

Third Sector Futures Dialogues

Big Picture Paper 3

Is the third sector so special? What is it worth?

Angus McCabe

In this third Futures Dialogue discussion paper we aim to take forward debate by asking whether the Third Sector has special or distinctive characteristics. Is the sectors 'uniqueness' being threatened by professionalisation, contracting with the state or the development of market-like features? For instance, to what extent do informal grassroots associations form the heart of the sector? This is used to discuss the worth of the third sector: how can the contribution and impact of diverse third sector activities be identified, measured, appreciated and valued?

Something Different?

The current paper has two simple aims. To identify the distinctiveness of the Third Sector and, having achieved this, to measure its social and economic value. Why are these aims so easy to address? Because all we need to do is resort to the received wisdom, some might say mythology of the sector itself, to answer the questions of difference and value.

Of course Third Sector Organisations are different. They are not created by statute. No-one says voluntary and community organisations have to exist and, indeed,

the concept of an independent, if regulated, civil society, as understood in the West, is a relatively recent development in Eastern Europe and the Commonwealth of Independent States. So it is definitely different from statutory agencies. And it's not the private sector as there is no profit motive. The structures of governance, by being unpaid and independent, further distinguish the 'Third Sector' from the 'First' and the 'Second'. And of course the very characteristics of voluntary and community organisations; the capacity to innovate, be 'close to communities', shared sector values, a commitment to social justice and social change, identifying and meeting new needs....the list goes on and all this clearly demonstrates the sector's social value. Case closed.

Or is it? At a time of what Rob Macmillan referred to as '[a great unsettlement](#)' there is perhaps an overdue opportunity (or one forced on the sector by a sense of uncertainty and crisis) to go back to the evidence and critically reflect on the rhetoric of Third Sector 'uniqueness'. Indeed, perhaps an even more fundamental question – to be addressed

before entering a debate on its social and economic value – is there a coherent or cohesive sector at all or is it, as Pete Alcock has argued, no more than a '[strategic unity](#)'? (See also [Working Paper 89](#) on distinctiveness)

[Something Old, Something Borrowed, Something Blue?](#)

This is not the place to revisit well rehearsed academic debates on [sectoral definition](#). Rather the discussion paper reflects on what, if anything, is special about the sector which has a base in evidence rather than received wisdom and sometimes dubious collective memories. Here, there are perhaps two difficulties. Firstly, for every self evident truth about the Third Sector there is an opposite and potentially equal truth. Yes, community groups, for example, can be open and inclusive. But equally they may be closed and exclusive ([Working Paper 33](#)). Some organisations may well be non hierarchical, but not all are, for example organisations advertising to recruit a 'Personal Assistant to the Programme Manager reporting to the Deputy Chief Executive'. Secondly, whilst there has been – and remains – innovation in 'the sector' (for example the environmental movement, early responses to HIV/AIDS etc) there are also things that are very old, borrowed or 'blue'. Despite the reform of charity law in the last decade, we are left with the vestiges of 16th Century legislation and associations with the poor laws – the deserving and undeserving poor. The concept of hybridity as a characteristic of the sector has also emerged in recent years – 'borrowing' the language and practices of the private sector and the procedural mechanisms of statutory agencies, whilst

apparently abiding by an ethos of voluntarism and thereby blurring 'traditional' boundaries between the sectors ([Working Paper 50](#)). And finally 'blue' – not in the sense of party political conservatism but in terms of the resistance of change and fighting (occasionally literally) for the preservation of the status quo.

So, if claims are to be made for the special nature of the Third Sector perhaps we need a more sophisticated understanding of 'the sector' and its unity or otherwise. This is not to return to Kendall and Knapp's famous description of 'a loose and baggy monster' (1995) but to explore the nature of more recent change in 'the sector'. As a way in to this it may be helpful to return to a language that pre-dates 'the Third Sector' or the even more recent policy emphasis on civil society; the term 'voluntary and community sector' or 'sectors'

The formalised voluntary sector has grown substantially over the last decades – with increases in the number of charities alone, income, asset base and (certainly up to 2011) workforce numbers. With this growth has come controversy – at least in some quarters.

