

Neo-Liberal Policy Reforms and Voluntary Sector in the UK

Hamza Ateş*

Abstract: This article critically evaluates the impacts of neo-liberal public policies in the UK in the last two decades on the activities, personnel, finance and organisational structure of voluntary sector organisations. It has been argued that, while initially the overall aim of the neo-liberal policies was to bring efficiency into voluntary sector, these policies have provided mixed results, both positive and negative, in this respect. It may therefore be reasonably argued that government reforms in the UK have expanded the role of voluntary organisations in welfare provision, through the use of contracts, while the net effects on the organizational culture of these organisations and long term provision of the voluntary services is still to be seen.

Key words: voluntary sector, efficient service delivery, The United Kingdom, neo-liberal public policies

Introduction

The main aim of this article is to assess how policy reforms in an advanced country with a liberal government, UK, would affect the voluntary sector, and to discuss how the contract culture may affect the services the voluntary sector provides and whether changes in provision are likely to lead to more efficient welfare services. The article begins with an examination of the range of organisations that comprise the voluntary sector in Britain. It

* Yrd.Doç.Dr. *Hazma Ateş* Kocaeli Üniversitesi Siyaset Bilimi ve Kamu Yönetimi Bölümünde öğretim üyesidir.

goes on to look at some of the economic aspects of the government reforms which are having a profound effect on the way that such organisations deliver their services. The impact that these reforms are having on voluntary groups is considered across a broad spectrum of areas, all of which have a direct bearing on the way in which services are delivered. Ideas are drawn together as the overall impact of the policy changes is discussed, before concluding on a pessimistic note with reference to likely future provision.

1. Defining the voluntary sector

Philanthropic organisations have existed for centuries, many with religious origins. They have served to meet a huge variety of community needs. Over time much of their traditional work has gradually been assumed by the welfare state. However, it would be a mistake to think that voluntary organisations now have only a marginal role in welfare provision. The Charity Aid Foundation (1992) reported that in 1990 in the UK there were 171,000 registered charities which had a combined annual turnover of £16.2 billion or 3.4% GNP. But, with the top ten charities between them accounting for 90% of the funds raised, most charities remain small scale enterprises. Examining only the financial statistics will underestimate the true economic significance of charities since they frequently benefit from volunteer labour and other gifts in kind, (Cullis and Jones, 1986: 12).

At this stage, it is useful to try to disentangle the various labels applied to groups in the voluntary sector and to try to distinguish their separate and overlapping characteristics. The voluntary sector encompasses an enormous range of organisations, from large institutions that are heavily dependent on public money, (eg. universities), through to the not-for-profit agencies on the other extreme. (Non-profit making organisations such as BUPA, cooperative societies, credit unions etc, make a charge to members and derive most of their income from the sale of goods and services). It may be possible to isolate a voluntary component in these agencies, and this has been defined as, ‘the share of the costs of supplying services that is paid by voluntary contributions, whether of money or labour’ (Sugden, 1984: 73).

Essentially a charity must have a purpose which comes under one of four main headings; (i) The relief of poverty (ii) The advancement of education (iii) The advancement of religion (iv) Other charitable purposes beneficial to the community. Organisations which can satisfy these requirements are entitled to significant legal and financial privileges (Cullis and Jones, 1986: 12).

For the purposes of this article, I will use the definition of the voluntary sector given

by Harris (1993: 159), who takes it to be comprised of, 'non-governmental not-for-profit agencies with an independent voluntary governing body'. Pressure groups are a special case. The objectives of an organisation may revolve either totally or partially around campaigning activities, although, usually only 'caring' projects attract public sector funding. It is necessary that such organisations remain non-dependent on government money to maintain their independent voice. Finally, when discussing voluntary organisations, it should be remembered that the vast majority of 'voluntary' activity takes place outside formal organisations eg. when families care for elderly relatives.

