

Voluntary action, the state and the market

Government policy is inflicting serious damage on the voluntary sector

Andy Benson, National Coalition for Independent Action

andy@independentaction.net

www.independentaction.net

Voluntary action occupies a space within civil society that is distinct from both the state and the private sector - a space in which citizens come together freely to exercise self-determining collective action. Voluntary groups do not have to exist. They are an expression of citizen action, usually driven by compassion, concern and determination to make the world a better place. Taken together, they present a kaleidoscope of activity, creating a bewilderingly complex landscape. Groups vary in history, size, orientation, geography, activity, theme, specialism, aspiration, ways of working, efficiency, effectiveness and competence.

Their fortunes also vary as they interact with the local and national state, the private sector, their peers within the voluntary sector, and with their users and communities. Voluntary action is political - though this is rarely acknowledged by the groups themselves - in that the choices that are made about activities, objectives and ways of working spring from ideological and political beliefs: about how things should be, and about how they are shaped by such matters as government policies, what is happening in communities, the power of markets or by ethical and moral values. Those who promote a radical leftist view of the value of voluntary action point to the aspirations to advance social justice; equality; liberty; conviviality; freedom from want; enfranchisement; and environmental sustainability. However, whatever the motivation and orientation, without the pluralism and vigour of this 'ungoverned space', democratic freedoms in society will be significantly curtailed.

The world of voluntary action has not been shielded from the impact of neoliberal values and perspectives as a result of successive New Labour and Coalition government policies, especially in the context of cuts to public services and the increased prominence of the private sector in delivering what services remain. This impact has been particularly severe on - and damaging to - voluntary organisations that deliver services to people and communities, for these are seen by government and politicians as the groups that can be most useful in divesting or diluting state responsibilities for welfare provision and other services relating to social protection.

The place of voluntary services in the 'welfare settlement'

Voluntary services have, of course, existed for decades, even centuries, and, indeed, many were part of the inspiration behind the formation of the welfare state. But after the welfare

settlement at the end of the second world war, the role of voluntary services changed: it came to be seen as doing the things that government could not, would not, or should not, do. These roles included: complementing – not substituting for - public services and entitlements; finding new ways for reaching excluded groups and aiding access to mainstream services; offering services that have to be independent (such as advice and advocacy); and commenting on and thinking critically about public services and state action. To fulfil these roles effectively voluntary groups have to be independent, self-determining, and free to decide on their activities in collaboration with their users and communities. If a voluntary group becomes a servant of the state this unique role is compromised.

But during the past two decades the voluntary sector has been drawn into processes that have undermined such independence of thought and action. Tony Blair argued that people don't mind who runs public services as long as they are good; and this populist statement of a neoliberal position has become a prominent part of the narrative within the UK voluntary sector in recent years. The outsourcing and privatisation implied by this viewpoint have been seen as an opportunity not a threat and many voluntary associations have become embroiled in the world of contracted out services. But this has been at the expense of a number of important principles: that some responsibilities must rest with the state, including guarantees of freedom, social justice, the rule of law, democratic governance and accountability; and that it should act as custodian of our collective human needs and their protection. The ability to fulfil these functions requires legislative powers, political and moral authority, effective mechanisms to extract transparency and accountability, and adequate resources. Voluntary services are in no position to take on these responsibilities. Like private businesses, they are neither universal nor democratically accountable, and seek to pursue a particular rather than universal interest.

The National Coalition for Independent Action has for nearly ten years made efforts to oppose these changes that are eroding independence in voluntary action - in order to defend democratic pluralism and the maintenance of universal public services and social protections, and to protect the vital role of radical voluntary action as critical commentator and source of opposition and dissent. Because of the widespread impact of government policies on voluntary services in particular, in 2013 NCIA decided to mount an *Inquiry into the Future of Voluntary Services*; and after extensive investigation and research, its results were published in 2015 in eighteen separate reports¹. This article draws on the conclusions of this work.

