

## Third Sector Futures Dialogues

### Big Picture Paper 1

# The worst of times?

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This is the first discussion paper in a series designed to stimulate debate about third sector futures. Here we set the debate running by placing civil society/third sector's current position and environment in context. The discussion starts with the idea of an 'unsettlement', and investigates the nature of the changes the sector is currently experiencing. Is it really the 'worst of times', or more a temporary readjustment for some?

## A great 'unsettlement'?

The idea of 'unsettlement' has been used to outline how different aspects of social life may experience rapid and significant change, where existing resources, approaches and understandings are called into question, and new relationships between organisations and sectors are formed. Macmillan and McLaren ([Working Paper 76](#)) used this concept to suggest that the third sector may be undergoing a similar transformation; a radical upheaval in its political and economic environment, with less public money available, new political priorities and expectations and hope for a 'Big Society' surge of citizen-led social action. In this view, existing assumptions about the sector's role and position are arguably being uprooted. The paper made the case for a strategic dialogue about how the third sector is changing, what it is becoming, its relationship with the state and markets, and what role it should play through and beyond the contemporary politics of austerity.

The closer 'partnership' between the state and the sector forged and developed from the late 1990s to 2010 and discussed by Alcock and

Kendall ([Working Paper 42](#)), involved high level political and policy support. This was coupled with significant public investment for parts of the sector, in particular 'horizontal' (sector-wide) programmes such as Futurebuilders and ChangeUp, and support for Strategic Partners to provide voice and policy input to government. Since then the political and economic climate has changed significantly, with the recession from 2008 and the new 2010 Coalition government's deficit reduction programme. So should the New Labour era be seen now as a 'golden age' period of plenty – which has been replaced by a 'colder climate', or 'challenging times'?

An 'unsettlement' is not just a shift in the scale and nature of financial support available to the sector, however. It is also about changing ideological understandings and expectations of the sector's role, and reframing how it should operate. Linked to the language of 'dependency' (of the sector on the state, rather than the other way round) and 'bureaucratic interference' (by the state in the sector), a somewhat looser 'independent' relationship with the state is arguably being promoted. This occurs alongside encouragement to develop closer relationships between the third and commercial sectors.

The idea of an 'unsettlement' thus has two dimensions – changing political/policy priorities, and financial/economic dimensions, a question of the scale and type of resources available to the sector. We look at each of these in turn.

## The changing policy and political context

As mentioned above, the economic recession of 2008/09, the change of UK government in 2010, and the austerity policies that followed, have resulted in dramatic changes to the political and policy context for the third sector in the country.

TSRC has carried out research on the experience and perception of both the recession and the 2010 election. The recession research concluded that, despite the early concerns of many in the sector, the initial impact of the recession was not as dramatic as some had feared and the initial response of government to the challenges faced by the sector was supportive. We discussed this changing discourse as a move from 'crisis, to mixed picture, to phoney war' ([Research Report 78](#)). The phoney war metaphor was based on a recognition by many that the increased dependence of the sector on public sector funding, which could cushion it from the worst ravages of the recession in the short run, may lead to pressures on funding and other support in the longer term if a future government were to implement extensive reductions in public expenditure. This would only be realised after the 2010 election, however.

Our election research revealed widespread support for the third sector across the political spectrum. Although there were some differences in emphasis and priority for government policy towards the sector, all major parties saw the sector as playing a critical (and probably expanding) role in the social and economic development of the country, including in delivering public services and engaging citizens and communities ([Working Paper 44](#)). The downside of this widespread support was that third sector issues did not therefore play a major role in the politics of the election, and so the potential for significant future changes were not discussed.

What was discussed, of course, was the 'Big Society' agenda being promoted by the Conservatives, and in particular by the party leader, David Cameron. And when Cameron became the Prime Minister in the new Coalition government in May 2010, the Big Society came quickly to dominate public debate about the future of the sector and the

role of government. We have reviewed the political debate about the Big Society and explored some of the policy changes which have flowed from it ([Working Papers 51](#) and [82](#)). It appeared initially to offer a significant space for debate about the role that the sector could play in a re-balancing of relations between government and citizens; but much of this has remained at a largely rhetorical dimension.

