UNITY in DIVERSITY

What is the future for the third sector?

Third Sector Futures Dialogue 2012-2013

Pete Alcock, Director, Third Sector Research Centre

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Preface

We are living through some challenging times, both economically and socially. Without reverting to easy rhetoric about 'turning points' or 'perfect storms', it does now look as if the voluntary sector has arrived at a moment where clear choices based on good quality information and (most important) sober reflection is needed. Now that the fog created by the, largely abandoned, 'Big Society' project is beginning to lift, the more detailed features of the Coalition government's policy agenda are becoming clearer to see. Austerity is operating as the justification for 'reform' (or rather shrinkage) of the entire public sector – and this has important consequences for the future of our voluntary sector. Concerns about reductions in funding are on many people's lips; but funding is not the only, indeed arguably not the main, issue. There are more fundamental questions to address about the continuing ability of voluntary organisations of all kinds to secure a future based on their independence of action and shaped by their own mission and values. It was to explore these questions that the Third Sector Research Centre established the Futures Dialogue; and contained in this report is a summary of the evidence and the ideas that followed from that – and the challenges that we will face in responding to these.
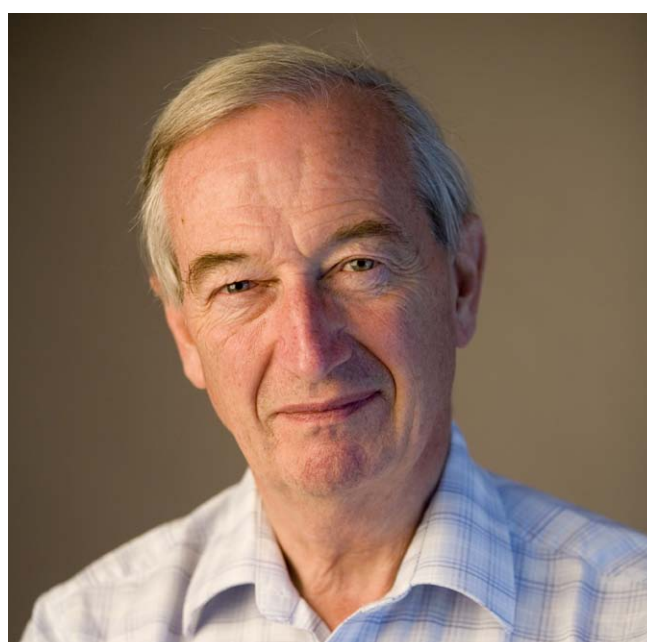
Nicholas Deakin
Former Chair of the Commission on the Future of the Voluntary Sector in England, 1996

Photography taken for Third Sector Magazine

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Futures Dialogue

"…'policy' is not just something done by the Cabinet Office or legislature or the official regulators but also by and within voluntary sector organisations themselves and their national 'voice' bodies."

David Walker, ESRC Council Member.
Address to TSRC's National Conference, British Library, 19 April 2013.

Executive summary

The Futures Dialogue was established by the TSRC in summer of 2012 and ran for eight months through to spring 2013. The aim was to use the findings from TSRC research to provide the basis for a dialogue on some of the key issues underpinning the future development of the third sector in England, focusing in particular upon how the sector would, and should, respond to emerging challenges. The dialogue took a number of forms including:

- publication of a series of five 'Big Picture' discussion papers from TSRC researchers outlining key findings and identifying issues for debate

- open invitation seminars in London where these findings were presented and discussed

- online 'Question and Answer' live discussion sessions hosted by *Guardian Voluntary Sector Network*

- online commentary and blogs on a dedicated Futures Dialogue website established by TSRC

- meetings of a 'Sounding Board' of leading sector experts from policy and practice to debate the issues and discuss the future challenges for the sector

- a TSRC national conference held at the British Library in April 2013 where these issues were debated further by a large open audience.

This report contains all the key elements of this process, including the 'Big Picture' 'discussion papers', analysis of the subsequent debate, reflections from the Sounding Board, and identifies key challenges for the future of the third sector.

Context

Voluntary action and organisation has a long history in the UK, and it is important to see current challenges in the context of a resilient and still growing third sector. In recent times, however, there have been significant shifts in policy towards the sector and reviews of its developing role. The changes in the economic and political environment have prompted further shifts in policy in the last five years, however; and it is in the light of these recent changes that this dialogue was initiated.

