there are organizational incentives to pursue sanctions so that difficult, non-complying clients will be removed completely from the denominator of the employment-based benchmark measures. Performance-based contracts shape the incentives of managers and front-line workers and incentivized organizational behavior can have ramifications on program outputs. In the interactive analysis of African American clients, this dissertation did find that for-profits sanction this clientele group with greater frequency, while an earlier pooled analysis found that sanctioning is less likely among non-profit providers. This could be evidence that non-profit organizations are responding to TANF performance pressures differently than profit-seekers. Research examining how various performance management systems influence privatized delivery arrangements and program outputs can enlighten our knowledge base.

Another avenue ripe for future research involves how oversight or accountability mechanisms can potentially influence the effectiveness of privatized welfare arrangements and the quality of program achievements. Several scholars have noted that privatizing public services presents a paradox to governmental bodies in that reducing the operational functions of government requires *increased* accountability and oversight mechanisms from government actors to achieve success (Van Slyke 2002; Barillas 2010). In other words, when government delegates service delivery to private sector actors, the government must play an increased oversight function to ensure accountability to program goals and taxpayer funds. Success and failures of privatized arrangements could hinge upon the government's capacity to independently oversee and properly reprimand third-party service providers (Barillas 2010).

The findings of this dissertation indirectly suggest that the strength and design of governmental oversight and accountability mechanisms could potentially play a role in determining the success of privatized implementation in welfare systems. The Florida context examined in this dissertation provides an intriguing glimpse into the failure of government to properly monitor privatized entities, and the failures of anemic oversight mechanisms. In many ways, TANF implementation in the state of Florida arguably lacked proper supervision over the providers operating at the street-level. Welfare providers in Florida are financially rewarded for *self-reported* performance numbers that are rarely if ever verified by the various RWBs, and thus profit-seeking entities delivering services had reasons to inflate numbers without actually improving client outcomes (Soss, Fording, and Schram 2011). The RWBs themselves are statutorily comprised of local business leaders that were likely sympathetic to corporate goals of revenue enhancement and failed to demand accountability and honesty from street-level corporate welfare providers. Lastly, welfare contracts and accountability mechanisms in Florida lack transparency. "Sunshine laws" do not extend to the contracting activities of RWBs and operations continue to function under shrouds of secrecy. The Florida Governor, state legislature, Department of Children and Families, journalists, academics, civic associations, churches, and the public likely have a difficult time keeping RWBs and welfare providers accountable due to these inadequate oversight mechanisms. Future research should continue to investigate how the capacity and strength of government oversight functions affects the quality of privatized bureaucratic arrangements.

This dissertation attempted to expand and improve upon existing welfare privatization research, and set empirical foundations for future research. The exploration presented here has illuminated our understanding of various dimensions of privatized welfare delivery, but future research must continue to explicate the antecedents of welfare contracting decisions and the consequences for welfare clients and American society.

APPENDIX

Table A1. Chapter Three Data and Measures, Tables 3.2 and 3.4

Variables	*Definition (Sources)*	*Mean*	*S.D.*	*Min-Max*
TVPrivate	Total-value of TANF contracts to private service providers as % of total TANF spending. (GAO 2002)	15.16	16.31	0-74
NonProfit	Total-value of TANF contracts to non-profit providers as a % of total TANF spending. (GAO 2002)	13.72	16.13	0-63.25
ForProfit	Total-value of TANF contracts to for-profit providers as % of total TANF spending. (GAO 2002)	3.88	5.69	0-17.75
LogPop	Log (base 10) of state population. (University of Kentucky Center for Poverty Research state-level database.	6.15	2.27	5.69-7.54
LogBus	Log (base 10) of service business establishments. (Statistical Abstract of the United States)	2.27	0.491	1.44-2.94
LogNprof	Log (base 10) of number of organizations filing a 990 Form with the IRS. (National Center for Charitable Statistics)	3.82	0.391	3.15-4.73
Urbanism	% of state's population that resides within a Metropolitan Statistical Area. (U.S. Census Bureau)	72.25	15.27	38.2-94.4
FTEPerCap	State government's full-time equivalent employment per 10,000 population. (Statistical Abstract of the United States)	558.62	68.06	420-806
GovtID	Government liberalism Berry et al (1998)	44.45	27.06	5.38-97.5
Governor	Party identification of the state governorship, coded 1 if Democratic Governor and 0 if Republican Governor. (Statistical Abstract of United States)	0.38	0.49	0-1
Capacity	Fiscal capacity index developed by Yilmaz et al.	101.96	20.56	54-149
CasePop	% of state population that is receiving TANF benefits	0.681	0.421	0.11-2.87
Unmarried	% of TANF caseload comprised of unmarried recipients (TANF Annual Report to Congress)		5.46	45.8-62.3
Poverty	Poverty Rates (U.S. Census Bureau)	12.11	3.22	6.1-20.3
Unemploy	Unemployment Rates (Bureau of Labor Statistics)	4.41	.845	2.8-6.2
UC-Turnout	% of the upper-class that voted divided by the percentage of lower-class that voted. (Avery and Peffley 2005)	172.23	20.04	129.09-216.87
AA-Caseload	% of state TANF caseload headed by African Americans. (DHHS TANF Characteristics and Financial Circumstances)	34.57	27.12	0.3-83.8

