Policy and politics in privatising public services and impacts on non-governmental organisations: does size matter?

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Abstract

This paper focuses on English non-governmental organisations (voluntary organisations) facing sweeping changes in arrangements for welfare services, coupled with austerity measures and increased service demands. Growing outsourcing of public services, scaled-up contracts and intense competition have supplanted previous state-voluntary sector relationships, increasingly privileging large contractors. The paper contrasts the experiences of large and smaller voluntary organisations, considering the effect of size and questioning the space for more creative local approaches to enhance services. Initially, it analyses available information on the current state of the voluntary sector and its finances; and then, from a series of case studies, examines localised experiences in different areas and services fields. It concludes that size has become a growing factor in distinguishing experiences and outcomes; and this is reflected across different welfare fields and localities. However, experiences varied, with more intelligently drawn up contract criteria, emphasis placed on social value, local collaboration and co-production creating alternative models in a few areas, highlighting the importance of political approaches and creative local alliances in shaping future services.

Introduction

Under New Labour’s mixed economy of welfare provision, the voluntary sector held a privileged position for nearly a decade, valued for its focus on the needs of service users as opposed to hampered by state bureaucracy or motivated by profits. The Coalition Government’s post 2010 legislation and the Open Public Services policy (Cabinet Office, 2011, 2014) highlight both the private and voluntary sectors as partners in providing alternatives to public sector provision. However, since 2010, the voluntary sector has lost its preferred provider position (Milbourne, 2013), and Coalition policies have exposed both public and non-profit sectors to a tsunami of new levels of competition. The pre-2010 scaling-up of contracts and outsourcing of public services have now advanced rapidly; and voluntary organisations have largely lost prime contracts and autonomy over many services, succumbing, at best, to roles as junior partners, and invariably, to sub-contracting roles lower down supply chains. However, within these changing contexts, some organisations will fare better than others, and as new institutional theory applied to voluntary organisations suggests (Aberg, 2013), many will mimic or comply with normative organisational arrangements to gain legitimacy and resources, potentially ceding to mission drift. Even before this new wave of outsourcing, research (Buckingham, 2009; Milbourne, 2013)

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1 We have used the terms voluntary organisations, voluntary sector and charities but recognise that NGO often has more currency internationally, as also third sector organisations – used widely under the New Labour policies.

2 The study was undertaken initially to contribute to the National Coalition for Independent Action’s ‘Inquiry into the future of Voluntary Services’ which has collated a significant body of research into a series of reports - see: http://www.independentaction.net/category/inquiry-voluntary-services/updates-reports/
illustrates that the dominant cultures and managerial requirements associated with contracting favoured larger professionalised charities, often to the detriment of service users’ needs.

Nevertheless, many voluntary organisations (not only larger charities) have actively supported extensive outsourcing, identifying opportunities for income and service growth. While outsourcing welfare services clearly benefited many during the New Labour years, under the current regime, it has facilitated the spread of privatised public services, and a policy direction which has largely gone unchallenged by the sector. In effect, the Work Programme has seen major public funds supporting profit-making among corporate prime contractors delivering inadequate services to the unemployed (Long, 2012; Wright, 2013); and many smaller voluntary organisations unable to sustain their services, faced with harsh, cost-cutting practices and the downward transfer of risks and payment by results (Toynbee, 2012). As a result, colonisation, monopolisation and closure are now all scenarios facing voluntary sector providers, especially smaller organisations (Bawden, 2013; Ishkanian, 2014).

Such examples of negative service quality and practice (Rees et al, 2013) raise wider ethical questions about the voluntary sector’s willing involvement in extending the ‘for-profit’ service terrain, alongside concerns about diminishing autonomy over the nature of their service activities. These are issues that we sought to explore through our research, together with the question of how size affects these developments.

The paper starts by examining this changing context of welfare arrangements, discussing some effects of national government policy changes on local government and voluntary organisations related to political ideology around marketisation of public services and aspirations towards a smaller state. It then considers why size appears to matter, examining recent trends visible from literature. There is limited empirical research on the reasons for the growing dominance of large charities or the implications of this, and the paper explores these questions further drawing on a series of case studies, set in the context of recent changes. The third section of the paper describes our case study approach, drawing on data from seven local areas and six service fields. Information available on shifts in redistribution of income and on financial streams underpinning a selection of large charities also contributes to our analysis. The paper then discusses the findings from the cases, taking a thematic approach. The limited scope of this paper, however, restricts the detail that we can illustrate to underpin this analysis. More detail from the case studies is available (see NCIA, 2014).

The Changing Context of Welfare Arrangements

The voluntary sector exists within a well defined political-economy context (Whitfield, 2014), and below we highlight three broad areas of government policy which fundamentally impact on voluntary organisations at the current time. These are firstly, the extension of the ‘market state’; secondly, the drive towards a ‘smaller state’; and thirdly, the range of social policy changes and associated arrangements introduced to facilitate these.

The extension of the market state

The creation of new ‘open’ public service markets, with the proliferation of outsourcing through competitive tendering, has characterised Coalition Government policy (Cabinet Office, 2011). Other legislation related to a series of changes in different welfare programmes – unemployment, health, housing, welfare benefits - has likewise repeatedly emphasised the roles of the private and voluntary sectors as alternative providers to the public sector. This commitment to enabling market forces and reducing state intervention is informed by a continuity of thinking with the neo-liberal Washington Consensus (1989) and its rationale for the growth of corporate companies in running privatised public services; and de-regulation,
outsourcing and increased flexibility are integral to this ‘market economy’ or ‘market state’ (Bobbitt, 2002).

Although the voluntary sector is consistently referenced in government proposals for new centralised public service programmes, ensuing changes raise the question as to which part of the voluntary sector is actually intended. For example, in launching the Welfare to Work programme in 2011, it was claimed that 300 voluntary sector organisations would benefit (Marsden, 2011). However, the multiple problems facing smaller organisations involved have now been well documented (Butler, 2011; Horton, 2013), and the main beneficiaries of these large-scale initiatives have been corporate services. They have become the prime contractors with major and large charities as secondary contractors or managing delivery lower down supply chains.

Damm (2014) notes that 36% of the £3 to £5 billion Work Programme funding is being channelled via two contractors, Ingeus Deloitte and the corporate ‘charity’ A4e. Of the 40 prime contracts, only two were held by the voluntary sector, but 607 voluntary organisations are involved as sub-contractors (153 at Tier 1, others at Tier 2), representing 48% of all the sub-contracts. 80% of these Tier 1 sub-contractors are ‘large’ or ‘major’ voluntary organisations. Over two years to September 2013, a total of £1.047 millions was paid to Work Programme providers (DWP, 2014) and the voluntary sector share is estimated overall at just under 20% of this public funding. As Damm (2014) highlights, the result of private corporations commissioning voluntary sector sub-contractors for these new welfare programmes means that there is limited open public scrutiny of either commissioning processes, the balance of funding going into frontline delivery or subsequent practices.

The privatisation of the Criminal Justice Sector (CSJ) also illustrates how certain large charity providers have become the partners sought to develop these new, central government driven programmes. For example, Crime Reduction Initiative (CRI) and St Giles are the declared partners of Ingeus, currently bidding to become one of the Company Rehabilitation Companies (MoJ, 2013) intended to replace the Probation Service. Similar large charities also feature in an analysis of voluntary organisations receiving the most central government funding via the Criminal Justice system (Garside et al 2013), and have willingly engaged in contracts linked to supervising and sanctioning offenders. These roles are significant departures from voluntary organisations’ traditional involvement in criminal justice: supplementary services, advocacy and penal reform (Hucklesby and Corcoran, 2013).

Finally, there have been further proposals to extend privatisation into the territory of social services and child protection (Butler, 2014); and the Conservatives have indicated an intention to transfer responsibility for social care from local government to the Department of Health (Whiteman, 2014), if they continue in office in 2015. This is ostensibly to resolve the impossible financial burdens on local authorities but could easily trigger similar large-scale outsourcing of social care services to corporates with major charities engaged in the ways described above. The Troubled Families programme and Devon and Doncaster’s outsourcing of Children’s Services (Butler, 2014) have already prefigured these shifts and signal widespread threats for the future of medium sized and locally based voluntary organisations.