Some have suggested that this expansion has come at the cost of independence: service delivery voluntary agencies have become an arm of the state, shaped by the statutory sector and focused on contractual service delivery, and potentially diverted from their original, charitable, purposes. There has also been organisational restructuring, with mergers and acquisition staking place to compete with the private sector for fewer – but larger – contracts

([Working Paper 88](#)). But these concerns arguably only relate to part of ‘the sector’. There is also what, in current political parlance, could be called the ‘squeezed middle’: those smaller, local, voluntary organisations with staff, who grew with the proliferation of Area Based Initiative funding and are now under threat or have already closed (see [Working Paper 87](#)).

Further, beyond these ‘segments’ lie community groups: Edmund Burke and Lord Patten’s ‘little platoons’, on whose shoulders lie the expectations of delivering the ‘Big Society’. Some have argued that the ‘community sector’ has been ‘squeezed out’ by the Big State which has undermined traditional values of self reliance and community action. Yet community groups operate ‘outwith the state’, often beyond official policy agendas. As [Working Paper 64](#) suggests, levels of participation over the past decades has been constant rather than being ‘squeezed out’ and equally seemingly impervious to Government initiatives to expand volunteering.

Research carried out in TSRC looking ‘below-the-radar’ has uncovered a range of different organisations operating within small neighbourhood areas, largely unrecorded by official registers such as the Charity Commission. These local landscapes contain a diverse range of different forms and aims including: [arts and crafts associations](#), sports groups, tenants and residents movements, faith groups, Black and Minority Ethnic groups, refugee and migrant community organisations and many more ([Working Paper 71](#)).

So maybe asking ‘is the Third Sector special’ is a lazy and potentially redundant question. We need to get

beyond such umbrella terms to begin to think about the different facets, functions and characteristics of organisations (from the major service providers through to the local neighbourhood meeting group). Are they ‘special’ in different ways? Or perhaps more controversially – do they contribute any more to our sense of community and belonging than, say, the corner shop?

Social Value – or Values?

Which brings us to the second question – what is the third sector worth? Again, the answer is simple. Data from the latest NCVO Almanac tells us that, in 2009-10, the income of civil society organisations was £170.4 billion with net assets of £228 billion with some 900,000 active groups employing 7% of the workforce ([NCVO: 2012](#)). Enough said; surely there is sufficient evidence there of value – at least in terms of contributions to gross domestic product, inward investment in communities, sustaining the tax base etc. Not so. The question ‘what’s it worth’ has increasingly been replaced by one of what is the sector’s added/social value? For every £1 invested what extra benefits does the sector bring to the Exchequer, to funders and communities? Reframing the question in this way has resulted in the growth of interest (some might say an industry) in the scientific measurement of social value: from cost/benefit analysis, the Global Reporting Initiative, Social Impact for Local Economies (SIMPLE) and Social Auditing through to Social Return on Investment (SROI).

Such techniques have been applied, particularly, to assessing the added value of preventative services: an early intervention with, say, ‘[troubled families](#)

(who cost services an estimated £9 billion a year) has, in the medium to longer term, substantial cost savings in terms of reductions in school absenteeism, evictions, criminal justice interventions and to the health and social welfare bill generally. Further, attempts to place a value on the social impact of the sector avoid the fundamental question of what is the sector worth – to whom? Commissioners, policy makers, the sector itself, communities or service users?

In the current economic climate, such an interest in social return is perhaps inevitable and draws on HM Treasury's concept of 'invest to save'. In a competitive funding environment and with the introduction of payment by results it is in the interest of organisations to demonstrate maximum long term (social) returns on that investment. At one level this is to be welcomed. SROI, for example, requires evidence of impact – and therefore effectiveness – rather than anecdotal and rhetorical claims for the outcomes of 'good works'. However, evidence suggests that the main motivation for organisations to carry out an SROI is to strengthen their position in relation to others in a competitive environment (cited in [Briefing Paper 49](#)). Indeed, SROI and related 'added value' measures may be driven more by the commissioning environment to the virtual exclusion of community and service user voices.

This suggests that the Third Sector, or parts of it, have focused on the monetarised value of interventions rather than their wider social or environmental impact. Again, in the current climate, there is the temptation to over-egg the difference in ratios between intervention

cost and the financial benefits/savings which accrue from those interventions – or, conversely, to be potentially over-cautious in estimates of such ratios in the interest of perceived credibility of the claims made. Further, fully audited SROI can be expensive, perceived as burdensome by organisations – and may not have the desired outcome of sustained or increased investment in a particular agency or set of interventions ([Working Paper 49](#)).