Neo-liberalism arrives by stealth in the voluntary sector

Policy change, and the impact it has had on Voluntary Services Groups, their services and their users, were justified by the last two governments and their supporters within the voluntary sector as 'common sense' responses to a changing world. From this point of view, cuts in public expenditure are essential measures to address the country's deficit; the welfare system needs to be reformed to reduce its burgeoning costs and to challenge the 'culture of welfare dependency'; the privatisation and outsourcing of public services is necessary to break up inefficient state monopolies; and the creation of competitive markets

¹ NCIA *Inquiry into the Future of Voluntary Services* 2015: www.independentaction.net/ncia-leaflets-and-research/

is the only way to 'drive up quality and drive down costs'.

But these changes are more coherently understood by reference to the neo-liberal aspiration to transform British society and the role of the state. And it is to this ideologically driven programme of action that voluntary sector policies have been tailored. Their impact can be seen as collateral damage from the wider project of political and social re-engineering. Three dimensions of neoliberal ideology have been especially important in relation to voluntary organisations.

Firstly, the perspective represents a clear attack on the values and consensus that have informed the role of the state and the idea of public service since the post war welfare settlement. In contrast with the terms of that settlement, neoliberals argue that individuals are responsible for their own well-being and should be able to access their need for services from a variety of providers competing in a market place; that matters of priority and choice are best resolved at the level of individual decision-making and mediated through market mechanisms; that prosperity and full employment depend on the existence of a free and flexible labour market; and that policy-making needs to be directed primarily to securing economic growth through the creation and accumulation of private wealth. The Keynesian social contract in which citizens could expect to be supported in times of adversity has given way to an atomised view of society in which the individual is expected to provide for his or her own needs. Where this fails, then the fallback position is that poor and vulnerable people make their own arrangements (the essence of the 'Big Society' concept), or depend on charitable organisations to meet basic needs (the growth of food banks now represents the clear expression of this tendency).

Secondly, changes in the funding environment for Voluntary Services Groups that began in 2008 and accelerated after 2010 have materialised against the backdrop of the largest cuts in living memory to public services and welfare support. The result has been massive cuts in living standards of those already the poorest and most vulnerable in society and the direct creation of destitution through benefits sanctions and withdrawal of other supports. Amongst other effects, this has dramatically increased demand on voluntary services at a time when voluntary groups are already faced with the consequences of the widespread inequality that is a direct result of government policy.

Thirdly, and of great significance to Voluntary Services Groups, there has been the continued privatisation and outsourcing of public services. The New Labour government did much to legitimise and open the door to this, but the Coalition government oversaw a huge growth in privatisation. Outsourcing of public services is big business on an eye-watering scale. In 2012 outsourcing in the UK amounted to 80 per cent of *all* outsourcing in Europe, the Middle East and Africa combined². This transfer of public assets is focused on massive global corporations. Privatisation is driven primarily by ideology, but is also promoted as a response to the recession, since it provides an opportunity to cut public expenditure. Both the ideology and its practical application deify competition and, for a combination of reasons, force a 'race to the bottom', whether involving for-profit or voluntary sector providers.

² 'UK Public Sector Outsourcing Dominates the European Market', *Outsource Magazine*, 28.3.13: www.outsourcemagazine.co.uk/uk-public-sectoroutsourcing-dominates-the-european-market/

Privatisation has also imposed changed roles for central and local government, with the functions of state agencies being increasingly reduced to that of commissioning and procurement, especially in local government. This leaves little room for developing local alternatives.

The voluntary sector 're-engineered'

The New Labour government relabelled the world of voluntary and community action as the 'third sector'. This was not just a change of terminology: it reflected a major shift in how Voluntary Services Groups were defined and promoted, placing a new emphasis on their role in delivering public services and their adoption of 'professional' standards and commercial methods. The outsourcing project demanded this shift to assist the reshaping of public service delivery. How have these changes been pushed through and what has been the response of Voluntary Services Groups to these pressures?

Historically, grant aid was the principal mechanism for state support for Voluntary Services Groups, in recognition of their important role in complementing statutory services. Alongside support for particular projects and activities, this would often include 'core' funding - the resources needed to maintain and develop the organisation itself. Like all other organisations, Voluntary Services Groups require this kind of funding if they are to sustain organisational integrity. In very many local areas grants programmes have been cut significantly, if not entirely, and replaced by the use of funding contracts, which are now regarded as the norm for funding relationships. Underlying the shift from grants to contracts is a shift in assumptions: from one that sees state funding as a way of supporting VSG's own plans and priorities, to one that sees these groups as a means of delivering state plans and priorities. This is now an explicit intention of government³. In the process core funding has all but disappeared.