A ‘smaller state’

The second key strand of Coalition government thinking, associated with the market state, is that of the smaller state. Both are motors in dismantling the welfare state and ushering in the private sector; and provide evidence of the government’s intention to make the current reduction in size of the local state as permanent. Although only 46% of the cuts identified as necessary to remove the budget deficit have so far been implemented, the Prime Minister’s advocacy of ‘a leaner more efficient state’ (Watts, 2013) has clearly signalled the ideological
commitment to a smaller state, extending well beyond the current neo-liberal austerity politics and cuts to address the deficit.

The ‘smaller state’ is, however, focused on the local and social state, rather than any curtailment of the central and surveillance state. The severity of local government cuts have been disproportionate compared to those of central government departments and twice the level of those affecting government as a whole. Overall, between 2010 and 2015/16, local councils will lose on average 43% of their budgets in real terms (Betts, 2013). There are fears that by then many councils will be unable to meet all their statutory responsibilities faced with sharply rising costs. It is also the most deprived local authorities and communities, in locations such as Liverpool and Newcastle, and those most dependent on public resources, which face the highest levels of cuts. The ten worst hit areas will average 25% cuts each year, between 2010 and 2015 (Watt, 2014), and in metropolitan areas, there are huge disparities between poorer and more affluent localities. For example, the London Borough of Haringey has experienced thirteen times the level of cuts compared to the London Borough of Richmond (Ramesh, 2012). The level of public services delivered by voluntary organisations up until recently means that the impact of these cuts is significant (Slocock, 2012), even without further disruption in welfare arrangements.

Wider social policy shifts

It is also important to acknowledge the many other associated social policy shifts which are affecting the state of the voluntary sector. The punitive benefit caps in housing and social welfare are impacting social housing and increasing demands on frontline community organisations (UNISON, 2013). The extension of Personal Budgets is undermining collective funding of social and support activities, traditionally provided via local grants to voluntary sector bodies. Changes in public health and social care are integrating local NHS and local authority commissioning processes, with financial pressures generating the requirement of one lead provider, and the costs of consortia collaboration along with the contract risks for meeting targets are being pushed down the supply chains. Finally, the ‘spinning out’ of public sector services as new mutuals, the promotion of social enterprise and the related entrepreneurial culture encouraging new small businesses into the welfare ring, are all challenging the understanding of what constitutes local voluntary sector activity.

Why size matters

As those studying and working in the voluntary sector know well, the amazing diversity among voluntary organisations underlines the risks of oversimplification; however, the political and policy shifts described above highlight an environment in which smaller local voluntary organisations are struggling to survive financially (Bawden, 2013), while facing growing demands on their services (Crowe, Gash and Kippin, 2014). A national survey (CSJ, 2013) reported one in five small charities felt at risk of closure but no parallel concerns amongst the largest charities. Several recent reports (CSJ, 2013; NCVO, 2013; Baring, 2014) highlight a significant redistribution in income, typically resulting in larger charities acquiring an increasing share of overall charitable income; and smaller, locally based organisations suffering disproportionately from the reduced local resources available. Recent research also points to winners and losers beginning to emerge from new service programmes, with large charities gaining a greater share of contracts (Ishkanian, 2014). As service contracts are scaled-up and managed at a distance there is also a shift towards homogenisation of services – a ‘one-size-fits-all’ approach - and for local beneficiaries, and providers lower down supply chains to lose any influence over delivery models (Rees et al, 2013), resulting in impoverished provision and excluding already marginalised users (Ishkanian, 2014).
What this signals is that voluntary organisations closest to frontline services and local user groups are being squeezed out, in favour of larger contractors able to demonstrate legitimacy in this intensified competitive environment and with the reserves to shoulder potential financial losses. This is rapidly changing the landscape of welfare provision, disregarding ideas of including the voice of user groups and destroying the public building blocks that underpin effective and responsive welfare services (Murray, 2012). As Rees et al (2013) argue all this potentially confuses and deters welfare users who face chaotic provision as new services start up and others close. As an interviewee from an infrastructure organisation aptly depicted the risks implied in these transformations:

it’s building services on rocky ground, and sooner or later, if services are underfunded, corporates pull out. And if voluntary organisations down the supply chain carry too many risks, they’ll collapse or pull out too. It’s happening already.

Our approach to this research

Our aim was to examine recent changes in public welfare arrangements and the experiences and outcomes emerging for different sized voluntary sector organisations involved in service provision, using a case study approach (Stake, 2000). Within this broad aim we sought to identify redistribution in allocation of provision and funding; the extent to which some of the largest charities may be beneficiaries of this redistribution; and the effects of changes on small voluntary organisations and local services. As our introduction signals, a complex picture emerged with variations across different areas and in different service fields, and we were therefore concerned to examine the varied approaches adopted to address changes and their reflection of different values.

The research involved several methods of approach:

- Reviewing existing publications on emerging trends in welfare services and among voluntary organisations, including financial returns and annual reports.
- Reviewing recent empirical studies, for example those undertaken in regions, including: in Greater Manchester (Dayson et al, 2013), Newcastle & the North East (2013), Nottingham (2013), Birmingham (2013) and Yorks & Humber (2013); and a national survey of voluntary sector workers (UNISON, 2013).
- Primary studies undertaken in seven local authority areas, six service fields, including information drawn from surveys, focus groups and interviews.

From November 2013 to April 2014, we undertook some 20 interviews, two focus groups and a primary survey; we also discussed surveys conducted in other areas with key informants. Informants also included local authority commissioners. The cases are located in metropolitan areas of England or their suburbs, with some suburban areas purposely chosen as reflecting different socio-economic characteristics. We drew on the knowledge of local infrastructure organisations or councils for voluntary services, enabling us to select a purposive sample of organisations for interview. Our service field cases were drawn from Criminal Justice, Mental Health and Domestic Violence, Housing and Homelessness, Children and Young People’s services, and Volunteer services. We aimed to compare experiences of large and smaller organisations working in the same area or service field but that was not always possible.

From a series of illustrative cases, we explored the ways that size influenced outcomes, also observing the kinds of dilemmas that voluntary organisations faced. We have also located our findings within the broader socio-economic and political changes in welfare described above to shed light on reasons for winners and losers in the emerging environment. The dual focus on local areas and service fields allowed us to compare and contrast detailed experiences using different lenses, helping us to develop an analysis of possible patterns from key themes
emerging (Flick, 1998). As indicated above, the scope of this paper, however, restricts the examples that we can illustrate to underpin this analysis.

Appendix 1 shows a list of our main case studies and interviews - by area and by service field. We have adopted pseudonyms for people, places and organisations (unless information is already in the public domain).

**Defining ‘size’**

For the purposes of this research we have distinguished major and large charities - the largest registered charities - from micro, small and medium-sized voluntary organisations. Categorising size is problematic because of variations in definitions and how data sources are compiled; but the figures below (NCVO, 2014) provide a broad guide. Based on these figures major charities, with incomes of over £10million (some running into several £100 millions) account for just over half of the total income to the UK charity sector.

**Figure 1: Voluntary organisations (registered charities) 2011/12: Source NCVO UK Civil Society Almanac 2014**

<table>
<thead>
<tr>
<th>How Big?</th>
<th>Micro</th>
<th>Small</th>
<th>Medium</th>
<th>Large</th>
<th>Major</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Less than £10k</td>
<td>£10k to £100k</td>
<td>£100k to £1 million</td>
<td>£1 million to £10 million</td>
<td>More than £10 million</td>
</tr>
<tr>
<td>How many?</td>
<td>82,391</td>
<td>52,815</td>
<td>21,257</td>
<td>4,270</td>
<td>533</td>
</tr>
</tbody>
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By contrast, micro-organisations receive less than 1% of the total charitable income despite making up some 60% of the sector (McCabe and Phillimore, 2010). The charity register (England and Wales) is a key source of information but many small and micro-organisations are not registered as charities (and therefore invisible in these figures). Registered charities comprise less than 20% of some 900,000 civil society associations (Carnegie Trust, 2010), placing the imbalances in size and income in sharp relief.

**The state of finance: reductions, redistribution and growth**

We turn first to our analysis of publicly available documents where a part of the picture related to size is visible. In an overview of finance there is little dispute about sector wide disparities: the largest charities (major and large), fewer than 3% in numbers capture some 70% of the sector’s income (NCVO, 2014). With growing competition for diminishing funds, varied reports (eg Baring, 2014; CSJ, 2013) indicate that these disparities are growing.

