ETHICS AND EQUITY IN NONPROFITS

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Statement of Purpose and Presentation of Question

When considering modes of delivery of public services traditionally most people depend on the government to supply these goods and services over the traditional supply market. The notion behind this stems from the belief that the government will act in the best interest of the citizens while the market will act in the interest of profit and leave consideration for the public good behind (Glover, 1999). However, beginning in the 1970s, the traditional form of public goods delivery moved away from strictly government distribution towards market delivery in hopes of greater accountability and the chance to supply these goods in a more efficient cost and manner. This notion led to privatizing the delivery of public goods and a shift away from delivery by the government towards the market. This privatization came in the form of contracts from the government to market organizations who could deliver the public good or service at a lower and more efficient cost (Never and de Leon, 2014). One market, nonprofits, rose to fill the need with the belief that it would ensure the needs of the citizens over the market. However, can nonprofits deliver goods and services once provided by the government with the same equity standards as the government?

A partnership between the government and nonprofit organizations has developed where the government provides monetary funding for nonprofits to deliver public goods and services at a lower cost than the government can provide these goods. Nonprofits often specialize in the service area they receive contracts in and therefore can provide the good at market cost unlike the bureaucratic "red tape" the government must cut through to deliver the good. Yet, with the ability to deliver goods at a lower cost than government can, nonprofits often compete with for profit organizations who can deliver goods at even lower costs due to even less "red tape". This forces nonprofits to compete for the renewal of their contracts through the ability produce successful program outputs. However much of the literature does not address how equitable nonprofits are towards their customers when delivering goods and services when these organizations are forced to compete for the contract. This research paper aims to examine the effects of moving the delivery of public goods and services from direct delivery by the government to nonprofits with the intention of analyzing if nonprofits can deliver these goods and services as equitable as the government can due to competition in the market. When nonprofits aim to provide these successful program outputs, do the people who truly need the goods and services receive the benefits or remain left out because they might not produce favorable results? It is important to study this topic to ensure nonprofits have not moved away from their purpose and created a cycle that will move delivery of public goods and services into a for profit business and leave the betterment of citizens behind.

Literature Review

Equity in the Delivery of Goods and Services

In the past, when citizens have needed goods and services they have turned to the government to provide these goods. Citizens expect that they will receive the goods and services they require from their government because they believe it is a part of society's social contract. The government must provide goods and services to their citizens in a fair and equitable manner in order to maintain accountability, trust, and respect with their constituents. Government officials are beholden to the approval of their constituents. They attempt to spread resources evenly over the population to prevent a sense of favoring one section over another. When the government delivers a good or service, equitable criteria is needed to be used in determining cliental to remain fair, often causing many more steps for citizens to go through before receiving the service.

However, as governments moved towards nonprofits to deliver these goods and services the expectation of equitable delivery, responsiveness, efficiency, accountability, and maintaining a fair budget changed as nonprofit organizations had different regulations to maintain these expectations (Froelich, 1999; Lipsky and Smith, 1989). Nonprofits desire to follow their mission statements and want to have the ability to assist whomever they desire. By doing so, this allows these organizations to reach more clients due to fewer limits on who receives the good or service. Lipsky and Smith (1989) argue nonprofits can screen out clients with problems such as low test scores, mental illnesses, or handicaps because these can be seen as not in line with the mission of the organization and these hardest-to-reach clients should be addressed by the public sector. Nonprofits have the ability choose their clients to maintain their mission goals and do not risk the criticism of the public because they do not respond to the public (Glover, 1999; Lipsky and Smith, 1989). However, the delivery of these goods and services is no longer the responsibility of the public sector but the nonprofit organizations contracted by the government, and the hardest to reach are left out.

With nonprofits now delivering goods and services once offered directly by the government this relationship is not a purely market relationship but one with strict government oversight. As nonprofits move to deliver more public goods and services contracted by the government, they must conform to the standards of that the government sets to deliver goods and services accordingly. This often differs from their original mission and changes how the organization operates to fit the needs of the government. Although the government often selects nonprofits to deliver public goods and services due to their value driven workers, nonprofits are forced to change their staff to fit the accountability and efficiency standards the government sets into place changing the structure of the organization (Lipsky and Smith, 1989; Pynes, 2009). Many programs funded by the government, but run by nonprofits, must now submit eligibility verifications and have higher cliental standards to be admitted into programs to ensure the equity in the delivery of goods with public money (Lipsky and Smith, 1989; Brinkerhoff, 2002). This issue of equity, while still maintaining their mission, remains a key issue between nonprofits and the governments who have imposed stricter standards of deliver on nonprofit organizations. Nonprofits must move away from their original structures to meet the needs of the government to ensure equity in the delivery of service to individuals, at the risk of their original purpose and goals.