Behind the rhetoric have been some important changes in government engagement with and support for the sector. The re-titled Office for Civil Society has experienced significant budget cuts and much of the horizontal support for the sector developed under Labour has been withdrawn or pared back. It has been replaced by some new (though smaller) programmes reflecting new government priorities, such as the National Citizen Service and the Community Organisers programme. However, other policy trends developed under Labour have continued to receive support - notably the encouragement of third sector involvement in commissioned public service delivery and the expansion of social investment funding to move third sector organisations onto more sustainable business models.

## The state of the sector - examining the data

In order to take stock of the sector's position now, it is important to ask what we would consider to be 'good' or 'bad' times. What might be the key indicators of the health of the sector? Drawing on survey and administrative data at different points in time has allowed TSRC to explore some of the key trends and snapshots which may inform this discussion. Indicators of health could include the total number of voluntary organisations, vulnerability of organisations to changes in public funding, and patterns in civic engagement.

### *Has there been a decline in the number of voluntary organisations?*

One way to assess the health of the sector is to examine its size: how many organisations are there? Has there been an increase in the number of dissolutions? How does this compare to the changes in the past? Placing trends in the number of organisations within a

longer-term context would help provide some perspective on the current situation. However, there is a limit in the extent to which we can measure these trends reliably. While the Charity Commission register is a useful source of data on voluntary organisations, it is limited in its capacity to shed light on trends in the total number of organisations.

Registrations, dissolutions and the total number of charities tend to reflect administrative practices at the Commission or changes in legislation about the kind of organisations required to register. So it would be unwise to draw conclusions about the health of the sector, and the nature of the challenges that the sector has recently faced, solely through examining trends in the number of charities.

In any case, we might question the assumption that the total number of third sector organisations is necessarily a good metric of the health of the sector – even if we could monitor the trends reliably. Do we necessarily want more new organisations to register? Is there a trade-off between the survival of existing organisations and the creation of new ones? Striving for organisational survival has the benefit of fostering institutional memory, community trust and employment stability. On the other hand, new organisations bring with them a chance for new ideas and new ways of working. Organisations come and go, and sometimes for good reasons, yet there appears to be an ongoing emphasis on supporting the establishment, development and sustainability of third sector organisations, rather than supporting closure or rationalisation. Is there enough ‘room’ for everyone? ([Working Paper 56](#)). Should there be, without further questions about the purpose and impact of organisations? There has even been the suggestion by some that the recession (and by extension, the austerity programme) have afforded an opportunity to scale down what became an ‘overinflated sector’ to remove duplication and ‘weed out’ poor quality provision ([Research Report 78](#): p.34).

While it is harder to examine trends in the number of organisations, it is possible to gain some insight into the ‘profile’ of sector activity

over time by examining the share of the total number of organisations working in different charitable subsectors. Since the Second World War, for example, there has been an increase in the share of organisations working in the environmental and international development fields. More widely, this illustrates an important lesson: given the diversity of the charitable sector, when assessing whether recent changes represent ‘the worst of times’ it is important to consider how changes may play out differently for different kinds of organisations. This is true, for example, when considering the implications of cuts in public funding of third sector organisations.

### *Which organisations, and which kinds of places, receive public funding? What might be the implications of cuts in public funding of organisations?*

Another possible indicator of the state of the sector is to examine the mixture of funding sources available to organisations across the country. This may identify groups of organisations that are potentially vulnerable to funding changes, as well as giving an indication of the geographical dispersion of such vulnerability. The 2008 National Survey of Third Sector Organisations data has allowed us to map the locations of charities around England prior to the economic recession and subsequent deficit reduction programme ([Working Paper 45](#)). This exercise has estimated that around 36% of third sector organisations received public money. Only 13% of organisations stated that statutory sources were the most important component of their income, despite criticisms that voluntary organisations are unduly dependent on the state. However, reliance on public funding appeared to be greatest in areas that have fewer third sector organisations to begin with. Additionally, organisations that were bigger, newer, that were located in relatively deprived areas and that served socially excluded or vulnerable people were more likely to be in receipt of public funding than were other organisations. Figure 1 below shows this in terms of the proportions of organisations receiving statutory income in different areas measured by deprivation.