**Reductions in resources**

In 2009-10 reduced income, largely related to outsourced public services and projects, started the reversal of a period of steady growth. NCVO (2013) estimated a loss of some £1.8 billion a year over the next 3 years. But with local authorities facing 43% cuts over 5 years, small grants are largely disappearing, and the hardest hit and least affluent areas invariably have fewer voluntary resources and community facilities to draw on (Mohan, 2014). As new welfare programmes are rolled out, resources are also being diverted from public and voluntary welfare providers to corporate contractors and enterprising sub-contractors.

The third drain on voluntary sector income is in underfunded provision. ‘State of the sector’ reports in different areas and regions show that failing to get full cost recovery in service contracts is a widespread experience³ with organizations mining their reserves and voluntary resources to cover the gap between the cost of delivery and contract (or sub-contract) fees. This

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³ See figures in regional reports (Manchester, Newcastle, Birmingham) identified above and in service fields for example, in criminal justice: [http://www.clinks.org/file/clinks-state-sector-full-reportpdf](http://www.clinks.org/file/clinks-state-sector-full-reportpdf)
serves to underline the fragile financial foundations of new welfare programmes. The use of corporate contractors - rationalised as providing financial security because of their operational size - appears equally precarious for reasons widely reported around lack of probity and efficacy, such as in cases of alleged fraud and payments for several thousand phantom offenders.

Fees for services and government funding represent the largest proportion of income (and therefore potential loss) for charities that have engaged substantially in delivering services but charities vary significantly in levels of dependency on this source (see Appendix 2). Individual donations also appear to be falling (NCVO/CAF, 2012), while both business and charitable donations greatly favour large charities (Breeze, 2013), highlighting the differential in fund-raising powers of larger and smaller charities.

**Redistribution and financial sustainability**

Despite improved statistical information on the voluntary sector, there has been limited work on the reasons for the apparent dominance of large charities, or which considers the implications of the seemingly growing divide between larger and smaller voluntary organisations (Backus and Clifford, 2013). This lack of research is all the more problematic as large charities are encouraged to enter a growing market of outsourced public services, increasingly taking on managing and sub-contracting roles, and where smaller voluntary organisations are largely excluded, relegated to the base of supply-chains or to supporting voluntary action to somehow maintain frontline help for those in desperate need.

It is not surprising then, that the largest charities are recipients of the lion’s share of overall charitable income; that they are growing; and that their share of income from commercial sources is also growing. The reverse is evident for many smaller voluntary organisations that are struggling to make ends meet and depleted by a surfeit of demands. These findings are borne out by multiple sources: area and service based surveys; our analysis of available annual reports and accounts; and national surveys (Crowe, Gash and Kippin, 2014; CSJ, 2013).

The real, and potentially unplanned, consequence of the recent scaling-up of contracts is the risk that many small community organisations will be put out of business, jeopardising locally based and specialist provision. Ironically, the recent report from a Conservative party endorsed think-tank (CSJ, 2013) emphasised that society needs the wide diversity of small community groups to sustain local creativity and innovation, alongside specialist approaches in responding to wide social needs. In an environment where many small voluntary organisations fear closure (ibid, 2013) and a majority are digging heavily into meagre reserves to meet beneficiaries’ needs (Bawden, 2013; regional studies, 2013) financial sustainability for smaller voluntary organisations is increasingly in question.

The Baring report (2014) highlights redistribution of charity income towards large charities as a particularly significant and worrying development but redistribution is not only about resources shifted within the charity sector. It also reflects public funds distributed away from public and voluntary agencies and towards private and corporate contractors; and away from service delivery into the transactional costs of procurement and contracting chains.

**Income sources and growth**

Income reductions and redistribution only underline a part of the story; there is also growth among some large charities and new social enterprises, and the Charity Commission has reported an overall growth in charitable income in the last year. There are also widespread differences, reflecting the political complexion of an area, the level of financial pressures and the speed of introduction of local changes.

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4 [http://www.theguardian.com/business/2014/mar/12/g4s-repay-overcharging-tagging-contracts](http://www.theguardian.com/business/2014/mar/12/g4s-repay-overcharging-tagging-contracts)
Given the focus of this paper, we included for study some of the largest charities whose incomes depend heavily on government funding for service provision (see Appendix 2). By assessing the annual accounts and reports we compared the proportions of income from different sources, references to growth and the apparent sources of growth. However, detailed comparison was difficult because of dissimilar categories used for accounts. Nevertheless, in all the cases we reviewed, overall growth was reported, with the two main sources being from increased service contracts and increased support from commercial sponsorship. Barnardos provides an illustrative example of a major charity continuing to grow despite austerity. From its 2013 annual report and accounts, Barnardos’ overall income grew by £12million or 5.3 per cent from the previous year. The largest proportion of income came from fees for services, which had risen by £7.6million from the previous year. Trading and retail profits were also some 11% greater.

It follows that as far as service provision, grants and contracts are concerned, growth for some is resulting in serious losses for others, given the apparent decline in overall service income. The picture is, of course, complicated by the redistribution of public funds to commercial donors but large charity ‘brands’ seem able to attract corporate sponsors and business partners where smaller organisations find their efforts yield limited results (Breeze, 2013). Money or goods in kind invariably come with strings attached, and partnerships imply a special relationship; and observers have speculated on the extent to which dependence on commercial sponsorship has compromised goals and inhibited charities’ independence and critical voice (Nutt, 2013). The recent Baring report (2014) also points to worsening levels of self-censorship and ‘gagging’ for those heavily engaged in corporate-led service contracts.

Commercial sponsorship and partnerships
A significant source of income growth for large charities has resulted from closer links with business. Annual reports confirm the more aggressive stance that some of the largest charities have taken to raising funds through corporate support, which is also reported in trade journals (Little, 2014; Pudelek, 2014). Some ‘causes’, such as children’s charities, are significantly more likely to attract both public and commercial donors but large charity ‘brands’ seem able to attract corporate sponsors and business partners where smaller organisations find their efforts yield limited results (Breeze, 2013). Money or goods in kind invariably come with strings attached, and partnerships imply a special relationship; and observers have speculated on the extent to which dependence on commercial sponsorship has compromised goals and inhibited charities’ independence and critical voice (Nutt, 2013). The recent Baring report (2014) also points to worsening levels of self-censorship and ‘gagging’ for those heavily engaged in corporate-led service contracts.

Numerous examples of partners in large welfare programmes are emerging: between NACRO and Serco in criminal justice5; between Barnardos and G4S, linked to Border Agency facilities and supporting prisoners’ families6. These liaisons raise questions about escalating constraints on independent voice and activities, and have generated mounting concerns about large charities increasing their work with corporates whose reputations have become sullied around their lack of probity in welfare and justice programmes7. Three snapshot examples of growth in partnerships and corporate sponsorship involving large charities are also reflected in an increased proportion of their total income from these sponsors.

- Save the Children increased its income from corporate partnerships (for UK and international projects), with a rise from £3.9m in 2009 to a projected £22.5m in 2014. Its partnership with supermarket chain, Morrisons has raised £7m in three years since 2011. The charity attributes its successful growth to new commercially focused strategies. Other partners or investors include: Unilever, Lloyds banking and Reckitt Benckiser.

- MIND has tripled its corporate sponsorship, with a 3 year investment from Zurich’s Community Trust arm. MIND identified success as partly from working with another beneficiary partner - Alzheimer’s.

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• British Red Cross’s Support At Home programme, intended to reach 13,000 people, primarily in rural areas, has secured a new £2m donation from partner Jaguar Land Rover.

There are numerous other examples including both charities heavily involved in UK welfare services and those with a higher profile internationally. However, as British charities increase their corporate sponsorship and partner with big business, they seem to be adopting corporate strategies: financial investment, marketing and branding - becoming ‘the new superbrands’ among NGOs (Wootliff and Deri, 2011, p157). Dependency on corporate funds is emerging as an indispensable way of life; but it may rebound, just as public service dependency is currently rebounding for smaller and medium-sized charities. This is not just about limitations on activities and openly expressed opinions; it is also about empowering big business and assuming its associated strategies as norms, thereby weakening critical and alternative models. Large charities have successfully gained public trust over recent years but sustaining this is unlikely, if their goals shift away from social missions and active campaigns to growth and business strategies.

Partnering with publicly trusted charities also boosts corporations’ reputations for social responsibility, deters critics and advertises their products. However, charity partnerships with corporate money may come at a high price, risking loss of public trust and active membership as charitable activities morph towards reinforcing the social, economic and political systems that they came into being to reform. ‘Small’ isn’t necessarily ‘beautiful’ and ‘big’ isn’t always ‘bad,’ but these trends in financial ‘partnering’ raise crucial issues about charities’ roles and objects. LeBaron and Dauvergne (2014) ask whether chasing money and growth is transforming big charitable welfare providers into big business, with ‘corporatisation narrowing “the limits of the possible”’.

