

Voluntary Action – fragmented and ignored: the damaging effects of Government privatisation policies

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Introduction

This paper proposes that government policies of privatisation damage the principles and practice of voluntary action and its proper role in a democratic society.

Under the New Labour government some attention was given to the role of community groups via empowerment initiatives. The main focus however was on the role of professionalised voluntary sector agencies in meeting government targets and, in particular, the delivery of public services under contract to state agencies. Implementation of these policies was driven by new, more rigid methods of commissioning services. At the same time, distinctions were blurred between voluntary and private provision through official support for social enterprises.

Under the current coalition government the intention is that public services which survive the cuts, with few exceptions, will be contracted out to the private or voluntary sectors or to social enterprises. Large national charities and businesses are in a strong position to secure these contracts and extend their control of local services. Smaller, locally-based voluntary agencies are being encouraged to 'scale up' their capacity through mergers, acquisitions and consortia. At the same time, groups active in the community sector are feted with the promises of localism and 'big society' initiatives that, as yet, have little substance and are widely regarded with scepticism.

This paper accompanies a panel session at the VSSN Research Conference 2011, which will explore the evidence through three presentations and a debate.

Are contracted out services any better?

Within the last three decades, there has been interest by successive governments in the privatisation of public services. By the time the New Labour government took office in 1997 there was a broad cross-party consensus that public services were failing, and that the introduction of competitive markets and private sector service delivery, would increase choice, drive down cost and improve quality. The New Labour years saw an accelerating interest in the privatisation of services and a focus on mechanisms to achieve this, especially commissioning. At the same time, the New Labour establishment discovered the apparent virtues of the voluntary and community

sectors (VCS) as a vehicle for the delivery of state policies and public services. The conflation of 'private' and 'voluntary' was made complete with the invention of the concept of 'social enterprise'.¹

Policy initiatives and speeches by ministers made it clear that the coalition government intended to expand the contracting out of public services.² The Open Public Services white paper³ made the most explicit statement of this intention: "Public services should be open to a range of providers" is one of the five principles set out in the white paper.⁴

It is clear that the government assumes a competitive market is the key to improving public services. We present the following examples to question this assumption in the hope of starting a more informed discussion about the role of the VCS in delivering public services.

- In its evidence to the government on public sector reform⁵ the TUC presented research indicating that transferring provision to the private sector did not result in better or cheaper services:
 - The private sector has a record of failing to deliver quality and value for money in the NHS - such as the rise in hospital infections after the outsourcing of hospital cleaning in the 1980s;
 - The Association of Public Service Excellence looked at more than 50 examples of local authorities bringing services back in-house. The main reason cited was poor contractor performance;⁶
 - In Sweden academic standards in some subjects have fallen since the introduction of 'free schools' and the Swedish education minister has warned the British government not to introduce them;⁷
 - Research by economists at Imperial College showed that the introduction of competition in the NHS in the 1990s led to a fall in clinical quality.⁸

¹ "In reality, the term 'social enterprise' is what you make it – there is no legal entity or form of governance called social enterprise. This allows a massively wide range of agencies to describe themselves in this way – co-operative shops in pressured rural villages, consultancy firms 'making a difference', residential care homes, and the multi-million pound Welsh Water which pays its Chair £150,000 a year" – NCIA, 2010 *Voluntary Action under Threat*.

² See for example Free schools: <http://www.guardian.co.uk/education/free-schools>, <http://www.bbc.co.uk/news/10345302> and GP commissioning: <http://www.guardian.co.uk/society/2010/nov/18/mutual-decision-healthcare-end-nhs>

³ See <http://www.cabinetoffice.gov.uk/sites/default/files/resources/openpublicservices-whitepaper.doc>

⁴ Op cit 3: see paras 1.16-1.17

⁵ TUC 2010: *Public Sector Reform: response to call for evidence by HM Treasury and Cabinet Office*

⁶ APSE, 2009: *Insourcing: a guide to bringing local authority services back in-house*

⁷ See Sunday Mirror, 30th May 2010: *Flagship Tory free schools scheme condemned by Swedish education minister Bertil Ostberg*