Table A2. Chapter Five Data and Measures, Tables 5.1 and 5.2

Variables	*Definition (Sources)*	*Mean*	*S.D.*	*Min-Max*
TVPrivate	Total-value of TANF contracts to private service providers as % of total TANF spending. (GAO 2003)	15.16	16.31	0-74
NonProfit	Total-value of TANF contracts to non-profit providers as a % of total TANF spending. (GAO 2003)	13.72	16.13	0-63.25
ForProfit	Total-value of TANF contracts to for-profit providers as % of total TANF spending. (GAO 2003)	3.88	5.69	0-17.75
LogPop	Log (base 10) of state population. (University of Kentucky Center for Poverty Research state-level database.	6.15	2.27	5.69-7.54
LogBus	Log (base 10) of service business establishments. (Statistical Abstract of the United States)	2.27	0.491	1.44-2.94
LogNprof	Log (base 10) of number of organizations filing a 990 Form with the IRS. (National Center for Charitable Statistics)	3.82	0.391	3.15-4.73
Urbanism	% of state's population that resides within a Metropolitan Statistical Area. (U.S. Census Bureau)	72.25	15.27	38.2-94.4
GovtID	Government liberalism Berry et al (1998)	44.45	27.06	5.38-97.5
Governor	Party identification of the state governorship, coded 1 if Democratic Governor and 0 if Republican Governor. (Statistical Abstract of United States)	0.38	0.49	0-1
Sanction	Percentage reduction in TANF benefits for an initial sanction	44.54	36.23	0-100
WorkReq	Coded 1 if require work before federal requirement of 24 months	.471	.505	0-1
Unmarried	% of TANF caseload comprised of unmarried recipients (TANF Annual Report to Congress)	68.17	26.78	0-90.16
Poverty	Poverty Rates (U.S. Census Bureau)	12.11	3.22	6.1-20.3
Unemploy	Unemployment Rates (Bureau of Labor Statistics)	4.41	.845	2.8-6.2
AA-Caseload	% of state TANF caseload headed by African Americans. (DHHS TANF Characteristics and Financial Circumstances)	34.57	27.12	0.3-83.8
Participate	% of TANF caseload participating in work preparation activities (DHHS TANF Characteristics and Financial Circumstances)	48	19.13	18.1-92.4
Employ	% of TANF caseload currently engaged employment	23.71	8.48	5.7-41.2
Sanction	% of TANF caseload currently sanctioned for work-related or other reasons	8.45	9.71	0-33.2
Earnings	Average monthly earnings from employment among TANF caseload	602.17	141.1	215.52-800.04

Table A3. Descriptive Statistics for Open TANF Cases, Tables 5.3, 5.5, and 5.7

Independent Variables	*Mean*	*Standard Error*	*Min*	*Max*
Client-Level (Level-1)				
Female	.93	.25	0	1
Single	.77	.47	0	1
Black	.52	.50	0	1
Hispanic	.19	.39	0	1
LTHS Education	.54	.50	0	1
Participation	.41	.49	0	1
Employment	.18	.29	0	1
Sanction	.12	.13	0	1
Income	127.41	145.85	0	2,416
County-Level (Level-2)				
For-Profit	.51	.50	0	1
Non-Profit	.33	.48	0	1
Public	.17	.38	0	1
Political Ideology	.438	.221	0	1
Black Percentage	12.63	7.70	2.1	57.1
Hispanic Percentage	18.83	20.04	1.5	57.3
Unemployment Rate	3.98	1.73	1.90	11.10

Table A4. Descriptive Statistics for Closed TANF Cases, Tables 5.4, 5.6, and 5.8.