**Emerging experiences in areas and service fields: case study findings**

(See Appendix 1 for details of cases)

We now turn to discuss cases drawn from our primary studies in different areas and service fields. Initially we summarise some broad findings and then provide examples from our data organised through themes that emerged. Overall our studies show that size has become a growing factor in distinguishing organisations’ experiences and approaches; and this is reflected across different welfare fields and different geographic areas. However, differences that we found do not only relate to size, and our cases also highlight other ways in which values and responses to the current changes are dividing voluntary organisations, and illustrate still wide variation by locality.

The case material also points to worrying signs of decline in the very idea of a publicly funded voluntary sector at a local level: in many areas, big providers and consortia, led often by national or regional charities were ‘scooping up’ new contracts irrespective of geographic boundaries. These negative trajectories, starkly illustrated in some areas and service fields, point strongly to competition gradually extending downwards into the terrain of quite small, localised and highly valued voluntary sector activity, some still supported locally by small grants. For example, local adult education funded courses are now at risk in some localities and with them the delicate ecology by which many small, but hugely valued projects receive local authority financial support. The impact of Personal Budgets is likewise growing and undermining attempts for small providers to plan provision collectively.

**Areas and organisations: market, state and community facing approaches**

We analysed our cases thematically, and have used three categories – whether market, state or community facing – to illustrate examples from the area based data. In any analysis, there are aspects that do not fit a neat typology but it proved helpful in identifying patterns. One of the
aspects that we found most surprising was that areas with similar socio-economic profiles sometimes adopted very different dominant approaches.

**Market-facing (1)**

In one deprived inner-city area (Wharton), young people’s services had been ‘packaged’ into 40 new contracts. Of 150 previous voluntary providers, only 35 successfully won their bids. This generated anxiety, not only about the future of provision and community organisations in different neighbourhoods but also about the physical premises where projects might be run since among unsuccessful providers, were those running diverse religious and cultural centres. One of the successful bidders, Deena, had recently established *Visions* - a new ‘social’ enterprise and described ‘buying into’ the new climate, and offering a competitive edge by telling ‘a story funders want to hear’. Her ‘can-do’ approach, which we identified as a *new opportunism*, chimed well with the emerging local authority culture in Wharton, emphasising cost and innovation rather than service expertise or quality. An authority spokesperson had recently warned that the severity of cuts would mean withdrawing much of the previous support to the local voluntary sector.

Chris from the local CVS also seemed to match this new local zeitgeist and described a vigorous stance to winning contracts, including a successful £300,000 bid to co-ordinate Healthwatch. His market-facing approach contrasted with community-facing messages on the CVS website, but he seemed unworried by this or that they and other larger organisations were effectively driving out small VSOs, except those that would deliver CVS-run sub-contracts. He stressed that groups needed ‘a drastic change in expectations’. There were, of course, alternative views locally and for example, *Support for All (SFA)*, a well-embedded, medium-sized voluntary organisation supporting carers, which had been ‘state-facing’ for a considerable period, seemed more sanguine in the immediate, and assumed some continued reliance on its positive reputation locally and on established relationships with local commissioners.

**Market-facing (2)**

Woolleigh, an affluent suburban area, rationalised outsourcing local CVS and volunteer services as improving efficiency and effectiveness. It split the services into supply-led contracts, won by a major charity, *Pathways* (with some 50 UK branches), with little experience of infrastructure services and no previous knowledge of the area. This left service beneficiaries – VCOs and volunteers - with little influence over provision. Woolleigh had also promoted charging and cost-recovery for services, such as in adult and community education, excluding poorer users and discouraging extended use of community centres.

When volunteer services were outsourced, they were coordinated at a distance, limiting the nature of the service. Becca, the new volunteer services co-ordinator, employed by *Pathways* on a poorly paid temporary contract, was located in a regional office some 10 miles away, and described her role as mainly administrative: managing a database, ‘like running a dating agency’ - matching volunteers and placements. She would have liked to maintain a good locally based service but *Pathways* defined her role differently, and paid little heed to concerns voiced about the loss of the volunteer centre - a facility for meeting and sharing practice; and a focus for recruiting and retaining volunteers, important when volunteers were mainly older. As Becca commented, it ‘seemed a poor way to run a service’ and described how within a short time, this takeover had ‘produced a ghost service, from a thriving volunteer centre’. With initial volunteer screening and induction also devolved to VCOs, she said her role achieved little more than replicate the national ‘do-it’ website. Becca left her job feeling that the limited scope for creativity and *Pathways’* lack of integrity in performance reporting compounded her feelings that this ‘was so far from best practice, it was altogether a very negative experience’.
State-facing

In another suburban area, Basborough, fairly mixed socio-economically, politicians had pledged political support for the voluntary sector. Consequently, in contrast to Woodleigh, the council continued to fund both the CVS and volunteer centre (VC), maintaining the status quo of support services, albeit with reduced budgets. However, several new commissioners were critical of VCOs and indicated greater preference for providers that offered ‘innovative solutions’, ‘willing to move with the times’. Some commissioners criticised VCOs for being slow to respond to changes and overly dependent on local government funding but other longer standing commissioners, such as in children’s services, commented on the value VCOs brought to local services that they were keen to maintain.

Commissioners generally gave volunteer services a good press but believed VCOs should be using their resources, such as volunteers more widely, ‘effectively replacing paid roles’. As Anna, the CVS CEO commented, ‘this can’t be viable in trained care or childcare work, whatever views prevail for services with less vulnerable groups.’ While the VC and VCOs highlighted the need to recruit more diverse volunteers, they stressed how hard this was during a recession, and felt some commissioners seemed to lack knowledge about the existing scope or real costs of supporting volunteer services. Steve, co-ordinating the VC, regarded volunteer services as working well often because of ‘sharing and building on local knowledge and connections’. In this sense, he was both community and state-facing. He was worried about the considerable pressure to demonstrate a lot for very little; and saw ‘the tide turning’, with rising and inappropriate demands on volunteers, and different models of outsourcing and demand-led infrastructure services in adjacent areas. For the moment he felt that things were very much about cementing relationships with local commissioners, because of existing political support but he and Anna were both aware that elections could change things significantly.

Community-facing (1)

Offering a further contrast, Rushley, a fairly deprived inner-city area, has promoted different ways of involving users in services over the last few years, including mutuals and co-production. These initiatives have aimed to address budget deficits through innovation and a focus on service responsiveness, countering criticisms about excessive local government monitoring and outsourced services. Horizons, a community provider with a long history of work with disengaged young people struggled with funding and performance demands from different local authority departments, seemingly pulling its work in different directions, and re-negotiated a more flexible contract with the local Youth Offending Service. Because of its specialist expertise with young people at risk or ‘in trouble’ with the law, Horizons has come under repeated pressure to increase capacity but rejected expansion that would change its ethos: ‘a place where young people feel they belong’. Cora, a trustee described avoiding being ‘sucked into’ a Home Office contract involving unrealistic expectations, explaining that, ‘chasing the money, survival at any price isn’t right.’

Horizons is resolutely community-facing, resisting what Cora described as the ‘unthinking drive towards growth and diversification’ which ‘ups competitive spirit but loses sight of the main goals’. While bucking mainstream trends has helped Horizons sustain a clear purpose and activities, anxiety is currently high about ending up under a large corporate contractor because of the direction, scaling-up and privatisation of MoJ programmes. They can see that their community orientation now chimes better with local authority aspirations, where youth projects built on ‘co-production’ models are being given a high political profile. These models are still experimental but as Cora said, ‘they at least offer a chance of alternatives, rather than caving in and losing control of what you do.’
Community-facing (2)

Another inner-city authority, Granton, with a diverse and fairly mixed socio-economic profile, offered an example of an intelligent and community-oriented approach to commissioning, which challenged the dominant trend towards bigger contractors and technicist procurement processes. It illustrates that politics underpin changes in approach more than resources. In this case, careful tendering procedures and consultation with local groups about specifications and monitoring systems had successfully protected small local voluntary organisations from the predatory activities of larger charities. However, a lead commissioner, Lawrence, felt there was still much work to be done in establishing better mutual relationships; and because of inevitable cuts and the complexities of procurement, there was a tendency to lack trust on both sides. Budget pressures were leading to radically rethinking public services and the Council was experimenting with 100% quality contracts and involving users in tender evaluation panels. But Lawrence felt there was a need for more ‘self challenge’ by voluntary organisations and greater reflection all round on how to provide genuinely responsive services. He recognised, however, that promoting better models of commissioning was challenging, not least because, ‘there is no safe space to talk about it’, since their local aims largely ran counter to dominant national thinking.