2. Voluntary sector and the efficiency problem

An efficient service provider, according to Le Grand and Bartlett (1993: 14) is one who produces a given quantity and quality of service for the lowest possible cost. It is possible that competition will encourage the voluntary sector to become more cost conscious. However, Sugden (1984: 85) takes a sceptical position by claiming that, he 'cannot see any good reason for supposing voluntary activity to be particularly cost effective, except on the crude financial sense that volunteers do not have to be paid'. In fact most charities are too small to be able to achieve large scale economies. It has also been observed that markets in social care contain many imperfections such as high transaction costs, cream-skimming etc, which lead to inefficiencies. But, to conclude from this that the government can do things better, is according to Culyer (1980: 50), 'a hopeless non-sequitur'. Following on from this, Cullis and Jones (1986: 14) state the obvious but crucial fact that, only if voluntary organisations are reasonably efficient in achieving their objectives is a policy of stimulating the charitable sector of the economy, (which is the stated goal of the current policy reforms), likely to be sensible.

In fact there are several reasons why voluntary organisations may experience inefficiencies. Unlike profit maximising firms, managers have a relatively large degree of discretion and to a certain extent are able to pursue their own objectives, whilst trustees have no financial stake, and therefore less interest in the performance of their organisation. Also, donors unlike a firm's customers are in a poor position to judge efficiency, and therefore have to accept what is offered, whereas a firm's customers can buy from rival producers, if they are dissatisfied with the product.

If the manager of a voluntary organisation pursues his/her own interests by opting for an 'easy-life', and does not minimise costs, the organisation will operate at a smaller than efficient level. Alternatively, a manager maximising his/her level of organisational activ-

ity for their own prestige, will have the reverse effect, resulting in a larger organisation with reduced expenditure for charitable projects. Manager discretion is just one aspect of a voluntary organisation's activities that is likely to be affected by the reforms and the new 'contract culture'.

3. The neo-liberal policy reforms

While the principal changes affecting voluntary organisations were outlined in the 1989 White Paper, 'Caring for People: Community Care in the Next Decade and Beyond', as full implementation was delayed until 1993, many social service departments are at present still struggling to take on board the full implications of the legislation.

Social service departments are increasingly being relied upon to take the lead in community care planning, involving a separation of their purchaser and provider roles. Their main function is to assess clients' needs and develop appropriate care packages, whilst stimulating 'competition'. This is to be achieved by encouraging alternative local sources of provision, rather than directly providing services themselves, (Smith and O'Hara, 1992: 241). Local Authorities will still provide funding for care, but they are increasingly being required to 'contract' with the private and voluntary sectors. In fact at least 85% of new contracts must be awarded to outside agencies.

The terminology of contract implies a commitment to the expansion of the legal rights of individuals as consumers of public services. However, as Harden (1992: 69) warns, contract is not a ready-made set of solutions to the problems of organising public services; the same problems, such as how to control discretionary powers still exist. In addition, whilst organisations operate in a 'quasi-market' without an independent position, contracts can have no legal validity, and recourse lies in the traditional form of ministerial responsibility. Commentators such as Harden have called for a broadening of the framework of public services, to allow for a more 'genuine' accountability.

The chief aim of the reforms is to increase efficiency through competition, along the lines of the market model. It is also intended that competition will result in increased consumer choice, but in reality it is the purchaser units of social service departments which will have the final decision about which services to fund.

4. The ongoing impact of the reforms

Government policy changes assume that the voluntary sector will expand its welfare role whilst retaining its distinctive identity, (Home Office, 1990). However, such far reaching

policy reforms are having a large impact across the range of areas vital to such organisations' work. These are discussed under broad headings.

On Activities

Cuts in public expenditure in the 1980s have been accompanied by a simultaneous increase in the scale of activities undertaken by the voluntary sector, (Harris, 1993: 159). In addition, with the Charity Aid Foundation (1992) recording a drop in charitable donations from the mid-1980s, this has resulted in some organisations having to cut back on projects. Consequently grants from Local Authorities, quangos and other pseudo governmental bodies have become ever more important.

However, policy reforms have meant that instead of receiving a block grant, and the discretion to determine their own priorities, organisations are now far more likely to be given specific project grants, for work with a limited duration. For example, instead of a local community group getting a block grant from a social services department to run a play scheme, what is more likely to happen now is that a contract will be drawn up to fund the placement of a specified number of social service nominated children on that project. Care then becomes provided on a far more formal basis than before. This increase in bureaucracy may discourage small scale informal care networks.