- In 2010 the Financial Times published an analysis of the private supply of public services and concluded that the private sector was neither better nor cheaper than the public sector.⁹
- A submission to the Secretary of State for Transport examining value for money in the privatised railway system detailed that overall taxpayer subsidy to the industry increased from £2.3 billion a year in 1993/4 to £5.2 billion in 2008/9, and that taxpayer support, as a proportion of total income, had increased from around 40% in the early 1990s to around 50% in recent years.¹⁰
- The Observer reported on 22 May 2011 that London's fire service may soon be facing a crisis as the private company which owns its fire engines and equipment may go into administration. AssetCo has a contract to supply the London Fire Brigade with all its 500 engines plus 50,000 pieces of equipment. If it goes broke these assets may be sold off to satisfy the company's creditors.¹¹

With respect to VCS delivery of public services, an evidence review from the Third Sector Research Centre concluded that research attention has focused largely on how the services have been commissioned out and far less attention given "...to the nature of the service commissioned, whether new commissioning processes are leading to improved services and fundamentally what difference services make."¹²

Given the lack of evidence of the effectiveness of contracting services to the VCS, coupled with the evidence of the failures of privatisation elsewhere, it is difficult to escape the conclusion that government policy is ideologically driven, despite vigorous denials¹³. We believe the VCS, particularly second and third tier organisations that represent the sector, need to challenge the government's commitment to privatisation.

Commissioning is the devil that has come amongst us

Commissioning has been the principal means by which public services are contracted out. Commissioning of mainstream services will, of course, involve and affect VCS

⁸ Letter to *The Times*, January 17th 2011, from the health unions the BMA, RCN, Unison, Unite, RCM and CSP, quoted at <http://www.touchstoneblog.org.uk/2011/01/nhs-reforms-%E2%80%99Cextremely-risky-and-potentially-disastrous%E2%80%99D/>

⁹ Financial Times, 18th October 2010: *Private sector 'not yet better or cheaper'*

¹⁰ See <http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/pgr/rail/strategyfinance/vfminterimreport/pdf/interimreport.pdf> p.12

¹¹ See <http://www.guardian.co.uk/uk/2011/may/22/assetco-london-fire-brigade-privatisation>

¹² Third Sector Research Centre, July 2010 *The third sector delivering public services: an evidence review*

¹³ For example see See <http://www.cabinetoffice.gov.uk/sites/default/files/resources/openpublicservices-whitepaper.doc> para. 1.5

agencies. However, the VCS has endured several years of commissioning practices that have changed the relationships between statutory and non-statutory organisations and seen grants replaced by funding arrangements that damage the voluntary sector. The following section outlines these areas of damage.

Voluntary agencies stop thinking for themselves

Grant funding is based on a voluntary organisation's own understanding of its purpose, the needs of its beneficiaries and its own approach to, and capacity to meet, those needs. Commissioning exactly reverses this position - the commissioning authority decides what it wants the service to be and specifies resources available, outcomes expected and often, how the service or activity should be delivered.

Commissioning threatens the independence of charities and community groups

A defining feature of voluntary sector organisations is their ability to act as an external point of pressure to hold the state and the market to account. The more they get drawn into delivering public services, the less they will be able to question and comment on government policy and to act independently from it. The Baring Foundation's submission to the previous government's *Inquiry on Commissioning Public Services from the Third Sector* said that commissioning forms "a significant threat to the sector's independence."¹⁴

The market doesn't select the best service

Research by the Greater Manchester Centre for Voluntary Organisations found that "commissioners do not have good awareness of the voluntary sector market."¹⁵ The current push towards consortia working and sub-contracting further reduces the level of direct contact between commissioner and service provider.

Research by Adur Voluntary Action/NCIA found that unless consideration of other factors is deliberately built in, the market model of selecting a service can be random, ignoring common sense, history and personal relationships, all of which are important to the success of a service. Contracts are re-tendered routinely threatening continuity and accumulated knowledge and learning.¹⁶

Small groups go to the wall

Commissioning favours larger VCS organisations, indeed qualifying specifications often require financial standing and reserves that apply only to larger agencies. Smaller organisations cannot compete with large ones in delivering the lowest unit cost or economies of scale.¹⁷ The substantial resources required to submit tenders are often unavailable them.