Independent Variables	***Mean***	***Standard Error***	***Min***	***Max***
Client-Level (Level-1)				
Female	.93	.25	0	1
Single	.76	.43	0	1
Black	.52	.50	0	1
Hispanic	.21	.41	0	1
LTHS Education	.60	.49	0	1
Employment/Earnings Closure	.22	.42	0	1
Sanction Closure	.29	.46	0	1
Income	111.69	316.81	0	2,655
County-Level (Level-2)				
For-Profit	.54	.50	0	1
Non-Profit	.32	.42	0	1
Public	.15	.36	0	1
Political Ideology	.426	.237	0	1
Black Percentage	13.42	9.45	2.1	57.1
Hispanic Percentage	18.62	20.04	1.5	57.3
Unemployment Rate	3.96	1.73	1.90	11.10

Table A5. Correlation Matrix of State-Level Variables, Table 3.2

	PRIV	LGPR	POP	BUS	URB	LGNP	AA	MBZ	FCAP	GOV	ID	UE	POV	PW
Private	1.00													
LgPrivate	0.85	1.00												
LgPop	0.08	0.22	1.00											
LgBusiness	-0.15	0.04	0.29	1.00										
Urban	0.18	0.38	0.42	0.49	1.00									
LgNonPr	0.04	0.15	0.83	0.37	0.44	1.00								
AAcase	0.33	0.37	0.44	-0.02	0.31	0.45	1.00							
Mobilize	0.04	0.01	0.11	-0.09	0.10	0.11	-0.22	1.00						
Fiscal Cap	-0.34	-0.31	-0.24	0.53	0.06	-0.11	-0.34	-0.24	1.00					
Governor	-0.06	-0.12	-0.06	-0.14	-0.22	-0.08	0.11	-0.25	0.06	1.00				
GovtID	0.02	0.05	0.05	0.10	0.01	0.08	0.15	-0.06	-0.04	0.60	1.00			
Unemploy	0.19	0.18	0.34	-0.13	0.11	0.22	0.26	0.24	-0.30	0.16	0.04	1.00		
Poverty	0.04	-0.07	0.12	-0.48	-0.35	-0.03	0.20	0.29	-0.62	0.09	0.04	0.44	1.00	
PubWork	0.23	0.03	-0.34	-0.21	-0.16	-0.32	0.03	-0.03	-0.08	0.03	-0.05	0.08	0.10	1.00

Table A6. Determinants of TANF Contracting Across the American States, 2001

IVs	*MS*	*S.E.*	*S.β.*
Competition			
Log-Pop	**-23.29**	*(17.34)*	**.259**
Log-Bus	**2.41**	*(15.33)*	**.106**
Log-Nprof	**22.21**	*(18.02)*	**.276**
Urbanism	**.331***	*(.201)*	**.284**
RegionNE	**7.61**	*(6.15)*	**.283**
RegionMW	**-6.10**	*(5.89)*	**-.209**
RegionS	**-3.84**	*(7.41)*	**-.121**
RegionW	(omitted)		
PubEmploy			
FTE PerCap	**.030**	*(.031)*	**.092**
Politics			
GovtID	**-.047**	*(.071)*	**-.112**
Governor	**-1.31**	*(4.12)*	**-.011**
Capacity			
FiscalCap	**-.209**	*(.156)*	**-.312**
Demand			
CasePop	**-.305**	*(.228)*	**.259**
Poverty	**-.788**	*(.889)*	**.206**
Mobilization			
UC-Turnout	**.088**	*(.112)*	**.129**
Minority			
AA-Caseload	**.152***	*(.089)*	**.233**
Mississippi			
MSDummy	**52.32*****	*(5.35)*	**.546**
N	50		
R^2	.619		

Note: OLS coefficients in bold, with robust standard errors in parentheses. The Private1 dependent variable is measured as the total percentage of TANF funds awarded to private providers and all 50 states are represented. ***p < .01; **p < .05; *p < .10.

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