The result of these changes is that, as groups become more heavily dependent on Local Authority funding, they will increasingly be required to tailor their activities to meet current 'in vogue' priorities identified by statutory funders. Previously they had a freer hand to make their own assessments about where the greatest gaps in community provision lay.

Following from this, it seems likely with continued pressure on budgets the most heavily dependent groups will take priority in funding decisions. There is a danger that in the process, those with real needs who do not fall into a priority group will be overlooked.

But, perhaps the most worrying implication is that as voluntary groups lose their independence, their ability to criticise statutory agencies either in their purchaser or provider role diminishes, because of fears that their own funding will be cut as a consequence. This is a vital part of any voluntary organisation's role and it is difficult to see who will fill a growing gap as a truly independent and authoritative voice for local community needs.

On Personnel

All voluntary sector workers are affected by the government's reforms. The changes have instigated a shake-up of the personnel structure of organisations, as they adapt to

new demands and challenges.

Researchers such as Nolan (1992) have noticed a trend towards replacing volunteers with salaried employees. In some cases volunteers may continue to do the same type of work but transfer and become paid staff. Those that remain volunteers may find that in the light of the changing role of voluntary organisations, they are expected to take on a more diverse and demanding set of duties. Volunteers demonstrating this increased commitment may well feel resentment if they see other paid agency staff doing similar tasks. This potential intra-agency conflict is likely to be exacerbated if volunteers are required to submit themselves to regular training and appraisal sessions. In addition, the 1991 National Survey of Voluntary Activity expresses concern about the adverse effect of increasing levels of female employment on volunteer numbers. A combination of these effects means that voluntary organisations are likely to find it increasingly difficult to both recruit and retain volunteers.

Analysts such as Titmuss (1970) would be unhappy about this situation. For him there is an intrinsic value in the work of voluntary organisations, and he sees voluntary activity in itself as a good thing. It could be that voluntary group activity in the UK will follow the US pattern, with those displaced or unhappy with charities joining pressure groups to help facilitate change by an alternative route.

Detailed contracts have meant that some organisations have had to recruit specialist professional employees for certain projects, either on a temporary or permanent basis. Many of these personnel formerly worked for government organisations, (Bills and Harris, 1986). The influx of 'foreign' professionals has been accompanied by a threat that unfamiliar working practices will be imposed. This is particularly true in relation to the autonomy of local branches of national voluntary organisations.

But, it is perhaps managers who have had to contend with the greatest changes. Responsibilities have increased dramatically. Managers may now have to contend with the employment of staff, contract negotiation, project management and accountability to purchasers as well as maintaining the safety of vulnerable client groups. Concern has been expressed that managerial committee members lack both the time and the expertise to adequately fulfil their new responsibilities. Harris (1993: 163) contends that an apparent paradox exists, in that the measures requiring agencies to expand their role, simultaneously make it more difficult for them to recruit and retain members of local governing bodies. There are worries the supply of suitable people in the community may already be becoming exhausted.

On Finance

Government reforms have not only had an impact on personnel, but the increasing use of contracts has significant financial implications. Hedley (1991) conducted a study of twenty voluntary agencies. He discovered that of these, eight were dependent for over 80% of their funds on government sources. It was the newer groups who tended to be the most heavily dependent. This becomes important when contracts are being negotiated. Dependent groups put Local Authorities in a strong position, with the groups having little flexibility to introduce their own ideas and priorities.

One solution to this dilemma is for voluntary organisations to look for a broader range of funding. A possibility is for agencies to start charging for their services, but this can become self defeating. If this tactic is employed voluntary organisations begin to take on some of the characteristics of government organisations and for-profit groups, and risk excluding those in greatest need.

Local Authority funding itself is by no means a certainty. There may be considerable competition for scarce resources. Voluntary organisations may find themselves competing with the for-profit sector, who are not required to operate on altruistic motives. For-profit groups may target themselves at the less dependent client groups which offer the biggest profit margins. However, they may face resistance from social service purchasing departments who are unhappy about the ethical basis of their organisations.

In an effort to win contracts, voluntary organisations may find that initially they are pressured to accept under-funding and have to absorb excess costs themselves. If this is the case, it may place financial strain on the organisation. To compensate agencies may attempt to 'cut-corners', compromising the quality of service that they offer in an attempt to tender the lowest bids for contracts. Social service departments will also need to carefully consider the consequences of a voluntary agency being unable to fulfil its contractual obligations, and the costs likely to be incurred in having to make alternative provision for dependent clients.