¹⁴ <http://www.baringfoundation.org.uk/PASCsubmission.pdf>

¹⁵ *Commissioning: Possible*, November 2008

¹⁶ Available here: <http://www.adurva.org/Downloads/West%20Sussex%20report%20-%20final.pdf>

¹⁷ NAVCA response to the green paper *Modernising Commissioning*: 'there is a real risk that the extension of payment by results could exclude smaller voluntary organisations and community groups from entering the market, as they do not have the working capital to continue operating whilst they await payment.'

Innovation and flexibility are lost

The loss of grant-based core funding and the move to project-specific funding undermines the VCS capacity to respond flexibly to changing local need. New or innovative work is seen as high risk in a market-based system. Rigid monitoring of commissioned services (and payment-by-results) discourages holistic or preventative services, which have less clear or immediate outcomes.

The market damages organisations and the people working in them

Privatisation pressures lead to a 'race to the bottom'. Staff terms and conditions deteriorate, tightly managed performance regimes inhibit initiative and involvement, unionisation is discouraged. Inclusive management - one of the historic strengths of the voluntary sector - is eroded.¹⁸ Collaborative relationships between VCS groups are replaced by secretive competitive relationships.

The market cannot replace the voluntary sector

The encroachment of the state, on the one hand, and the private sector, on the other, undermine the purpose of voluntary and charitable activity, the hallmarks of which include altruism, volunteerism, collaboration, campaigning, and providing users and communities with alternative and trusted sources of support.¹⁹ The voluntary sector represents a distinctive sphere of human activity: the space in which people are free to do things, large or small, not because the government promotes them or because they will generate profit, but to try to change the world.

The community sector and the 'big society' – more than just a rhetorical prop?

The principal interest of the previous and current governments has been in those parts of the VCS that are seen as useful to modernisation, privatisation, and public service delivery. The tendency has been to turn the VCS into an instrument of state policy. This has created a corrosive dynamic of winners and losers. The winners are a tiny minority of the sector. This dynamic has been partly driven by the willingness of those seen as attractive by commissioners to split from their grassroots base. The effects of this are bad for society as a whole.

The NCVO Civil Society Almanac estimates there are 900,000 civil society organisations, including 600,000 un-constituted community groups. So community groups make up the largest part of the VCS. The central contradiction in VCS public policy is that this constituency is largely absent from initiatives and debates about the community sector. The inability or unwillingness of the state to acknowledge the full

¹⁸ See *Managing for independence and social action* – NCIA 2010 - <http://www.independentaction.net/wp-content/uploads/2011/06/managerialism2011-web.pdf>

¹⁹ See, for example, a discussion of the changed roles of housing associations in *Housing Associations in England and the Future of Voluntary Organisations*, Baring Foundation, June 2010

nature, scale and profile of activity of the VCS²⁰ is a major reason why so much energy has been wasted in ineffective top-down policy.²¹

Under New Labour the Third Sector Review (2007) revealed that small and medium sized charities got smaller at a time of overall growth in the VCS.²² The money that came into the VCS did not 'trickle down', which increased structural inequality in the sector. This was mirrored by the disappearance of political vocabulary (equality, social solidarity, collective action, social justice) in favour of language²³ that complemented a private sector market paradigm²⁴ (social enterprise, assets, business development, marketisation, commissioning).

In parallel with this, the neoliberal belief that the state should do less has not led to greater power for local government, local residents or the wider VCS. Instead there has been more state intervention in communities, by using either moral opprobrium²⁵ to pathologise poor communities or increased surveillance ('government through community').²⁶ The state, in particular under 'big society' and localism plans may seek to deliver fewer services but central government retains the ability to set the agenda which councils and communities follow.^{27,28,29}

²⁰ Community Sector Coalition, 2010: *Unseen, Unequal, Untapped, Unleashed: The Potential for Community Action at the Grassroots*:

²¹ Chanan G, 1999: *Local Community Involvement: A Handbook for Good Practice*: "The community exists first; the development scheme is an intervention in it. From local residents' point of view, therefore, the question would be how to get the development scheme to be involved in the community. However, development schemes are mostly devised from the outside in rather than from the inside out, so the question of involvement initially presents itself from the perspective of intervention" (p1-2)

²² Treasury & Cabinet Office, 2007: *Future Role of 3rd Sector in Economic and Social Regeneration*: "Not every organisation has grown. NCVO 2007 UK Voluntary Sector Almanac highlights the rapid growth of many large charities and the decline in income of many small or medium sized charities" (para 1.1)