There were also many community-facing organisations struggling in a sea of competition, such as East London Settlement, where Marion, the manager, described situations that we observed repeatedly, of community-facing organisations losing ground and resources against larger competitors in an increasingly market-oriented environment. She described competing against bigger training and education charities that operated regionally or nationally and had ‘no local knowledge or specialist understanding’. Her local CVS had been floated off as a quasi-independent mutual, ostensibly a community-oriented decision, but it had produced a dramatic effect on local competition, as it was winning multiple contracts, including £10 million for a volunteer centre, having inherited the staff and council services to prepare bids. Previously, the voluntary sector had complemented council services but now inter-agency work and collaboration were disappearing. Marion was pessimistic, believing that ideas of charity, cooperation and collaboration were being lost and that ‘larger organisations winning all the contracts’ were likely to reach ‘a size where they become corrupt’ because of inadequate public accountability built into new developments.

Emerging experiences in service fields: case study findings (see detail in Appendix 1)

In what follows we draw on data from case studies of specific service fields: mental health and domestic violence; housing and homelessness; children and young people’s services; and local infrastructure and volunteer services. Our focus on capturing the dynamics between smaller and larger voluntary organisations reveals the intensity of competition and the way that contracts and tendering dominate voluntary sector activities in many service fields. As Myra, CEO of Supporting Divided Families, (a medium-sized organisation in the criminal justice field) said, ‘our members don’t want to talk about anything other than how to win contracts’. However, as in cases above, examples show that alternatives are possible, where there is creative will. Themes emerging from the cases are discussed below but the examples illustrated do limited justice to the wealth of data collected (see NCIA, 2014 for further detail). Many of the patterns we observed were replicated across different service fields but again, we stress the complexity of changes taking place.

Ideology of competition

Several interviewees commented on the manic level of tendering as ‘simply mad’ as greater centralisation of tenders and correspondingly scaled-up contracts multiplied. Driving these intensified levels of tendering was the privilege given to the ideology of competition, now
pervading these non-government, non-market sectors of society. Myra, CEO of Supporting Divided Families described several negative experiences. In one case, they had bid to promote multi-agency approaches to prisoner support and successfully secured nearly £1m across several contracts, now ended. One contract involved a partnership led by a major charity, and subsequently, this charity won the new tender for an infrastructure support service to work with prisoners families. Myra felt that instead of recognising a well-reputed service, this award had been rationalised by the idea that competition in itself was a desirable good. She also recalled how ‘the civil servants considered it to have been a wonderful development’ and had ‘simply ignored the potential to develop our small, flexible alternative’. This illustrates well how, if central government tasks civil servants with promoting a competitive system that will be their primary concern, regardless of the impact on services. Even if service quality is damaged, projects will also be deemed successful.

Further examples of the spread of competitive ideology are evident from domestic violence and mental health fields. For several decades these were services where user driven initiatives were prominent, with Women’s Aid and MIND characterised by independent local projects, also supported by national federated structures with strong campaigning voices. The introduction of competitive tendering has substantially changed this, placing particular stress on medium-sized organisations, and our interviews pointed to a predatory role by Housing Associations. In Devon, a regional housing association won a tender against three women’s aid projects, and in west London, four women’s aid branches, persuaded that they were too small to compete, had merged with Hestia (a registered housing charity with no member base, and a £17m turnover). Hestia has grown rapidly over several years, running domestic violence services in 11 London Boroughs, along with specialist children’s services, mental health and offender rehabilitation services. Patricia from Domestic Violence referred to ‘the predatory role of Hestia’ and believed that the national Supporting People programme for housing related support for vulnerable people had facilitated cuts to services and the stripping out of the specialist elements of women’s aid services so that refuges could no longer hold emergency bed spaces.

In several cases, budget pressure on local authorities allied to an increasingly technocratic, apolitical grasp of procurement (distanced from users with poor awareness of their needs) was undermining the value placed on service quality. This prompted frequently voiced voluntary sector criticisms that both NHS and local authority commissioners ‘were not fit for purpose’, and that the tendency to a ‘one-size-fits-all’ approach in commissioning services was reducing quality and standards of social care, exacerbating the ‘tesco-isation’ of services. These criticisms seemed to reflect an abandonment of the key ‘60% quality-40% cost’ best practice guides for criteria for evaluating tenders, without which bids emphasising quality have little chance of success. In some examples, an apparent retreat towards 100% cost based tenders, guarantees success for corporates and the more predatory larger charities.

Many cases suggested that the contribution of small, user-oriented voluntary organisations, and the passion and commitment of local staff were frequently ignored. There were, of course, dissenting voices. As Janine (infrastructure organisation) identified, a competitive ideology applied to welfare services is fundamentally flawed because:

- welfare is about human needs and relationships and the competitive premises underpinning commissioning are essentially at odds with both charity purposes and ideas of welfare. We need charities involved because markets can’t provide organisations that care.

Both charities and welfare services entail purposes which conflict with open markets and as Glennerster (2003) stressed a decade ago, welfare services are inherently imperfect markets. Yet the rationale for markets in welfare has not only remained essentially unchallenged but as our cases confirm, has often been assimilated by charities as inevitable despite the fundamental contradictions.
The community-facing ‘intelligent’ commissioning model in Granton also illustrates dissonance and that social value rather than cost competitive criteria can still be prioritised. Equally, it demonstrates the political nature of these decisions, and that opening the way for large or predatory organisations is not inevitable. However, because of political pressures, and often narrow mindsets, the Granton commissioner recognised that there was limited space to conduct the wider discussions needed to counter this dominant contractual ideology, and to achieve improved services.

**Loss of genuine collaboration**

Like Marion, from *East London Settlement*, our participants in all service fields felt they were struggling against the tide of rising competition, and the co-operative and collaborative skills which underpin the best of voluntary sector activity seemed to have been displaced by discussion about approaches to consortia and partnerships. In other words, what was prevalent was the practice of *instrumental* collaboration (Milbourne, 2013) to maximise chances of winning contracts, suggesting that competition has induced a turning inwards and growing organisational insularity and ousted genuine collaboration. Graham from Homeless Shelters, observed that ‘inter-agency work was now just polite talk’, while Jaya, the director of a local *MIND* branch more bluntly stated that shared inter-agency work among local voluntary organisations no longer existed. As a result of intense competition from Housing Associations, she was extremely anxious about losing her counselling service, which would jeopardise the organisation’s survival. She felt there was an urgent need for a regional MIND organiser with appropriate skills to prevent the loss of crucial contracts but she no longer expected support locally.

Pressured by commissioners into ‘one lead provider’ partnerships, the costs of building consortia and partnerships frequently went unrecognised and they often worked poorly; as Jaya, observed, it was ‘all paddling under the water, unfunded…’. Levels of stress were especially noticeable in medium-sized projects, and among local branches of national organisations, trying to lead other partners. CEOs alone were often responsible for preparing bids against fierce competition from new competitors, with dedicated teams to bid for contracts. An interviewee from a national homeless organisation had argued for a regional business skills adviser, echoing *MIND’s* plea for regional support. Rather than locally shared solutions for remodelling welfare, increasingly the accounts spoke of forced self-reliance.

The vitality characteristic of genuinely collaborative work was most apparent in the non contract-based smaller advocacy projects, such as those in criminal justice. These organisations survived on grants and member donations and felt fortunate that (as yet) no competitive market had impacted on their work. Two providers, one in youth services, another in the homeless sector, discussed local co-production models but as yet these seemed underdeveloped. Another example of strong collaboration highlighted by interviewees was the creation of *Solace* by a group of independent women’s refuges working together to survive in innovative ways, while maintaining a passionate commitment to the standards of care and specialist support they deemed necessary for domestic violence work. *Solace* had managed to win and sustain contracts based on its niche services, despite lacking specialist staff to bid for contracts.