The marketisation and privatisation of public services has required the creation of commissioning and procurement regimes, and these are based largely on private sector practices. Alongside all the other problems they bring (of expense, inefficiency, etc), these kinds of commissioning have diminished voluntary sector input into service planning and needs assessment; and they have replaced collaborative with competitive relationships, both amongst VSGs and between them and statutory agencies. This has undermined trust relationships on all sides. What's more, the operational mechanics of procurement systems impose heavy burdens on VSGs - both to qualify for entry to the competitive process, and to prepare and submit bids. Successful bidders then find themselves having to cope with onerous contract and performance management regimes.

Such processes also stifle innovative and experimental approaches, consistently favour large, often national, organisations, and encourage sub-contracting, which further reduces the independence of those involved. Users also experience the impact of all this: costs are driven down to levels that make the provision of good quality service delivery hard to achieve; the performance-managed services available are less able to adapt to the specific needs of users; and the room to exercise expressive behaviours that has historically

³ 'We need to find a much more active and responsive system ... we have to help build much more capacity in the (voluntary) sector to be able to deliver what Government is going to need in the future', Rob Wilson, Minister for Civil Society, *Third Sector Magazine*, January 2015

associated with VSGs is reduced or eliminated.

Finally, the larger organisations and the corporations have an advantage when dealing with the increasingly popular adoption of payment-by-results - that is, after the service has been delivered. Few VSGs have the reserves (or the capital) to enable them to sustain provision over a period of time before they receive payment.

At the same time as these changes in procurement practices, the cuts have forced state agencies to concentrate resources on core statutory functions. Many groups have therefore found themselves confronted by tightly prescribed and managed terms and conditions of funding; reductions in the levels of funding available; and requirements to work on issues and in ways that primarily assist statutory agencies to fulfil their legal duties and chosen priorities.

The rise of social enterprise and the new entrepreneur

In response to encouragement from government, sector leadership bodies, think tanks and other commentators, many VSGs have come to adopt the view that being more 'business-like' will make them more successful, and that their future lies in private sector solutions to social problems. Distinctions between not-for-profit and profit-based service delivery have been blurred through the promotion of the vague concept of 'social mission', and the failure to define social enterprise as a distinct activity.

Through these moves some VSGs are now engaging with the 'social investment market' that is intended to replace public funding for public services, through the use of financial instruments such as payment by results and social impact bonds. This has been accompanied by, and further encouraged, the rise of the new 'social entrepreneur' - a cadre of managers and owners who are happily complicit with the expansion of the financialisation and marketisation of human need. The vast bulk of social enterprises that attract private finance do so by entering into debt commitments with private investors, whilst continuing to rely on public sector finance both to provide the contracted service and repay their investors. These developments are likely to have similar effects as the disastrous financial consequences for the public purse of the Private Finance Initiative programme.

This blurring of distinctions between private, public and voluntary contributions to public (especially welfare) services has also made it appear more acceptable for VSGs to enter into sub-contracting relationships with private providers. The front runner for this approach was the government's Work Programme, intended to help people back into work. All but two of the outsourced contracts for 'prime' providers went to private sector companies, who recruited 607 VSGs as subcontractors. Relationships of this sort continue and were extended in the current Help to Work Programme. Similarly, the Coalition government's privatisation of the Probation Service (the Transforming Rehabilitation Programme) created twenty four Community Rehabilitation Companies to run the new programme. Again contracts were almost all awarded to private-sector prime contractors, but with the involvement of 225 VSGs. Proposals for privatising cancer care in Staffordshire utilise the same model - a prime contractor who will be responsible for managing a supply chain of sub-contractors including VSGs. Arrangements of this sort are now commonplace as a result of local procurement exercises, including smaller VSGs sub-contracting to national corporate charities.