The Increase Use of Nonprofits to Deliver Goods and Services

Since the 1970s the United States has seen a rise in the use of nonprofits to deliver public goods and services. As the need for public goods and services has increased the ability of the government to deliver these items efficiently, effectively, and at the lowest cost has changed. No longer can the government be the best choice within the market. Citizens have advocated for their government to contract out these services to companies more suited to deliver them at a lower cost with more efficient results. The government in turn, contracted out to nonprofits in communities to deliver goods and services, funded by public money. The movement towards using nonprofits stemmed from the notion that nonprofits could fill the gap left by the government for delivery the good at a lower, more efficient cost, while still taking into account the public good (Feiock and Andrew, 2006). This shift from the delivery of public goods by the government towards delivery by nonprofits reflects a demand on the market to deliver public goods, encourage competition, lower costs, and create more choices for consumers (Warner and Hebdon, 2001; Glover, 1999). Troy Glover (1999) argues shifting away from direct provision of delivery of goods and services prevents an influx of services, creates dedicated personnel, and allows for measurability in effectiveness, leading to improvement in service quality. The shift away from government delivery allows for a reduction in delivery costs, a shift to privatize public services, and an increased pressure on the government by the people to reduce their spending costs (Glover, 1999; Savas, 1987). Competition allows organizations to respond to the needs of their consumers because there are options for consumers to choose from, increasing the necessity to be responsive to maintain client base (Osborne and Gaebler, 1992). In addition to a reduction of costs, the shift to nonprofits delivering public goods and services allows for innovation to develop. Typical government delivery of public goods and services does not allow for innovation to develop in the good or service or the delivery practice due to a lack of incentive for public employees (Osborne and Gaebler, 1992; Glover, 1999).

Nonprofits can work in a variety of capacities to work to deliver public goods and services for individuals. Nonprofits can deliver the entire service to a community or area, coordinate and plan delivery alongside the government, and subsidize the resources provide by the government to partially deliver goods and services on behalf of the government (Feiock and Andrew, 2006). This change towards the use of nonprofits can be supplementary, complementary, or adversarial. Nonprofits can supplement the areas of public service delivery left unaided by the government. Nonprofits are able to work with partners to compliment the delivery of goods and services with the government. Finally, nonprofits can encourage the government to deliver the good or service directly (Feiock and Andrew, 2006). The rise in increased use of nonprofits not only stems from a decrease in cost but an increase in dissatisfaction with the quality of service provided by the government. However, this does not remove government oversight. Citizens continue to expect that their government will provide them quality, fiscally responsible, and consistent goods and services although the government might not be the direct provider of these items (Glover, 1999; Osborne and Gaebler, 1992; O'Regan and Oster, 2000). This oversight changes the function of the nonprofit in the region from an independent organization to one dependent on the funding from the government, shifting how the organization functions and their ultimate bottom line.

The Public/Private Partnership

Nonprofits play critical roles in the lives of Americans today. They appear in almost every community in the country. From foundations, to charities, to church organizations, to welfare agencies, nonprofits take on a variety of forms. They deliver services from child care to health care clinics, from preschool education programs to college prep programs, they influence and touch almost every aspect of life. Nonprofits even influence political decisions, allowing citizens to express their desires to the government through the nonprofit organization. Their legitimacy with the people is derived from their citizen first focus. When the government needed support in delivering public goods and services nonprofits stepped in and were supported due to the bond they had already created with the community.