Practices around commissioning varied widely, and one major charity highlighted the ‘bewildering array of approaches at local authority level’ which were often, as a homeless charity complained, ‘shambolic and last minute’. However, the positive example of commissioning in Granton demonstrates that more collaborative alternatives remain possible where the creative and political will exists. As Mayo et al (2014) show in relation to local law centres, building independent collaborative consortia supported at local authority level is vital to developing a defensive competitive capacity. But it calls for trust, sophisticated alliance building and a shared politics, to ensure that social and quality based criteria are not trumped
by cost-cutting. As another interviewee highlighted, the current climate of rapid change inhibits ‘building up the relational trust needed to underpin better contracting’.

**Predatory competitors**

A number of interviewees referred to the predatory nature of certain large charities in their service fields, and our cases show how the culture underpinning recent changes has boosted the drive to seek competitive advantage. The first category of predator we identified seemed largely motivated by growth and aims to diversify income sources. This is well illustrated in how one ‘market-facing’ local area, Woodleigh, handled infrastructure and volunteer services, outsourcing these to a major charity, with no experience of infrastructure services and no connections to the area. After expanding into service fields where it had no expertise, Pathways then cut corners in provision, and this takeover resulted in significantly impoverished services, as our interviewee described, ‘producing a ghost service, from a thriving volunteer centre’.

Large Housing Associations also demonstrated similar characteristics and were a key source of competitive pressures on other voluntary groups. The more predatory were reported to operate with dedicated corporate procurement teams and to buy in staff or sub-contract locally to run provision where they lacked specialist knowledge, also using smaller voluntary organisations as ‘bid candy’. Large commercialised housing associations now mirror the multi-public service delivery roles of corporates, such as Serco, and now also offer services in homelessness, mental health, domestic violence and re-offending, alongside other support services. As Sharon from *Young and Homeless*, identified, they are, ‘sophisticated, predatory and very confident, and they have moved into our territory’. There are undoubtedly advantages to developing good quality, wrap-around care systems linked to housing. However, examples in domestic violence and community homelessness services showed how the ‘success’ of a commercial housing association lay in how they could successfully homogenise provision and strip out specialist care, while also providing evidence of achieving ‘standards’, albeit of inadequate quality.

‘Corporate voluntary agencies’ or ‘entrenched hybrids’ (Rochester, 2014) represent our second kind of predator: voluntary organisations sub-contracting to the corporate sector, such as those in the Work Programme (DWP, 2011) or Transforming Rehabilitation Programme (MoJ, 2013). While they remain within their broad service field, they operate aggressively to maximise growth and income, raising questions about their status. Hugh from *Live Justice* was adamant that ‘these kinds of organisations should not now be allowed to be called charities’ and was especially critical of how a major charity like NACRO (with an £80m turnover, of which 99% is government contracts) can now describe itself as ‘a charity, a provider of choice’, apparently shifting its stance ‘with the politics of the day’.

We also identified a third kind of predator: small new ‘social’ entrepreneurs entering an area and competing for resources, operating more like for-profits in consciously setting out to win the maximum number of contracts rather than to collaborate with existing providers. As an interviewee, from a young people’s organisation who had gained five of seven bids applied for, explained, ‘it’s about going to funders with the right story’, and above all ‘demonstrating a successful business model’. However, some of these new opportunists used instrumental collaboration with previous providers (as discussed earlier), as they lacked existing premises; and intended to employ staff for service delivery on temporary and zero hours contracts, as and when needed.

Finally, in a fourth category, some major, high growth organisations in the children and young people’s field, such as Barnardos, appear predatory but remain highly ambiguous. One interviewee was highly critical of Barnardos’ negative impact on smaller organisations, commenting that ‘it doesn’t need to worry about survival… it’s become like a big boulder on a hill… on-going momentum flows purely from their size’. She also criticised the way it had used
its secondments into government and established ‘open consortia’ which small organisations could join and bid for sub-contracts, commenting that ‘it feels very flexible and modern’ but adding caustically, ‘Barnardos would top slice any income generated’8. Our cases in Wharton illustrated the Children’s Society adopting a similar ‘lead partner’ role, which some more community-oriented organisations criticised for ‘profiting’ from existing provision ‘when we’re all running ourselves ragged’.

**Contracting: right or wrong?**

Our cases indicate diverse views on the voluntary sector’s active involvement in recent contracting and the dilemmas this now poses. Overall there was widespread concern about impacts on service quality, the lottery of local provision and the loss of specialisms. Many were highly critical about larger charities growing at the expense of others and of voluntary organisations sub-contracting to the private sector. There were also some larger organisations, successful in the contract culture that claimed still to maintain an ethical stance. Both voices are discussed below.

**Voices of opposition to contracting**

The manager of the Settlement described ‘an unholy scrabble going on’ with ‘competition against other charities’ corrupting the definition of a charity. The trustee from Horizons, a small youth organisation, similarly considered it unethical to ‘chase the money’ or contracts regardless of mission or values. She discussed the organisation needing to re-think its position strategically, in this case, re-connecting with local co-production projects.

Two small advocacy projects in the Criminal Justice field both emphasised how they had come to avoid contracting. The director of Former Prisoners described how his organisation had struggled to find ‘the right thing to do’. He described comments from other voluntary organisations working under contracts, now wishing they were in his position. Like the Settlement manager, he believed that larger charities needed to question ‘what they really want to be’ and considered sub-contracting to corporates was beginning to fundamentally change the nature of their work. He recognised that many charities that had sought to survive by competing for contracts were now struggling financially, also finding that contracts were changing their focus and barring their access to charitable grant sources.

The CEO of Live Justice similarly criticised sub-contracting to the private sector, and other recent bids, for being ‘all about competing at minimal cost’ and leading to ‘a change in focus and activities’, echoing views expressed across different service fields. Asked why voluntary organisations had supported privatisation of the Probation Service and pursued sub-contracts with corporates, he thought that many had disregarded the ethical price in their efforts to survive. He added that the New Labour era had accustomed many projects to growth and parts of the voluntary sector had consciously sacrificed political awareness.

**Voices of larger voluntary organisations**

The interests of large and major voluntary organisations dominate public discourse about the voluntary sector. While our case studies show many critical voices, opposed to the current contract culture, it is also the case that not all large organisations or social enterprises are locked into predatory or unethical models. Some cases capture larger voluntary organisations that still regard themselves as driven by altruistic values, even as radical agents of change, and still trying to take forward a commitment to justice and equality whilst operating successfully in the contract culture.

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8 We were keen to access Barnardos’ and The Children’s Society’s views but were unsuccessful in gaining interviews.
One major organisation understood its success in both central and local government programmes as a way to retain fair support for significantly disadvantaged groups in society. These were services that it had always sought to provide, and were often not causes which would attract wider philanthropic funds, such as in homelessness and mental health. Our interviewee argued that their strategies were strongly mission led and underpinned by aims not to compromise quality. This guided them in which contracts to take on or reject; and rejecting some contracts was possible precisely because of their size and multiple donors.

A manager in another large organisation regarded losing their ‘position of influence at the table’ as a particular risk if they lost their contracts. She believed shaping that discussion was important because they could often ‘do the basics better, contribute other things and invent new models.’ This vigorously argued case that valuable attributes would be lost without voluntary organisations involved, was echoed in several of our cases, and also reflected in comments from smaller organisations.

Clearly our studies highlight the diversity of voluntary organisations, not only in size but also in approach, and we consider implications of the different approaches emerging for future welfare services in our concluding discussion below.

**Discussion: better services?**

Since 2010, competition for funding and service contracts has intensified, exacerbated by the introduction of *Open Public Services* and scarcer welfare resources. Some voluntary organisations have remained resolutely *community-facing*; others that became *state-facing* as income and projects outsourced from public services grew, are those with most to lose from declining local government funding, and now face ‘market’ or ‘community’ oriented choices. Many voluntary organisations, however, and among these, especially the largest charities, have become increasingly *market-facing*, seeking competitive advantage alongside ‘new opportunists’ – (social) entrepreneurs keen to gain from the rapidly shifting market - willing to engage in ways that seem to respect neither altruistic values nor quality of services.

Our focus has been on exploring the differential experiences and outcomes of smaller and larger voluntary organisations but many concerns arising reflect on the kinds of approaches likely to damage, sustain or improve services in the current context. Interviewees criticised both private and voluntary sector organisations for ineffectiveness and complacency, also questioning the extent to which charities should engage in the escalating contract culture. They described how voluntary organisations had been drawn into a ‘tick box’ monitoring mentality, and sometimes gaming, following the significant period of growth in public service income to the sector, where previously, responsiveness to users had been the priority. Social enterprises were recognised as pitching solution driven ideas, which were often more attractive to funders, providing an uncomfortable reminder of how fashion in models moves on, sometimes as an unplanned response to ideologically driven changes.