It is accepted that the term 'third sector' is a contested concept, and this was discussed within the dialogue. However, all participants embraced the inclusion of the broad range of organisations within the field, including social enterprises and mutuals, as well as small community groups. The Futures Dialogue has therefore continued to use the term third sector to describe this broader aggregation of organisations.

Discussion 1 – the worst of times?

Focused on the changing economic and political climate for the sector, drawing on research data on trends in organisational development and voluntary action. It identified these as a potential 'unsettlement' for the sector.

Discussion 2 – no longer a voluntary sector?

Focused on potential challenges to the voluntary ethos of the sector, drawing on research evidence on employment and volunteering within organisations. It questioned whether activity within organisations was being reshaped and whether too much was being asked of volunteers.

Discussion 3 – is the third sector so special? What is it worth?

Focused on the potential impact of 'unsettlement' on grass roots and community organisations, drawing on research on 'below-the-radar' organisations to explore the value of different parts of the sector and what made the sector distinctive. It also explored the question of how activity in the sector could be measured and valued.

Discussion 4 – is the third sector being overwhelmed by the state and the market?

Focused on the impact of public service delivery and market competition on third sector organisations, drawing on research on public service reform and the role of social enterprises. It raised the question of whether these external forces were leading to 'mission drift' within organisations.

Discussion 5 – a strategic lead for the sector?

Focused on the overall structure of the sector, in particular the challenges to the development of a unified voice for such a diverse range of organisations and activities, drawing on research on the role of leadership within the sector. It explored the continuing need for sector leadership, and also the challenges facing those seeking to lead.

Conclusion

Despite the differences of view expressed by participants and experts throughout the Futures Dialogue, there was a considerable amount of consensus over many of the key issues, and a shared concern to explore a positive role for the third sector in responding to the political and economic circumstances that it faced. However the dialogue did not conclude a prescriptive model for the future of the sector, and much of what was agreed on was the direction or context for responses (what needs to be done), rather than the substance of a particular vision for the future (how we should do it). This covered the following themes:

Diversity and unity – the diversity of the sector is a key strength, but there was also felt to be a need for collective voices to represent the sector and influence the policy environment.

Distinctiveness – third sector organisations do have distinctive characteristics as the basis for collective social action and for normative discourse about the promotion of progressive social values or 'doing good'.

Autonomy – independence of action and organisation is critical to the sector, although in practice this often means organisations having the autonomy to proactively manage their interdependence with other agencies and actors. Third sector organisations are autonomous agents.

Politics and policy – the changing policy environment does influence organisational development; however organisations can, and should, challenge policies when they deem this appropriate and should continue to advocate on behalf of their users and beneficiaries for policy change. Third sector organisations are not 'policy victims' and should act to challenge the environment in which they operate.

What is the sector for?

The Futures Dialogue concluded with some reflections on the bigger question of the overall purpose of voluntary action and organisation. This recognised a continuing tension between the fortunes and structures of individual organisations and their broader missions, posing two questions:

• when does flexibility and adaptability within organisations become little more than self-preservation?

• is what we do ultimately more important than who we are?

It was also recognised that discussion of the purpose of the sector encompassed a normative discourse on values and purposes. Should the sector aim to promote social value and to 'do good'? And, if so, how can we ensure that these issues remain at the centre of debate, and practice?

Key challenges

Each discussion in the Futures Dialogue raised an important challenge for participants and policy makers in the third sector. Together, these form a broader framework for further discussion throughout the sector:

• What will be the emerging shape of the third sector as the unsettlement unfolds: will the divide between larger and smaller organisations widen, and does it matter?

• What will be the impacts of austerity on the nature of different forms of unpaid participation and paid work in the third sector?

• What distinctive dimensions of third sector activities should be highlighted in the need to demonstrate value; and how is impact best articulated and measured?

• How can third sector organisations negotiate their relationships with the public and private sectors, and maintain their autonomy and mission?

• What role is there for a united voice within the third sector, given that there are so many different perspectives and positions to be found within it?