Since the start of the government contracting out the delivery of public good and services the government has maintained responsibility of these goods and services. This has been the structure due to the ability of the government to tax and receive a public revenue stream to fund public goods and services and the ability to make laws to control the distribution of the good or service. However, these laws internally for the government create constraints, constraints not found in nonprofits. Thus, the government funds nonprofits with public money to deliver goods and services with less constraints (O'Regan and Oster, 2000). However, over time the public's opinion on how much money the government should spend on public goods and services has entered the conversation. Due to this, the government has shifted its focus towards competition in the delivery of public goods and services. This marketization can negatively affect the public sector and the ability of nonprofits to deliver goods for citizens in a fair manner. Nonprofits are entering a "marketization" situation that is enabling competition and a devolution from the public's needs (Eikenberry and Kluver, 2004; Never and de Leon, 2014). This shift to focus more narrowly on efficiency has shifted the focus of many nonprofits towards improving their bottom lines and away from providing the best service for the public. Although nonprofits can advance their organizations through competition, (such as improve efficiency and innovation, target services, and increase legitimacy and accountability) the equity of society is at risk if their focus is on improving their bottom line to receive a renewal of the contract and not the public (Eikenberry and Kluvery, 2004). Nonprofits in their nature must protect and serve the public interest. Because of this value nonprofits must focus on their organization's mission. Yet as the government moves towards straight competition in delivery of public goods and services, the mission of many nonprofits falls under scrutiny as they fight to please the rules and regulations implemented by the government. This shift is detrimental to the equity of delivery because the focus then shifts from the public to satisfying the consumer self-interest and increasing capital undermining accountability and the public interest (Eikenberry and Kluvery, 2004; Never and de Leon, 2014). Nicholas Marwell (2004) cites an example of this shift from mission focus towards competition, “It all changes when you become a funded program [i.e., when most children’s care is paid for by public subsidies]. Loving Care now has over 100 employees, and even though quite a few people do come in to see their old teachers, send letters, etc., the place doesn’t have the same feeling.”

As nonprofits enter the relationship with governments they become dependent on the resources provided to deliver the goods and services. This mutual dependence is financial as well as technical (Lipsky and Smith, 1989). The mission of the nonprofit often drives the organization to be able to provide the good or service for the public. Without the support of the government after entering these partnerships, they often are unable to do so and risk a drift from their mission when attempting to find the ability to provide the good or service to the public. These organizations become embedded in the community and want to succeeded. In doing so nonprofits conform to the rules and regulations of the government to receive support and legitimacy (Eikenberry and Kluver, 2004; Lipsky and Smith, 1995). Government contracts often come in blocks that fund whole programs that organizations deliver. If this funding is lost, the ability of the organization to deliver the program is more likely to be lost as well.

It is important to remember that nonprofit organizations differ in their values from the government. Nonprofits have the capability of enacting change without having to consider the implications of the whole society (Lipsky and Smith, 1995). This allows them to do this the government cannot do. However, this also prevents them from reaching all members of society. Moreover, once nonprofit organizations enter contractual agreements with the government, they often become dependent on the resources provided by the government and the rules and regulations provided by the government, narrowing their reach. One of the main reasons the government can enact this control over nonprofits contracted to deliver public goods and services stems from the notion that democratic governance requires accountability. Programs need to be monitored to ensure equity in the delivery of public goods and services. Nonprofit organizations work to deliver public goods and services once delivered by the government. They interact directly with citizens. These nonprofits represent the needs of the people. Yet in working to receive the contract to keep providing the service, do the needs of the people fall short?

Conclusion

Equity and Ethics in Delivery of Public Goods and Services by Nonprofits

Much of the literature today does not currently cover how equitable nonprofits are when delivering public goods and services. Based on the above analysis, nonprofits have the ability to deliver goods and services to the population that aligns with their mission statement. However, as nonprofits move to take on government contracts this ability to choose their client base changes due to rules and regulations implemented by the government. One thing nonprofits must consider when choosing clients focuses on if the clients will succeed in the program and allow the nonprofit to receive the contract again. An example of this would be if an organization received a contract to provide supplementary education to students who were falling behind and would be measured based on the success of the students, that organization would choose students most likely to succeed. However, this fails to help all students and leaves some out. Leaders of these organizations have to deal with moral issues and the organization's value may be in conflict with the ability to keep the program alive when funded by the government (Rhode and Packel, 2009). Rhode and Packel (2009) argue nonprofits much be able to ask themselves if this is not only betters the program but is it fair? Nonprofits must consider the ethics and equity when delivering goods and services to the public.

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