As the strain on budgets increases, many local authorities are emphasising the need to rethink public services and seeking innovation, with no guarantees for previous providers. However, our cases offered impressive examples of innovation, with *Refuge Support*, a women’s refuge organisation, *Supporting Divided Families* and *Young and Homeless* all bringing passionately informed ideas to remodelling their services, while maintaining independent projects via small consortia. These were often successful because of niche expertise and reflective and grounded thinking around services.
**Alternatives can exist**

Our cases clearly demonstrate elements of experiment and chaos around the rapid changes in some areas, with neighbourhood experience and knowledge being displaced by more generic provision, rationalised by rhetoric on cost savings and competitive programmes. The outcome is that many small and specialist voluntary organisations are being excluded from contracts, leading to closures among some. In some areas, interviewees recognised that new ideas were needed but remained critical of ways that good local expertise was being discarded, regardless, in favour of the most persuasive and cheapest bidders.

Across regions and in a few areas, however, it was evident that recent pressures have also prompted different kinds of experiment: a new level of investment in partnerships to promote more genuinely collaborative bids among voluntary organisations, sometimes involving local businesses; tenders broken into smaller packages; the use of social investment and mutuals; proposals for co-production of services; and commitment to social value and social sector providers. These examples of more creative approaches encourage better local relationships and run counter to the intensely competitive climates experienced in other areas. However, to date, alternatives, such as co-production, seemed under-developed, or the models discussed were inadequately designed to meet current service challenges; and mutuals and social investment were also criticised for providing covert routes to privatisation. Nevertheless, the commitment of some authorities to collaborating with the local voluntary sector to achieve better service outcomes offers future hope for welfare.

**Size matters**

Our research contributes insights into the post 2010 impacts of widespread changes to welfare arrangements, especially those affecting voluntary organisations. The central government policy response to austerity: weakening local authorities and privileging corporations in a privatised public services market - have ensured little chance of ‘business as usual’. Further, the speed of changes has undermined opportunities to develop creative responses. From the material we have explored, size clearly matters. The redistribution in the share of overall charitable income and the significant growth of a number of major charities tell their own stories. While size of organisation has a significant bearing on the recent experiences and activities of voluntary organisations, more critically, it is also becoming a significant factor in the changing landscape of welfare services.

The local variations we observed demonstrate that size is not the only story. Equally, chasing contracts, scaling-up, capacity building and sub-contracting under harsh conditions, are not the only ways to survive; and survival at any cost may not be right. Commissioners’ exhortations for entrenched ‘state-facing’ voluntary organisations to change their mindsets may have worth in terms of promoting creative thinking and exploring alternatives. However, often local authorities failed to seek creative developments and regarded the dominant direction of change – extending the market-state and accepting a smaller local state - as inevitable: a direction which many voluntary organisations appeared unwilling to challenge openly. Our research, together with evidence from the Work Programme, indicates that large and major charities sub-contracting to the corporate sector are now becoming a significant vehicle in the extension of the market state.

By remaining silent in critical discussion about the direction of changes but seeking to secure their futures by embracing this new environment, many large and major charities appear complicit with agendas which undermine broad charitable aims in three problematic ways. First, they are empowering business encroachment into charitable terrain and public services and enhancing their profits; second, they are facilitating a re-shaping of overall voluntary sector activity at the expense of small local providers; and third, they are accepting involvement in
often, poorly funded contracts, contributing to the overall reduced quality, integrity and potential frailty of welfare services. They are also entering willingly into situations which place restraints on their independent activities and voice. In addition, growth and scale in contracts has not been accompanied by adequate forms of public accountability – in fact the reverse – and is producing an increased likelihood of corrupt practices.

These issues pose significant dilemmas for whether charities should strive to maintain services at any cost. For example, large charities may be better contractors or run better services than either large corporates driven by profit motives or small entrepreneurial entrants to service markets, both of whom are widely implementing temporary and zero hours contracts and stripping specialist provision. However, the extent to which large charities may be doing things better is not self-evident, and our study illustrated examples of large charities seemingly trading on a trustworthy ‘brand’ to gain new contracts, while their growth was accompanied by poorer working conditions, and sometimes, impoverished or unstable services. Some were more predatory than others, and as in the case of the major charity taking over volunteer services in Woodleigh, were prepared to strip costs and curb thriving activities. Similarly, one-size-fits-all contracts and more exacting contract terms were ushering in large Housing Associations but excluding specialist and emergency provision, such as in homelessness and domestic violence. In such cases, large non-profits are hardly working constructively with local areas or small voluntary groups to seek better models, nor challenging inadequate welfare arrangements.

What of smaller voluntary organisations? As localised public funding is eroded, our cases show that many are becoming increasingly vulnerable as they compete for tenders against large providers. Where consortia and partnerships have been established to handle scaled-up contracts, lead providers and partners – invariably large and major charities – dominated arrangements and top-sliced resources available. Some authorities are scaling up and packaging contracts in service areas they still control, and entrepreneurial voluntary service councils are also hoovering up contracts. However, the wide diversity of experiences between, sometimes neighbouring areas, demonstrates the different political perspectives at work. In some areas marketisation is being given free rein, local expertise is being whittled away and geographic boundaries eroded. Costs count above experience or specialist knowledge, often producing winners from the most entrepreneurial or compliant. This is where small voluntary organisations seemed most at risk, with rapid changes in providers also generating confusion among service users, with loss of specialist provision.

While there is talk of remodelling opening up new spaces, many small providers are losing contracts and facing massive challenges. In other areas, forms of resistance and alternative models are visible, and small voluntary organisations are being encouraged to work together and with local commissioners to co-construct solutions. Thus there is political will and capacity still to support the initiatives of smaller voluntary organisations but the experience is frequently of rowing against the tide. If ‘community-facing’ - small, local and specialist voluntary organisations are to survive, their contribution and added value needs to be understood better, not only locally but also by the large charities that are currently complicit in undermining their existence. This also demands political alliances to help co-construct alternatives to the over-technical, economically biased market arrangements, patently inappropriate for achieving the social objectives of welfare.

Our conclusions then point to the need to acknowledge complexity and diversity, whilst recognising that a growing divide is emerging between many large and small voluntary organisations in their apparent strategies and activities. But there are also qualitative differences between similar sized organisations; and it is ultimately organisational values and motivations that need to be understood. Thus despite the overall picture, this complexity again emphasises that big is not always bad and small is not always good in relation to the voluntary sector.
**Divergence and dilemmas**

Overall our research has led us to conclude that disparities between winners and losers among voluntary organisations in an increasingly competitive service market are becoming more marked, and that these trends are associated with size. However, as stressed above, the picture is complex, and values and ideology underpin the responses of both large charities and small voluntary organisations. It is the interrelationship of these values and approaches with other factors, not least size, that is progressively dividing voluntary organisations. Growing splits in the sector and the rapidity of this massive disruption of welfare services are bewildering organisations about how to respond. Similarly, the swift role transitions among major charities are also confusing wider ethical questions about services and charity roles, that is, whether charities’ complicity in this market is mitigating the conditions of welfare longer term or whether large charities could better use their bargaining power to opt out of these ‘dangerous liaisons’ (Fraser, 2013).

One dilemma that our material raises is whether continuing within this contractual culture conflicts with charitable purposes. In theory, large and small charities alike are driven by non-profit motives. However, our examples suggest that their activities in financial growth, diversification, acquisition of services and business partnerships may be moving major charities away from their core purposes and roles in civil society. Views and approaches clearly differed but winners emerged often because of costs and corners cut, and the size to carry risks and monitoring burdens. The evidence from our study was more heavily weighted towards predatory accusations about the role of larger voluntary organisations and the complicity of the sector overall. Despite examples of ethical, courageous practice and good work accomplished by some larger voluntary organisations, overall these were exceptions.

The case material suggested ways to understand the differences of approach and to address the ethical dilemmas that voluntary organisations faced. Firstly, it highlighted the importance of an active member base capable of restraining organisations from the seductions of growth and contracting or survival for its own sake. Similarly, a historical connection with an active volunteer base was deemed important in helping organisations define clear ‘lines’ which they would not cross, such as not compromising activities, avoiding corporate sub-contracts, and not tendering against good existing providers. A clearly grounded identity also facilitated other strategies, such as improving financial independence and the confidence to challenge new cultures of expectations or overly restrictive contracts.