Introduction

One of the aims of the Third Sector Research Centre (TSRC) has been to use its research findings to inform the development of policy and practice within the third sector, and to stimulate debate about key questions, which might be informed by research evidence.

Since the Centre was established in 2008 there have been some significant changes in the broader political and economic environment for the sector. Therefore, following discussion at the Centre's Advisory Board, in the summer of 2012, TSRC decided to initiate a debate about the future of the third sector in the light of this changing context, and the challenges it posed for the future of the sector and its changing relations with the state and the market. This was established as a public debate – the Third Sector Futures Dialogue - drawing on the research undertaken in the sector, and supported by a series of seminars (at the NCVO offices in London) and on-line debates (facilitated by Guardian Voluntary Sector Network). The Futures Dialogue ran from September 2012 to March 2013. It focused on England only as, with the devolution of power, policy and practice in Scotland, Wales and Northern Ireland may be different.

This report provides a guide through and discussion of the key issues which the Futures Dialogue addressed. The dialogue was structured around five broad themes raising key issues and challenges facing the sector:

- The worst of times? How serious are the economic and political changes that the sector is currently experiencing? Is this a significant turning point for the sector?

- No longer a voluntary sector? Developments in volunteering and third sector workforce. Is there tension between paid and unpaid roles?

- Is the third sector so special? What is it worth? Does the sector have special or distinctive characteristics? How can we value these?

- Is the third sector being overwhelmed by the state and the market? How is the sector being shaped by its changing relationships with the state and the market?

- A strategic lead for the third sector? How important is a unified leadership within a diverse sector? Who can or should speak for the sector?

For each theme, TSRC researchers produced a 'Big Picture' discussion paper drawing on the centre's research. Following the seminars and online debates, these papers were discussed by a Sounding Board, established by TSRC, comprising leading experts from third sector policy and practice (see Appendix I for membership of the Sounding Board).

The Sounding Board met five times to listen to researchers present their papers, to consider the feedback and contributions made by the participants in the seminars and online debates, and to debate the issues and challenges facing the sector. Summaries of the deliberations of these meetings were then placed online for further comment (see Appendix II for details of the process).

On 19 April 2013 the debate continued at TSRC's National Conference hosted by the British Library where delegates joined workshops to discuss the independence, impact, and resources of the third sector as well as considering third sector organisations themselves and those who work in them. The conference was intended to be a continuation of the developing dialogue – it helped us identify five key challenges for further research and debate. Input to these workshops is incorporated in this report.

In the next section we set the scene for the Futures Dialogue by describing the context for the third sector.

In part two we report on each of the five themes in detail.

Each section includes the 'Big Picture' discussion paper, 'the paper'; an analysis of the debate from the London seminars, the online Guardian Q&A debate and workshops at TSRC's National Conference, 'the debate'; and a summary of the reflections from the Sounding Board.

The main points of debate are then summarised in a conclusion. At the end of each themed section we have identified a key challenge for further debate.

We recognise that despite the wide range of evidence and ideas explored in this dialogue, there will be a continuing need for discussion and debate about the future of the sector and the many challenges that it faces. TSRC will continue to use its evidence to inform these and will support and facilitate further exchanges with our Sounding Board and others. But it is for all who have a concern for the continuing vitality of the sector to contribute to the continuing dialogue on these.

Context

A period of unsettlement

Voluntary activity and voluntary organisations have been around for a long time. Historians often trace the roots of current activity back to the nineteenth century and beyond. There is an extensive literature on the history of the sector. What this history reveals is the strength, depth and endurance of voluntary action in the UK, as well as its ever changing relationships with the policy frameworks of the state. This Futures Dialogue is about the future of the third sector, not its past, but it is important to remember that, whatever the current challenges faced by the sector, history suggests that it will continue to survive and prosper – and will continue to play the central role in the realisation of civil society that is has for centuries.

However, there have been occasions, especially in the recent past, when there have been calls for reflection on the role and development of the sector, and even a process of formal review. The most obvious examples of this are the Wolfenden Committee of 1978 and the Deakin Commission of 1996. Both of these explored the sector as a whole, its broader place in society and its relations with government and policy. Also both were followed by significant changes in policy and practice. Following Wolfenden the notion of a 'voluntary sector' became established in policy discourse. And following Deakin, the incoming Labour government embarked on a period of unprecedented engagement with and support for the sector, culminating in the creation of the Office of the Third Sector and the broadening of policy discourse to encompass the *third sector*, including social enterprises and mutuals as well as charities and community groups.