There may, however, be more fundamental problems with the adoption of monetarised outcome measures by the Third Sector. Can the social values claimed by voluntary organisations of social justice, or fairness, be reduced to a financial concept of social value? SROIs in the sector have tended to focus on services where there is a real, or assumed, saving to the Treasury (an 'added value'). But what of advocacy services – whether in the field of welfare rights or lobbying for human rights - where there is an additional cost to the State? Further, returning to the example of 'troubled families', monetarised concepts of social value do not lend themselves to a more critical reflection on why families are labelled as 'troubled' or reasons why they are. They cost the State money, we intervene, the State saves in the long term. It is a mechanistic approach which, by implication, assumes that families are 'troubled' because of personal pathologies which are susceptible to brief interventions rather than any analysis of structural inequalities or discrimination and the impact of these on family life.

So a challenge. What is the Third Sector worth and how do we measure it? In a

purely financial language or in terms of contributing to social justice – and challenging injustice? After all, to borrow from Robert Kennedy (1968), financial measurement tools such as ‘*The Gross National Product.....measure everything except that which makes life worthwhile.*’

What Next?

Perhaps the last ‘great unsettlement’ in the Third Sector was the introduction of the comprehensive post-war Welfare State from 1945 onwards. For those such as Anthony Crosland, this heralded the end of charity, introduced universal rights for citizens and ended the poor law concepts of the deserving and undeserving poor whose needs could be met through the whims of philanthropy. Yet over 60 years later we still have charities, have returned to soup kitchens and are witnessing a political agenda of shrinking the State and promoting self-help models of social action.

This may be evidence of the Third Sector’s resilience and capacity to reinvent itself according to prevailing conditions. And, in difficult times, it may be helpful to draw on a gardening analogy – grass roots (groups) will always spring up and grow – but not necessarily where the gardener/policy maker wants them to be. But that is being flippant at a time of great uncertainty – not to say fear – within voluntary and community groups. Where is the policy agenda going in terms of public services and welfare reform? What are the implications for the sector: a greater role in service provision? Increased competition as public service mutuals emerge? How do we respond – reactively or pro-actively and will the current

direction of travel reshape the Third Sector for better or worse? The temptation in hard times is to focus on survival, as suggested in [Working Paper 87](#). But Niall Crowley’s discussion paper, [Lost in Austerity](#), drawing on experiences in post-recession Ireland, urges a more fundamental rethink from within the voluntary – and particularly community – sector. If it is to remain relevant to everyday needs and realities, it must demonstrate both that it is **special** – and how – and that it has a **‘worth’** that is not simply monetary. The quotations below are offered as prompts to begin that discussion.

“I don’t want to predict what the future, say in five years, will look like for voluntary never mind community groups. There may be a leaner but more efficient and effective sector, a more entrepreneurial and business like sector – or just a leaner one. What we will see played out in some form is a profound change in the relationships between people, communities, government and the sector.” (Below the Radar: Development Agency Interview)

For community organisations ‘there is the challenge of imagination – to define a new purpose and to establish an agenda fit for that purpose. Community organisations need to change their primary roles from being a partner of the state or from being a servant of the state. Their primary role for the next period will inevitably be oppositional to the dominant policy positions being pursued by the state.’ Niall Crowley

‘Localism offers the opportunity of a real transfer of power to communities. The Open Public Services White Paper could

[in the view of some voluntary organisations] in the medium to longer term, enable even small community groups to expand as Big Society recognises the value and importance of grass roots activity'.

"If the third sector is about something more than 'not for profit' we need to define it in terms other than its relationship to money. Values are the key" p13 (Blake et al: 2006)

"Empowering people, Pursuing equality, Making voices heard, Transforming lives, Being responsible, Finding fulfilment, Doing a good job, Generating public wealth.....These values inspire people to work and volunteer in the third sector.

Separately these values are present in the public and private sectors. However, the way in which third sector organisations combine and prioritise these values is unique". P7 (Blake et al: 2006)¹

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1

Blake, G., Robinson, D. and Smerdon, M. (2006) *Living Values: a report encouraging boldness in third sector organisations*, London: Community Link.

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