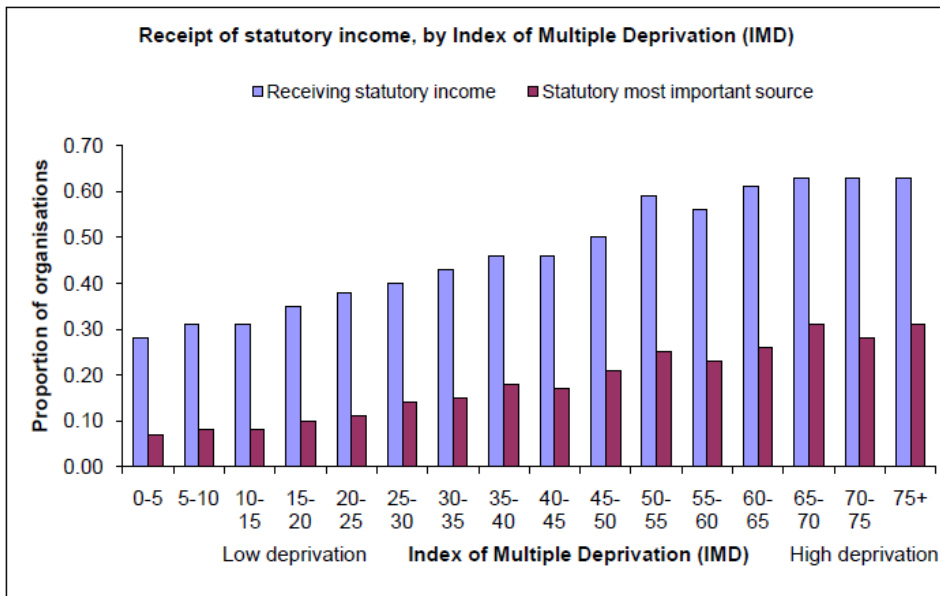


Figure 1

What are the implications of these findings? For one, they suggest that state funding cuts to charities may well be felt most strongly in areas that have the highest need. What does this mean for the future of third sector organisations in these areas? What would it take for organisations to adapt and survive, and what might be the role for infrastructure organisations in supporting such change?

*What do patterns of civic engagement look like, and how do these relate to the challenges facing the third sector in different socio-economic areas?*

Our research has also explored the relative shares of the total amounts of charitable giving, volunteering, and participation in civic associations accounted for by different sections of the population in England and Wales. Building on a Canadian study, it

highlights how a small group of people contribute a large proportion of formal civic engagement. The evidence reveals that a third of the population provide 90% of volunteering hours, four-fifths of the amount given to charity, and nearly 80% of participation in civic associations. This group can be thought of as the 'civic core', and we shall return to them in a later session of this Futures Dialogue.

However, we have also analysed the social and distributional characteristics of members of these 'core' groups, showing that members of the 'civic core' are drawn predominantly from the most prosperous, middle-aged and highly educated sections of the population, and that they are most likely to live in the least deprived parts of the country, as shown in Figure 2 below.

