

The Birth, Life, Decline, and Death of Jane Addams' Hull House

A case study written by Peter M. Danilchick
For Orthodox Vision Foundation's Advanced Leadership Initiative
At St Vladimir's Seminary, September 21-24, 2017

On September 18, 1889—a day that Chicago should commemorate—Hull-House opened its doors to those who cared to enter. Jane Addams liked to remember that her father had never locked his doors; the doors of Hull-House were always open to the world.¹
—Henry Steele Commager, American historian

On January 19, 2012, “one of the nation’s oldest and most famous settlement houses, Hull House in Chicago, announced that it is closing its doors and filing for bankruptcy.”²
—Louise W. Knight, Biographer, Jane Addams

The Birth

Hull House began as a dream of 29-year-old Cedarville, Illinois-born Miss Jane Addams, following a visit in 1888 to the Toynbee Hall settlement house in London, England. She had long suffered from the contradiction of the “sheltered, educated girl... [and the] bitter poverty and the social maladjustment which is all about her.”³ She and her friend, Ellen Starr, co-founded a settlement house in Chicago on Halstead Street, dubbed by the American historian Henry Steele Commager, “that long *via dolorosa*... from the Chicago River to the stockyards.”⁴ Their program was housed in a decaying mansion built by Charles Hull. Jane fixed up the house and paid for most operating costs out of her own pocket. Later on, wealthy individuals became its benefactors. She included donors in the life of Hull House, as volunteers, dinner guests, and attendees at the various cultural events.⁵

The Life

As a settlement house, the residents (Jane being the Head Resident until her death in 1935) provided a wide variety of services to the poor and immigrant population including education classes for adults, clubs for children, workshops on art, culture, drama, and a library. Before long, thousands of people were taking advantage of its activities. By 1912, the facilities had grown to 13 buildings in the vicinity of Hull House plus a playground and summer camp.

Services were extended to very practical needs of the poor: feeding program, day care and bathhouse. Jane Addams used her experience with the poor to campaign for social improvements, such as labor working conditions, housing, schools, sanitation, and the juvenile courts. She also campaigned for international peace and was awarded the Nobel Peace Prize in 1931. She died in 1935 with the funeral service being held in the courtyard of Hull House. Other head residents took Jane's place. Over time, Hull House “shifted from a largely volunteer operation to a paid staff.”⁶

Hull House continued to serve the Chicago poor until 1963, when the University of Illinois took over and demolished most of the buildings due to the construction of its Chicago campus. The charitable service functions were assumed by the Hull House Association and relocated to different places in Chicago. In addition, seven already existing centers, over time, joined their

facilities, management, and staff to the Association⁷, becoming “a federation of community centers around Chicago, growing to 29 program sites by 1985.... competing against each other for charitable support.”⁸

The multitude of centers, satellites, and programs made the administration of Hull House more complex. Each of the seven main centers had its own director, board of directors, and administrative staff....The central office also had its own director and board, which held ultimate authority for programs, personnel, and finances, and housed centralized public relations, fund-raising, and financial management departments.⁹

In the 1990s, with the advent of federal welfare reform and block grants, considerable state government funds became available to private organizations. Hull House association “reshape[d] its operations to focus on foster care, child care, domestic violence counselling, and job training. The financial boom allowed Hull House to quadruple its budget....from about \$9 million in the 1990s to \$40 million in 2001.”¹⁰ Government payments represented 95% of revenues in 2001.

The Decline

A major early warning sign of trouble occurred in 2002 when Hull House froze its pension plan.¹¹ Seven years later, the federal government assumed \$4.8M (million) dollars of Hull House’s unfunded pension liabilities (out of \$11.1M total liabilities) for its 500 employees and retirees.¹²

Over 2002-2012, the state of Illinois “cut funding to human services by \$4.4 billion.... programs provided by Hull House—domestic violence, child care, substance abuse—saw funding cuts at the very time requests for help were going up....Another challenge for Hull House was the state's pattern of delayed payments. The state now takes six months or longer to pay bills....vendors like Hull House have to extend their lines of credit, which means that private dollars must be raised to pay increased borrowing costs.”¹³

According to the publicly available IRS annual Form 990, net assets for Hull House declined over 2002–2010 from negative \$1.4M to negative \$5.5M. Revenue declined over this period from \$33M to \$23M. Annual deficits for 2008-2010 averaged \$1.1M.¹⁴ Debt ratios (total liabilities divided by total assets) increased from 1.0 in 2001 to 2.3 in 2010 (versus the industry benchmark of 0.5).¹⁵ Hull House continued its heavy reliance on government funding, averaging 85-90% of total revenue.¹⁶

In 2011, Hull House’s board approved the release of \$1.4M dollars from restricted funds designated by both deceased and living donors. According to the board chairman, “transfer of the now-unrestricted money provides ‘flexibility’ for Hull House, which has a \$21M budget, to continue aiding some 60,000 people each year.”¹⁷

The Death

The board chairman announced on January 19, 2012 that Hull House would be closing and filing for bankruptcy in the spring of 2012. Unexpectedly, on January 27, the board chairman said that “the organization will fold this week because it can no longer afford to stay open. He also said Hull House plans to file...for bankruptcy. ‘There was just no alternative,’ he said. ‘We have to close our doors or we would owe more people money.’”¹⁸

The 300 employees of Hull House “received only a week’s notice, were not paid for their accumulated vacation days, and had not been told that their health insurance hadn’t been paid for a couple of weeks.”¹⁹

The Post-Mortem

In interviews following the closure, board chairman Stephen Saunders, who joined the board in 2008 and headed it for the last 18 months of Hull House’s life, commented:

For the last several years the agency has had trouble in the fundraising side of things. After many years of struggling, we have to close our doors. It was a very difficult decision.²⁰

There were pivotal moments during the last decade when the board should have made different, tougher decisions, but didn’t.²¹

We went through some very good strategic planning for the last 18 to 24 months to try to figure out ways to reduce programs, reduce operating costs, increase income. And unfortunately with the economy turning in 2008, the math just wasn’t able to work.²²

Saunders also said that Hull House had eliminated programs and reduced budget from \$40M to \$23M over the past ten years “but ‘we should have narrowed our focus even more.’”²³ He noted that the previous CEO left nine months previously but was not replaced due to cost.