The crucial differences in beliefs and approaches illustrated in our study, highlight the ‘dilemmatic space’ (Honig, 1996) in which voluntary sector service providers currently find themselves, where they feel uncertain about the right thing to do or torn between conflicting actions. This uncertainty largely ensues from a failure to reflect critically over the past decade; to defend the idea of a non-marketised public space; or to promote alternatives to the dominant orthodoxy. These are historic errors but contradict a key rationale for the existence of a non-state, non-profit sector (Billis and Glennerster, 1998): a space, free of profit motive, which underpins a strong public sector and nourishes civil society activity. In accepting marketisation as the dominant rationale for achieving efficient and effective services, and the decline of the local state, a significant part of the voluntary sector has contributed to its own demise. In some thinking, it is irrelevant which sector provides the service provided users benefit. However, our worst case examples demonstrate the price to services of failing to identify providers’ fundamental differences in motivation and approach, and as Hoggett (2006) argues, the private sector and associated growth and profit motives present a different moral sphere, which applied to public and welfare needs, can only come at a moral cost.
For the voluntary sector, the moral costs include the abandonment of any sustaining ethos, which has already seen a marked transition as constraints on independent purposes, activities and voice have increased (Baring, 2014). At worst, it opens the potential for corruption and fraud, noticeably infecting corporates, and to which large voluntary organisations have now drawn closer. As welfare relationships continue to shift, there is a patent need, (as argued elsewhere (Milbourne, 2013)), for a new voluntary sector narrative (or narratives); but this needs to draw on the best, not the worst, of the current landscape, and to seek alternatives to extending uncaring, for-profit services, and to increasing subservience in privatised public services.

In conclusion then, size does matter and the material presented offers a specific lens to examine how government ideology, funding and new welfare arrangements are privileging specific kinds of growth and decline within voluntary organisations. As the diverse cases underline, our conclusions on size have to be framed within a wider political understanding of the uneven developments and intensified markets now overwhelming the voluntary sector, rather than viewed simply as a cause or symptom of current change.

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Appendix 1

List of participants, areas, service fields and case studies, showing organisations and size
(Names of organisations and participants have been anonymised)

<table>
<thead>
<tr>
<th>Area</th>
<th>Characteristics</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wharton</td>
<td>Inner-city, socio-economically deprived</td>
<td>Deena, Chris, Janice, Claudia</td>
</tr>
<tr>
<td>Woodleigh</td>
<td>Suburban fairly affluent</td>
<td>Becca, Rick, survey discussion</td>
</tr>
<tr>
<td>Basborough</td>
<td>Suburban, mixed socio-economically</td>
<td>Anna, Steve, 19 commissioners 22 VCOs (focus groups)</td>
</tr>
<tr>
<td>Rushley</td>
<td>Inner-city mixed pockets of deprivation</td>
<td>Cora, Julie, Tunji</td>
</tr>
<tr>
<td>Granton</td>
<td>Inner-city, mixed socio-economically</td>
<td>Lawrence</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Case study</th>
<th>Service Field</th>
<th>Organisation</th>
<th>Interviewee</th>
<th>Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Domestic Violence/Mental health</td>
<td>1 Domestic Violence</td>
<td>Patricia</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2 Refuge support</td>
<td>Elaine</td>
<td>Large</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 Local MIND</td>
<td>Jaya</td>
<td>Medium</td>
</tr>
<tr>
<td>2</td>
<td>Homelessness and Housing</td>
<td>4 Young and Homeless</td>
<td>Sharon</td>
<td>Major</td>
</tr>
<tr>
<td></td>
<td></td>
<td>5 Homeless Shelters</td>
<td>Graham</td>
<td>Major</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6 Community Housing Association</td>
<td>Marlene</td>
<td>Medium</td>
</tr>
<tr>
<td>3</td>
<td>Criminal Justice Sector</td>
<td>7 Supporting Divided Families</td>
<td>Myra and Jen</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8 Live justice</td>
<td>Hugh</td>
<td>Small</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9 Former prisoners</td>
<td>Mark</td>
<td>Small</td>
</tr>
<tr>
<td>4</td>
<td>Children and Young people</td>
<td>10 Support for All (SFA)</td>
<td>Janice</td>
<td>Large</td>
</tr>
<tr>
<td></td>
<td></td>
<td>11 Wharton CVS</td>
<td>Chris</td>
<td>Medium</td>
</tr>
<tr>
<td></td>
<td></td>
<td>12 Visions</td>
<td>Deena</td>
<td>Small SE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>13 Horizons</td>
<td>Julie/Cora</td>
<td>Small</td>
</tr>
<tr>
<td>5</td>
<td>Local infrastructure and volunteer services</td>
<td>14 Pathways</td>
<td>Becca</td>
<td>Major</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15 Basborough CVS/VC</td>
<td>Anna/Steve</td>
<td>Small</td>
</tr>
<tr>
<td></td>
<td></td>
<td>16 East London Settlement</td>
<td>Marion</td>
<td>Large</td>
</tr>
<tr>
<td>6</td>
<td>Commissioning</td>
<td>17 LA Commissioner</td>
<td>Lawrence</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Voluntary sector</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Appendix 2: Annual income at 31/3/13 (simplified from accounts) showing proportions of total income

<table>
<thead>
<tr>
<th></th>
<th>Barnados</th>
<th>Action for Children</th>
<th>Salvation Army</th>
<th>AgeUK</th>
<th>NACRO</th>
<th>Children's Society</th>
<th>MIND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income</td>
<td>258,112,000</td>
<td>180,029,000</td>
<td>181,516,000</td>
<td>80,489,000</td>
<td>47,465,000</td>
<td>33,188,000</td>
<td>29,074,000</td>
</tr>
<tr>
<td>Total aggregated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>with branches</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fees for services</td>
<td>158,324,000</td>
<td>157,514,000</td>
<td></td>
<td>6,975,000</td>
<td>46,306,000</td>
<td>14,157,000</td>
<td></td>
</tr>
<tr>
<td>&amp; provision</td>
<td>62%</td>
<td>87.5%</td>
<td></td>
<td>9%</td>
<td>97.6%</td>
<td>43%</td>
<td></td>
</tr>
<tr>
<td>Public sector</td>
<td>10,699,000</td>
<td>2,233,000</td>
<td></td>
<td></td>
<td>14,157,000</td>
<td>9,630,000</td>
<td></td>
</tr>
<tr>
<td>income (incl EU)</td>
<td>&gt;5%</td>
<td>&gt;2%</td>
<td></td>
<td></td>
<td>43%</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Total donations</td>
<td>32,843,000</td>
<td>18,110,000</td>
<td>98,084,000</td>
<td>38,875</td>
<td>405,000</td>
<td>17,387,000</td>
<td>7,090,000</td>
</tr>
<tr>
<td>including</td>
<td>13%</td>
<td>10%</td>
<td>54%</td>
<td>48%</td>
<td>53%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>commercial, gifts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in kind, legacies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total trading</td>
<td>48,274,000</td>
<td>18,320,000</td>
<td>3,297,000</td>
<td>682,000</td>
<td>12,110,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>income</td>
<td>19%</td>
<td>10%</td>
<td>41%</td>
<td>42%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>3,814,000</td>
<td>1,068,000</td>
<td>3,525,000</td>
<td>618,000</td>
<td>125,000</td>
<td>662,000</td>
<td>140,000</td>
</tr>
<tr>
<td>Other income –</td>
<td>4,158,000</td>
<td>3,337,000</td>
<td>10,732,000</td>
<td>1,051,000</td>
<td>629,000</td>
<td>596,000</td>
<td>104,000</td>
</tr>
<tr>
<td>property/rental</td>
<td>6%</td>
<td></td>
<td>6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Not all accounts were categorised in the same way making comparisons difficult; in some accounts, public sector income was listed additionally to fees for services and appeared to cover both service provision and grants; in others, these are not separated. In other cases lines were not broken down into the same categories. In some cases trading seemed to include sale of services and consultancy, which potentially also included service contract overheads. All charities above showed income growth overall on previous year.

In the case of federated national organisations with local branches (eg, AgeUK), the local accounts, and therefore public sector income raised for services delivered locally were not aggregated with the national office accounts. This gives a misleading picture on size of overall income (*which is calculated for Age UK for illustration) and the balance of public sector income or fees for services, which local accounts indicate as a much higher proportion. Information on income from commercial sponsorship or partnership income was not always disaggregated but often a point of detail in accompanying annual reports.