One might ask whether these reflections and reviews were the source of these changes, or were merely one part of a broader process of policy and practice development. In fact, of course, both of these are true – major reviews of the sector can be both cause and effect of significant policy change. And it is because current political and economic circumstances are creating a climate in which further significant change may be taking place within the sector that TSRC decided to facilitate this new process of debate and reflection. If significant change is again upon us, how can we ensure that we have an informed contribution to make to this process?

The Labour governments in the first decade of this century heralded in a period of extensive engagement with the third sector – referred to by Jeremy Kendall as *hyperactive mainstreaming*. Whilst this resulted in high levels of political and financial support for the sector, it also led to discussion about the risk of too much government 'interference' and threats to the independence of the sector. Under the Coalition government since 2010, however, the political and economic climate has changed – financial support has been reigned back and the 'Big Society' policy agenda has provided a signal that government should withdraw from attempts to shape or influence voluntary action. This is being experienced as an *unsettlement* in key parts of the sector's operating environment, and has caused many third sector organisations to rethink their roles, structures, practices and resources. We need to consider whether we have learnt any lessons from the era of mainstreaming that can help the sector adjust to this new political economy.

In undertaking this review, we can also now draw upon four years of research activity within TSRC. The Centre was established in 2008 (under the Labour government) to provide an independent evidence base for policy and practice within the sector; and TSRC researchers have been gathering data on and developing analysis of many of the key issues which have faced the sector. We now have evidence available to provide an informed foundation for a dialogue on the future of the sector; and this report draws on this evidence and the discussions of it that took place within the Futures Dialogue.

The third sector

There has been much debate about the definition of the third sector and the use of terminology. The term 'third sector' has only been widely used in the UK since the Labour government established the Office of the Third Sector (OTS) in 2006, although it has a much wider and longer international currency. And since then the Coalition government have sought to reject the term, retitling the OTS the Office for Civil Society (OCS) and sometimes referring to 'voluntary and community organisations, charities and social enterprises'. Other terminology is also employed by some, including: the non-profit sector, the non-government sector, the independent sector, and more recently by government the social sector.

The Futures Dialogue has continued to use the term third sector, however, although recognising that not all are happy with it. And within this all participants did embrace the inclusion of the broad range of organisations in the field, including social enterprises and mutuals, as well as small community groups. However, we must also recognise that the notion of a single sector is in itself problematic, especially if the inference from this is that all within it have similar structures, ways of working, face similar challenges and necessarily have the same interests.

Diversity and unity

Diversity has always been a key characteristic, and a key strength, of the sector, as discussed later. Organisations vary in size and scope, and the challenges facing large multi-million pound charities are very different from those facing small community groups relying entirely on voluntary effort. Organisations also have very different and often mixed missions, with some working alongside public agencies to deliver public services, some operating in the market to generate surpluses to invest in social causes, and some providing advocacy or campaigning to challenge vested interests or seats of power.

Not only is the sector diverse, there are also distinctive subsectors within this, where organisations associate closely with others operating in the same field, such as housing associations, social care providers or advice agencies. We need to be cautious therefore over the extent to which one dialogue could address the future challenges of such a diverse spectrum of activity; and this was a major feature of the discussions, as explained later.

Sector boundaries

The distinctiveness of the third sector is not just challenged by internal diversity. Relationships with, and boundaries between, other sectors also pose difficult questions. Sector boundaries have always been blurred; but there is a concern these have become more complex, and porous, as a result of recent developments in policy and practice. Support from government and contract funding to deliver public services take organisations towards the state; and commercial trading and social investment take them towards the market. In addition, the Coalition government's project of recasting the relationship between the state and the sector, and withdrawing from the levels of engagement associated with the Labour government, has been associated with greater encouragement for the third sector to develop stronger relationships with the private sector.