He added, “At the same time, the board was coming to realize that previous financial reports, often arriving late, had sugar-coated the situation.... Opportunities to make hard decisions had passed....it tried to find merger partners in its final two months, [but] Hull House simply had too much debt.”²⁴

Saunders’ final wish:

‘If someone had given us a \$2-million check, that would have given us time to right the ship,’ he says, adding that he would have hired a good fund-raising consultant, sought more help from private donors, and set a goal of reducing the share of government support from 85 percent to 75 percent. But nobody wrote that check.²⁵

The previous CEO for ten years, Clarence Wood, presented a different slant.

We had new board members who were more corporate in their experience. They didn’t understand that the reason the staff members like me were staying positive in attitude was that we are very used to social-service agencies being always on the brink of destruction. They bailed out too soon.... Some of the board members didn’t get the idea of living on the edge. They were coming out of an economy where, if your house is under water, you walk away from it. The fact is, some of us had learned to breathe under water, and they didn’t understand that.²⁶

The 30-member board, at the time of Hull House closure, included six financial advisors, five attorneys, 13 CEOs/ managing directors/ VPs, three management consultants, and four community volunteers.²⁷ Board chairman Saunders was reported to have commented:

The 30 board members tried to raise money through several campaigns and to put a recovery plan in place, but it was all too little, too late. Most board members didn't have the personal resources to write big checks, or friends who could. Board members were asked to give \$5,000 and raise \$5,000 each year, and for some that was a stretch, Mr. Saunders says. By late 2011, he says they were worn out and tapped out, and the debt kept growing.²⁸

The Next Life

Many of Hull House's 40 programs were assumed by other agencies, such as Metropolitan Family Services (MFS). MFS's audited financial statements over the past five years show a balanced budget, positive \$50M in net assets, and average 55% reliance on government funding.

MFS advised that their "main concern has been to ensure vital services continue for the people Hull House serves. Metropolitan is only exploring programs that fit with work we already do well."²⁹

Ricardo Estrada, MFS's CEO, commented that "social-service nonprofits that are surviving the economic downturn...have some common denominators. They 'have strong boards, with civic leaders who have been asking the hard questions as well as contributing financially themselves. They have been willing to cut programs and merge before they accumulate too much debt.'"³⁰

-
- ¹ Henry Steele Commager, "Foreword" in Jane Addams, *Twenty Years at Hull-House*, (New York: Signet Classics, 1961), x-xi .
- ² Louise W. Knight, "As Chicago's Hull House Closes Its Doors, Time to Revive the Settlement Model?" *The Nation*, January 25, 2012.
- ³ Commager, "Twenty Years," x.
- ⁴ *Ibid.*, x, xii.
- ⁵ Knight, "Hull House"
- ⁶ *Ibid.*
- ⁷ "Administrative History," *Hull House Association Records*, University of Illinois at Chicago, p. 4f.
- ⁸ Cohen, "Death of Hull House"
- ⁹ "Administrative History," p.6.
- ¹⁰ Daniel Flynn and Yunhe (Evelyn) Tan, "Nonprofit Deaths, Near Deaths and Reincarnation: Part 1 of 5, Hull House," *Nonprofit Quarterly*, February 10, 2015.
- ¹¹ Suzanne Strassberger, "Did Hull House make a mistake by aggressively pursuing government dollars?" *Jewish United Fund of Metropolitan Chicago*, January 26, 2012.
- ¹² Press release, *Pension Benefit Guaranty Corporation*, January 28, 2009.
- ¹³ Strassberger, "Did Hull House make a mistake?"
- ¹⁴ John Zietlow, "Financial Meltdown – Hull House," quoted from Form 990s in Clemenson and Sellers, "Hull House: An autopsy of not-for-profit financial accountability," *Journal of Accounting Education*, 31 (2013), pp. 252-293.
- ¹⁵ Flynn and Tan, "Nonprofit Deaths, Near Deaths"
- ¹⁶ Cohen, "Death of Hull House"
- ¹⁷ Shia Kapos, "Taking Names: Jane Addams Hull House seeks its own safety net," *Crain's Chicago Business*, July 30, 2011.
- ¹⁸ Kate Thayer, "Hull House closing Friday—122-year-old charity, which just last week said it would shut in March, also to file for bankruptcy," *Chicago Tribune*, January 25, 2012.
- ¹⁹ Cohen, "Death of Hull House"
- ²⁰ Thayer, "Hull House closing Friday"
- ²¹ Maureen West, "Some Fear Hull House Closure Is an Omen for Struggling Charities," *The Chronicle for Philanthropy*, February 2, 2012
- ²² "Jane Addams Hull House To End Immigrant Services," *National Public Radio*, January 27, 2012
- ²³ West, "Some Fear Hull House Closure"
- ²⁴ *Ibid.*
- ²⁵ *Ibid.*
- ²⁶ *Ibid.*
- ²⁷ "Nonprofit world wonders how Hull House failed given executives on board," *Crain's Chicago Business*, January 27, 2012.
- ²⁸ West, "Some Fear Hull House Closure"
- ²⁹ Press Release, *Metropolitan Family Services*.
- ³⁰ *Ibid.*