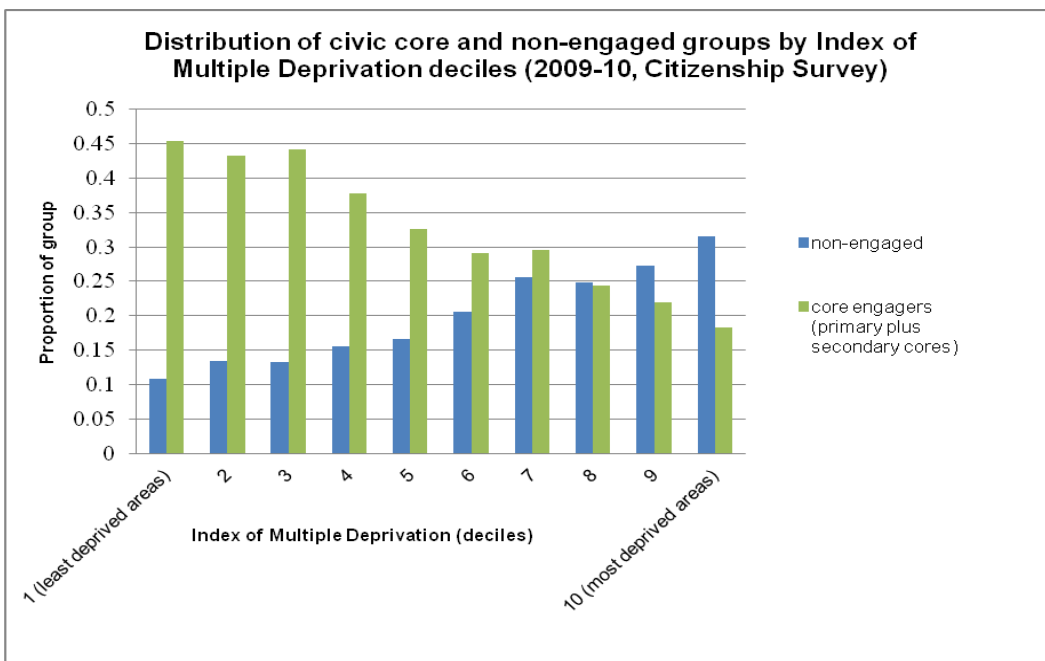


Figure 2

This could compound the effects of the distribution of public funding discussed above. Some areas of the country may face more severe challenges in the new environment compared to others; having both a less engaged population and being vulnerable to public spending cutbacks.

## What next?

Despite the appearance of dramatic political change, and the economic impact of the extensive cutbacks in public expenditure (much of which is still to take effect of course), a more reflective judgement of the changing political and policy context for the sector would probably emphasise both 'continuity and change'. Both pose challenges for the sector however – or rather, different dimensions within each pose challenges for different parts of the sector, or different interests within it. For we should not forget that the third sector has never been more than a 'strategic unity' ([Working Paper 24](#)) of diverse, and sometimes competing, organisations and interests. And that has not been changed by government's replacement of the term with the new (or rather old) notion of civil society.

The reference to civil society also offers to take debate onto a broader stage of discourses about the wider institutional structure of society, the role of government and citizens and the forms in which social capital are developed. This is an international discourse, which also engages major international agencies such as the World

Bank, the OECD and the EU, and which encourages comparative analysis of the different forms in which civil society is organised and promoted in different countries. Dialogue on the future of the sector in the UK may also need to engage with these international comparators.

The research highlighted here raises some important questions for discussion:

- What kinds of changes in the funding and policy environment are third sector organisations experiencing?
- How significant are they, compared with the continuities we have discussed?
- How are these developments affecting third sector organisations, the causes they represent and the people with whom they work?
- How is the changing environment affecting different kinds of third sector organisation, such as large, medium-sized and small organisations, those working in different fields, or operating in different parts of the country?
- To what extent will changing expectations of the sector's role threaten the underlying values and identity of particular organisations?
- Is the sector facing a 'shake out' and/or a 'shake up'?
- What will be the shape of the sector in the future?

*This paper is for discussion at the Third Sector Futures Sounding Board, 11th October 2012. It is part of a series of discussion papers being produced for the Third Sector Futures Dialogues. Recent research undertaken by TSRC will act as a starting point for wider discussion about the implications for the third sector. Each of the five papers will be debated online and at specific sessions of a Sounding Board between Autumn 2012 and Spring 2013. These papers focus on the political and economic context of the third sector in England, and draw largely on data from English quantitative and qualitative sources. Third sector policy has been devolved to the separate administrations in Scotland, Wales and Northern Ireland since the turn of the century, and, although facing some similar pressures, debate about the future of the sector may take a different form there. At present this dialogue is focused on the sector in England only.*

Visit [www.thirdsectorfutures.org.uk](http://www.thirdsectorfutures.org.uk) for more about the dialogues.