Many of these developments have led to concerns about mission drift and 'isomorphism' – third sector organisations losing their charitable or community rationale and becoming more like quasi-independent state agents. There are also concerns about 'marketisation' – commercial pressures leading third sector organisations to put business planning and financial sustainability above social values. Linked to these are concerns about 'hybridisation' – where organisations in practice span the boundary between voluntary activity and the state or the market, losing their core identity and distinctiveness in the process.

None of these concerns are so new, however; and hybridity has always been a feature of the third sector landscape. But the effects of hybridity and boundary changes exist and pose real challenges to voluntary organisations and the sector more generally, as was discussed in the papers and debates in this Futures Dialogue.

Resources

The evidence shows that the income of the third sector has been growing over the last decade or so, for instance as reported in the NCVO Civil Society Almanac. This seems to have been accompanied by a widespread assumption that in its own terms this growth is a good thing: the third sector is seen in a positive light, so the more the better. As the financial context in which the sector operates becomes more challenging, however, the resource base may undergo some significant shifts and redistributions, with continued growth no longer safely assumed, or even desired, by all. This brings to the fore more complex questions over what the sector does with resources, rather than how much it has to play with. And these questions cannot be divorced from wider debates over the way society is organised, and how it is changing in relation to other state, market and informal institutions.

A significant dimension of the third sector's recent growth has been public funding, although other sources of income have also increased. The sector as a whole still receives only a minority of its funding from government, and only a minority of organisations have a direct financial relationship with government. The funding mix of different organisations varies of course, reflecting the diversity of the sector discussed above. This is likely to remain the case, although for many organisations managing the demands and dependencies from different sources in the funding mix remains a key priority and challenge. There is much concern that the impact of the economic recession, and the public sector austerity programme which has followed under the Coalition government, will threaten the income base of those organisations that rely significantly on public resources – and that

this may threaten the shape and structure of the sector more generally. We are still only part way into the major cuts in public funding planned by the government, and the longer term impact of these on the sector and its users and beneficiaries is still an emerging picture, especially at local authority level. But there is no doubt that loss or, reduction in, public funding will change the income base of many organisations – and may even lead some to close.

Such reliance on public funding has always been something of a controversial issue within the sector, with some arguing that it can lead to direct, or indirect, control over organisational development, and mission, by politicians or government officials. Nevertheless public funding for voluntary action remains important; and in practice even within a period of austerity it will remain a significant feature of the sector's overall income base.

Resources for the sector do not just take the form of monetary income. Volunteering and community action remain key features of third sector organising. There is considerable experience in the sector of how to promote, manage and support volunteers and community action; and what this reveals is that this in itself requires planning and resourcing. Aspirations to increase the scale of voluntary activity within the country need to address the lessons learnt from this experience within the sector. Survey evidence also reveals that reported levels of volunteering have remained relatively stable. This is re-assuring evidence of a strong base for voluntary action within the country; but also a warning against any expectations that this could be altered easily by policy initiatives. Volunteering does not just take place within third sector organisations; but the sector as a whole will continue to be characterised by its ability to combine volunteers with paid managers and other staff to deliver organisational missions.

Part two:
Thematic Issues

The Futures Dialogue was organised around five important discussions which aimed to stimulate debate on key concerns facing the third sector. This provided the means for some serious and lively debates. In this section we provide details of each of the five discussions. In each case we introduce the debate with a 'Big Picture' discussion paper drawn from, and informed by, TSRC's research. This is followed by TSRC's analysis of the debate, and finally the key points and reflections from the Sounding Board.

'Big Picture' Discussion 1:

The worst of times?

In this first discussion Pete Alcock, Rob Macmillan and Sarah Bulloch set civil society and the third sector's current position and environment in context, including historical, regional and international reflections. They raised the idea of an 'unsettlement', and put this into perspective, investigating the nature of the changes the sector is currently experiencing: is it really the 'worst of times', or more a temporary readjustment for some?

Launched: 24 September 2012

London Seminar: 4 October 2012

Guardian Q&A Live Discussion: 9 October 2012

Sounding Board meeting: 11 Oct 2012

The Paper

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.

> *'It certainly feels like 'the worst of times' at local level right now. After four decades of consistent support and two decades of 'partnership', local councils are disengaging from the sector in many places.... Many local charities and social enterprises are excluded from any kind of state funded services provision because grants have been abolished, contracts are too big to bid for or funding mechanisms are unsympathetic to smaller organisations...'*

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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, has 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.