The role of voluntary sector leadership groups

Voluntary sector leadership bodies - especially but not exclusively the National Council for Voluntary Organisations (NCVO) and Association of Chief Executives of Voluntary Organisations (ACEVO) - have signally failed to stimulate, let alone organise, any opposition to the slashing of services for poor people and disadvantaged communities, and direct cuts to these people's living standards. Patchy responses aimed at specific issues and impacts have been almost universally concerned with cuts to VSGs, rather than the draconian effects on their users and beneficiaries.

These bodies have explicitly or implicitly supported the privatisation of public services, and sought to maximise the benefits for VSGs from these programmes. They have supported arguments for a 'level playing field' to enable groups to pick up a greater share of contracts, and for closer sub-contracting relationships with private sector global corporations - including some with reputations for criminality (including violence towards users), dishonesty, poor employment practice and other abuses. G4S, for example, has been implicated in violent and abusive conduct in its security work in Australia, Indonesia, South Africa and the UK, including the manslaughter of Jimmy Mubenga. Serco, another global corporate company with massive UK outsourced contracts was forced, in 2013, to repay £68.5 million for overcharging on their contract for monitoring offenders.

Criticisms of procurement practices, funding mechanisms (such as 'payment-by- results' contracts) and contract management arrangements have been confined to technical issues or matters of process; while more fundamental issues - such as service purposes, damage to quality and dishonest practices - have been avoided. At local level too, amongst local infrastructure groups, especially Councils for Voluntary Services, the approach has been to accept cuts and competitive behaviours, and the promotion of business practices and relationships, and to be subservient to damaging and inappropriate commissioning and procurement regimes. There have been a small number of examples of involvement in local campaigns to defend community rights or oppose cuts - for example Adur Voluntary Action in West Sussex played a visible and supportive role in the local 'Don't Cut Us Out' campaign - but these have been thin on the ground.

At all levels the claims of social enterprise and social investment as a viable alternative to publicly funded services have been embraced. Indeed the entire sector has allowed itself to be rebranded again - as the 'Voluntary, Community and Social Enterprise (VCSE) sector'.

The cumulative impact on Voluntary Sector Groups

The cumulative effect of these changes has been a situation in which many VSGs, especially those that are small and medium-sized and locally-based, are struggling to stay afloat, and to maintain levels and quality of services for their users. Their precarious position undermines their ability to deliver consistent and effective services and support for people and communities facing cuts and austerity. In response, some groups have looked elsewhere for support - general donations or trusts and foundations - but this has not usually generated enough income. Others have moved in the direction of social enterprise and social investment, looking for trading opportunities and adopting business practices as a source of income generation. Others again have felt they have no alternative but to join the

market and bid for government funding for the provision of contracted-out or privatised public services. And within the latter category there are a growing number of VSGs who are becoming sub-contractors to profit-making private business. Many other groups have been forced to cut their services, or close their doors altogether.

There is a growing gap between the 'winners' and the 'losers' in this new environment. Larger VSGs continue to command the bulk of income to the sector. Many larger charities, including large housing associations, have moved into local service provision in direct competition with long established small or medium size voluntary groups. Some of these national charities behave in aggressive, competitive and predatory ways. And with the consequent loss of local groups has come the loss of local knowledge, networks and embeddedness within local communities - benefits that cannot easily be replaced. Furthermore, the development of local competitive markets has created a huge churn in the availability of services and who is contracted to provide them. In some areas of provision (for example work with children and families and advocacy provision) locally-rooted providers have fallen out of the picture as large charities compete with one another and swap contracts as they win or lose in different areas. The example of advocacy provision is especially striking. Here, two or three large national providers fought against each other to win numerous contracts in local areas, and in the process put out of business smaller local groups that had previously provided the service. Any assertion that such regular discontinuity improves services for users is completely lacking in credibility.

Smaller community groups are also adversely affected by these changes. Many of these groups provide activities that are based on self-help and mutuality – which would be described by some as services. And, indeed, these groups are filling gaps in services. But they are facing rising demand through cuts to other provision, while remaining largely invisible and at a disadvantage when it comes to accessing other forms of funding. Groups from black and minority ethnic communities appear to be suffering disproportionately, because these communities have poorer health, are more likely to be in poverty, have difficulty accessing services and have long been marginalised in terms of policy, and because available resources are now concentrated in so-called 'mainstream providers'. For example, groups serving the large Turkish-Kurdish population in Hackney are under intense pressure and their survival is at risk. Further marginalisation of all of these groups is damaging, as they add very significant social capital to localities.