Voluntary organisations, it should be remembered, are not inherently more cost effective than government agencies - in fact the small scale nature of many of their operations mean that they are likely to be less so. And, if they become so large that they can achieve equivalent economies the rationale for using a voluntary organisation at all must be questioned.

Their small scale may mean that the contract process itself imposes a financial strain. Common and Flynn (1992) have cited the example of one voluntary agency which esti-

mated that contract negotiation cost it £30,000 annually in staff time. Similar costs are likely to have been incurred by purchasing agencies. Another factor which does not seem to have received enough attention is the monitoring of contract compliance. If purchasers are unable to ensure that specifications are being met, then contracts themselves are of little value. In future voluntary organisations and purchaser units will have to come to some arrangement about how they can fairly share the costs of negotiation and project evaluation.

On organisational structure

Perhaps the major development in the changing structure of voluntary organisations has been the acquisition of paid employees. As the structures change it is vital that lines of accountability remain clear, and personnel know what is required of them. Otherwise, when problems arise, out-dated structures and misunderstood responsibilities become all too evident. If indecisive committee members combine with inexperienced staff there will in effect be a complete absence of leadership.

With increased financial stakes, the headquarters of national organisations have become more concerned with the running of local branch groups. Forms of intervention range from providing advice and helping to fight threats of funding withdrawal, (Common and Flynn, 1992), to imposing new monitoring mechanisms and working practices which may be unwanted, and threaten local autonomy and initiative.

5. Implications

It is difficult to predict accurately what the long term effects of the government's wide ranging policy reforms will be. However, some trends are already discernable and others can be speculated about. With the voluntary sector being encouraged to expand the scale and scope of its activities, problems are almost inevitable. Some of the main difficulties have been in the areas of recruiting and retaining capable personnel, with both the suitable time and expertise to donate. Also, importantly, pressure to attract funding has, according to Harris (1993: 168), 'pulled agencies into activities peripheral to their mainstream work'. If voluntary organisations are having to divert attention away from some areas that they identify as priorities, their autonomy is threatened and gaps in welfare provision could ensue. Lipsky and Smith (1989: 646) express concern that with voluntary organisations increasingly being constrained by professional demands and accountability issues, marginalised groups who distrust formalised welfare provision may become more isolated and receive less provision. As well as this, those groups or individu-

als with needs that are not identified by purchasers as priorities risk being ignored as voluntary organisations 'chase' grants.

With so many organisations in a variety of different sectors, with conflicting ethics offering differing services, Flynn (1993: 188) is concerned about a lack of overall direction. He asserts, 'planning of services will become much more haphazard: instead of planning the use of reasonably predictable resources, the provision of services will be dependent both on the existence of other agencies, which are unevenly distributed, and their ability to raise funds'. Lack of direction could have a profound effect on the long term service provision for individual communities, and is very much dependent on the ethos and vision of individual personnel in social service departments, and on their interaction with other local government departments.

However, what appears to be the greatest threat to voluntary organisations is their loss of identity. Their expansion has been encouraged partly because of the value placed on distinctive characteristics, such as their ability to attract volunteers, their informal nature, flexibility and ability to detect community need. But, the government, by encouraging expansion is in danger of destroying some of these features and reducing agency functions such as advocacy and self help, which are not immediate priorities. Or, as Sugden (1984: 88) claims, people have different tastes, opinions and priorities. He argues therefore that the voluntary sector, 'can be seen as the counterpart of the market in the realm of public goods. Like the market system, the voluntary sector is adapted to supply diverse goods in response to individuals' wants'.

If voluntary organisations are to become in reality more like governmental agencies, they risk losing the wide ranging public support that they now enjoy. This may manifest itself through falls in donations. If the government was really concerned about falling levels of donations, it could increase tax incentives. Economists such as Collard (1978: 93) suggest that in the UK there is an expenditure elasticity of donations of about 0.7. This would imply that fairly substantial increases in charitable revenue would follow from a reduction in the price of giving. This increase could well be larger in size than the amount of tax forgone by the treasury.