²³ Scott M, 2011: Unfinished PhD Goldsmiths College, University of London

²⁴ Seddon J, 2008: *Systems Thinking in the Public Sector* Triarchy Press: "The regime remains obsessed with the unproven, damaging and demoralising doctrine of 'quasi-markets', based on an ideology described by Friedman as 'liberalism' which has increasingly penetrated the public-sector reform programme... What has this formula produced in practice? Problems with quasi-markets and targets are just the tip of the iceberg. Every public service with which I am familiar has been made worse by the specifications with which they have been obliged to comply... Public-sector morale is at an all-time low"

²⁵ Wallace A, 2010: *Remaking Community?* Ashgate.

²⁶ Rose N, 1996: *The death of the social? Re-figuring the territory of government*: Economy & Society Volume 25, August 1996 327-256: "Within a rather short period, what began as a language of resistance and critique was transformed, no doubt for the best of motives, into an expert discourse and a professional vocation – community is now something to be programmed... a new way of demarcating a sector for government, a sector whose vectors and forces could be mobilised, enrolled, deployed in novel programmes and techniques which operated through the instrumentalisation of personal allegiances and active responsibilities: government through community... Within this new territory of exclusion, the social logics of welfare bureaucracies are replaced by new logics of competition, market segmentation and service management: the management of misery and misfortune can become, once again, a potentially profitable activity"

²⁷ Lukes S, 1974: *Power: A Radical View* (Verso 2005)

²⁸ In the words of the Widdicombe Commission (1986), a precursor to the Local Government Act of 1987, 'local government has no right to exist' because Parliament is sovereign".

Community sector groups, which are predominantly unfunded grassroots associations, have had little interface with the New Labour third sector modernisation or the coalition government's 'big society'. A minority of more formalised voluntary sector groups, including hybrid social enterprises have re-branded themselves in pursuit of funding and peeled away from their grassroots base. This has divided the sector so it is increasingly untenable to describe the VCS as 'one' sector.

The government has implicitly recognised the divide between the majority community sector and the smaller moneyed elite through its definition of 'differential capacity'³⁰ across the sector, which recognises that few groups will be able to pick up on the new community rights to buy or build. This has led to concern that large private companies such as SERCO and CAPITA rather than the VCS will benefit from the market opportunities that are intended to flow from the new rights.

In 2011 the intelligence from communities is of trauma.³¹ VCS groups are having to close down, use up reserves, close offices, make staff redundant. They are struggling to function in any recognisable form.³² The part of the VCS that became part of the professionalised environment is in many places seen as the first and easiest cut for statutory bodies. The part of the VCS that stayed small, volunteer-based and largely unfunded remains marginalised and neglected. In many places elements of both are ceasing to exist altogether.

Community groups make up the vast majority of civil society organisations so a stronger society can only be built through them. The persistence of a market model has damaged the fragile set of human relationships which are created through community groups and which do not adhere to market values. The consistent failure of social policy on, and in, the community³³ creates important opportunities for reflection but is also an impetus for action (praxis). Long term support is needed for small community groups that are wholly independent of the state and market so they can pursue their goals through voluntary action.

²⁹ Milton S, 2007: *Address to Policy Exchange / Localis* : Sir Simon Milton in an address to Policy Exchange / Localis commented on the new central-local concordat that a "more mature relationship" was required and that "our vision is democratic" but that "there is little point in talking about devolution unless we are prepared to tackle local government finance". Instead the demise of most Community Empowerment Networks, has greatly reduced the voluntary sector's capacity to do participative work, and the assertion, again by Sir Simon Milton, that "community empowerment is local government's core business" (DCLG 2007) has not seen significant levels of subsidiarity to either town hall or community hall.

³⁰ Department for Communities and Local Government, 2007: *An Action Plan for Community Empowerment: Building on success*: Communities and Local Government Publications

³¹ Alinsky S, 1971: *Rules for Radicals*. Arrow Books: The second of rule Saul Alinsky (1971) set out for radicals was to: "Never go outside the experience of your people. The result is confusion, fear and retreat."

³² Crawley J & Watkin R, 2011: *Crisis and Contradiction: Research into the current issues facing small Voluntary and Community Organisations*: South West Community Foundation

³³ Taylor M. 2003: *Public Policy in the Community*. Palgrave MacMillan