The changes have also impacted badly on both volunteering and paid staff. Dominant ideas about volunteering have moved away from conceptualising it as self-help, community development or campaigning, replacing these approaches with the 'workplace model', which sees volunteers as unpaid labour. This means loss of access to volunteering for some, and for others loss of opportunities for personal development and employment. A more subservient role for volunteers also helps to drive a wedge between the perceived 'professionalism' of VSGs and groups of people who are involved in activism and campaigning. This then becomes part of the process of distancing VSGs from the struggle for social justice.

With respect to paid staff, the move to outsourcing, combined with cuts to budgets, has put pressure on VSGs to conform to procurement expectations of low-cost, high-volume proposals. This has increasingly led to wholesale reviews of terms and conditions of work, often resulting in lowering pay at the bottom while increasing it at the top; the

'casualisation' of contracts, use of 'zero hours' contracts and general exploitation of weaker employment rights; and heavy-handed 'managerialism' that frowns upon union activity or political activism of any kind. Trades union membership is low within VSGs: organising within a sector that comprises large numbers of relatively small groups has always been difficult.

Dissenting voices

Of particular concern to NCIA has been the alarming extent to which VSGs' critical voice has been silenced. This role - of advocacy, campaigning, opposing excesses, abuses and injustices and holding powerful interests to account - is a vital, perhaps *the* vital role of voluntary action. But open dissent - even mild informed criticism - is now widely seen by local and national state agencies as unacceptable.

This would appear to be a principal intention of the Lobbying Act of 2014; and the extent to which the voluntary sector establishment has fallen in behind its bizarre requirements is one indication of its success. The conformist atmosphere is reinforced through dependency on funding; formal contract arrangements which include silencing clauses; informal bullying and threatening behaviour; and progressive incorporation into statutory service frameworks. Internally, the adoption of managerial and assumed 'professional' approaches to organisational life has created a culture in which public dissent and opposition is seen as alien; and many groups have adopted insider advocacy tactics or 'cosy' campaigning strategies. All of this is contributing to a loss of ability on the part of VSGs to think, act and speak independently, and especially to speak plainly and passionately where injustice and privation are being visited on their users and beneficiaries.

But there are some grounds for hope. The NCIA inquiry findings paint a grim but not universal picture. Some larger charities have not chosen to exploit the market opportunities open to them; some smaller VSGs are managing to operate with integrity in the new environment; some community groups still receive valuable support from their local authority. Key factors that have affected these outcomes include the extent to which local commissioners value the contribution of voluntary sector providers; the degree to which local groups are dependent on state funding; the level of cuts imposed locally; the stance taken by local politicians; and the extent to which the VSGs themselves have articulated a political position on their role.

The situation is not irreversible. But it is important that VSGs take a stand on all these issues. They need to take on the argument, acknowledge the damage that is being done to their rationale and existence, and make a commitment to rolling back the forces responsible. This also means stepping back from privatisation: few such groups have a future in a privatised welfare market. They should therefore stop trying to, and concentrate on what they can and should be doing - innovating and sharing experiences, and advocating for and campaigning with the beneficiaries, users and the communities they care about. Current commissioning and procurement practices should be abandoned as unfit for purpose, and VSGs should get back to productive funding and the principles and assumptions that previously underpinned grant relationships - principles which promote the independence of action that underpins a vibrant and plural civil society. We also need to show active solidarity with people under attack, and reassert our role as active agents of change, standing up for unpopular or unnoticed causes. Reclaiming independent voluntary

action requires radical and accountable leadership, built on the principles and practice of collective action.

The picture our research paints is deeply troubling. There is evidence that many people involved with Voluntary Services Groups are profoundly unhappy with what has happened, but feel confused or powerless to regain the initiative. In order to halt the sad and dangerous demise of a proud civic tradition we need an open debate within the world of voluntary services about the daily reality of providing services, about the reasons why things are so tough, and - most critically - what practical action is needed to put things right. The cost of not facing up to this situation and taking a stand will be very high indeed.

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