However, if voluntary organisations lose their 'altruistic aura', and are seen more as quasi-governmental bodies, purchasing units may come under pressure to fund an increasing range of voluntary sector community projects. In time their status will become clearer, and we will be able to develop a better understanding of the implications of these very important policy processes.

Conclusions

Far reaching government reforms in the UK have expanded the role of voluntary organisations in welfare provision, primarily through the use of contracts. Changes have created tensions and increased staff pressure within organisations. Such changes threaten the identity of voluntary organisations as they increasingly seen to take on the characteristics of government organisations.

Social service departments as purchasers may be able to provide short term efficiency savings where there is competition, although this is questionable, and they will need to carefully monitor the quality of care provided.

Long term provision may suffer from a lack of pre-planning and direction. Gaps may also appear in the voluntary sector's less acute areas of provision such as advocacy and self-help, as agencies chase the security offered by contracts. Nevertheless, one certainty is that change will be an ongoing process in this sector throughout the decade.

Özet: Bu makale İngiltere'de son yirmi yılda görülen neo-liberal kamu politikalarının gönüllü kuruluşların faaliyetleri, çalışanları, mali ve örgütsel yapıları üzerindeki etkilerini eleştirel bir gözle incelemektedir. Her ne kadar başlangıçta neo-liberal politikaların amacı gönüllü kuruluşlarda verimliliği artırmak olsa da, bu politikaların hedeflerine tam olarak ulaşmadığı, ve hem olumlu hem de olumsuz sonuçların bir arada görüldüğü görülmektedir. İngiliz hükümetlerinin yaptığı reformlar sonucu sosyal hizmetlerin sunumunda gönüllü kuruluşların rolü özellikle bu sektöre verilen ihaleler yoluyla arttırılmasına rağmen, bu durumun gönüllü kuruluşlarda örgüt kültürünü ve sosyal hizmetlerin uzun dönemde sunuş şeklini nasıl etkileyeceği hala belirginleşmiş bulunmamaktadır.

Anahtar kelimeler: gönüllü kuruluşlar, verimli hizmet sunumu, İngiltere, neo-liberal kamu politikaları.

Bibliography

- Billis and Harris (1986), *An Extended Role for the Voluntary Sector*, Centre for Voluntary Organisation. LSE.
- Charity Aid Foundation (1992), *Charity Trends*, London.
- Collard (1978), *Altruism and Economy*. London: Martin Robertson.

- Common and Flynn (1992), *Contracting for Care*, Joseph Rowntree Foundation.
- Cullis and Jones (1986), 'The Economics of Charity', *Economic Review*. November.
- Culyer (1980), *The Political Economy of Social Policy*, Gregg Revivals.
- Department of Health (1989), *Caring for People: Community Care in the Next Decade and Beyond*, London: HMSO.
- Flynn (1993), *Public Sector Management*, Harvester Wheatsheaf.
- Harden (1992), *The Contracting State*, Open University Press.
- Harris (1993), The Changing Role of the Voluntary Sector in Welfare. Chapter in, *Learning from Innovation*, eds. Thomas, Deakin and Doling. Birmingham: Academic Press.
- Hedley (1991), *A look at Local Voluntary Organisations*. Centre for Voluntary Organisations. LSE.
- Home Office (1990), *Efficiency Scrutiny of Government Funding of the Voluntary Sector*, London: HMSO.
- Le Grand and Bartlett (1993), *Quasi Markets and Social Policy*, Macmillan.
- Lipsky and Smith (1989), 'Nonprofit Organisations, Government and the Welfare State', *Political Science Quarterly*, 104 (4) pp. 625-648.
- Nolan (1992), *For Love and for Money*, Centre for Voluntary Organisation. LSE. Cited in Harris (1993).
- Smith and O'Hara (1992), Managing Social Services in the 1990s. Chapter in, *Rediscovering Public Services Management*, eds. Willcocks and Harrow. McGraw-Hill.
- Sugden (1984), 'Voluntary Organisations and the Welfare State', in *Privatisation and the Welfare State*, eds. Le Grand and Robinson. Allen and Unwin.
- Titmuss (1970), *The Gift Relationship*, Allen and Unwin.