> *'The implication for the future of voluntary and charitable organisations is that they will need to work harder to position themselves more clearly in order to retain public support for their causes in a sustainable way'*
>
> **thirdsectorfutures.org.uk**

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 Paper 51 and Working Paper 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.

'History will judge us not on the impact of the public service cuts themselves but on how we collectively respond to the challenge.'

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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.

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
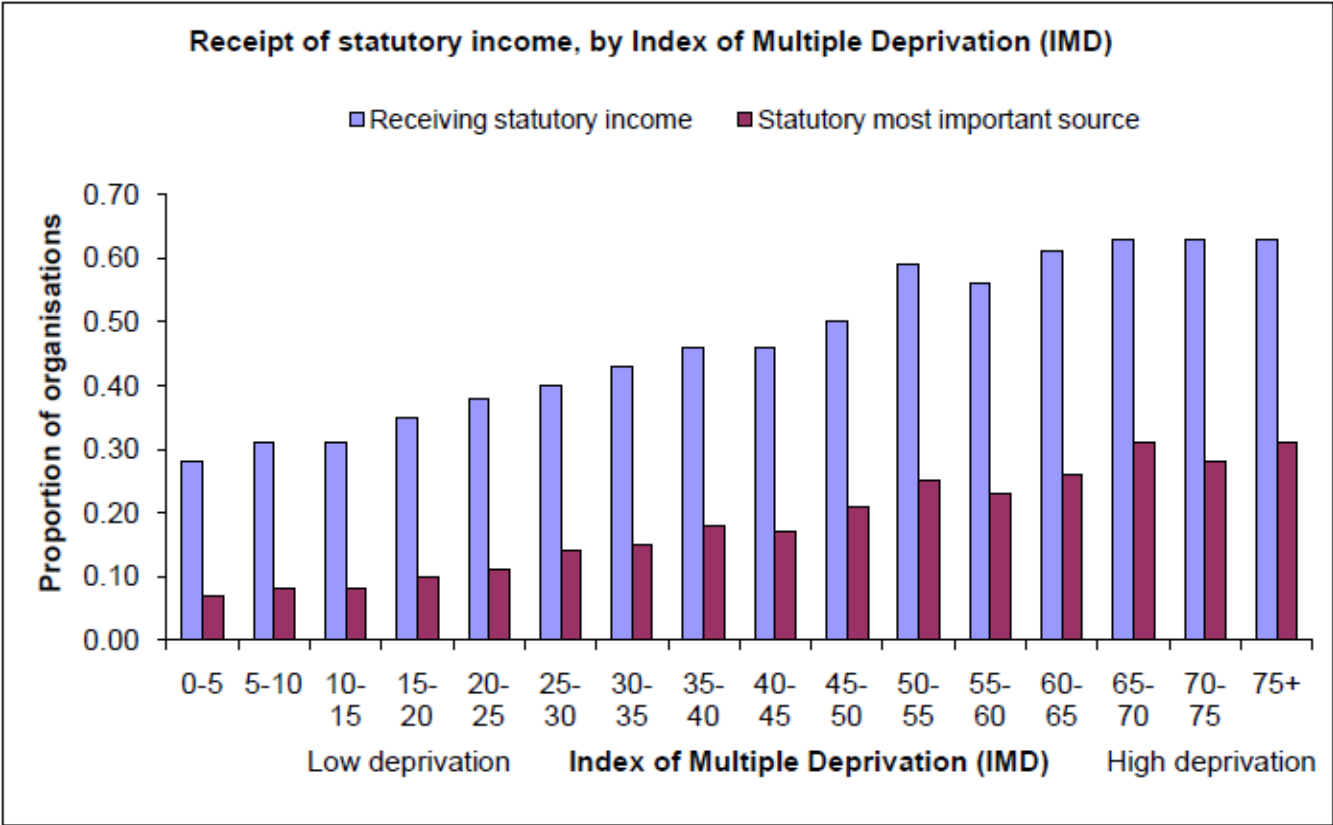
Figure 1

Figure 2

Distribution of civic core and non-engaged groups by Index of Multiple Deprivation deciles (2009-10, Citizenship Survey)
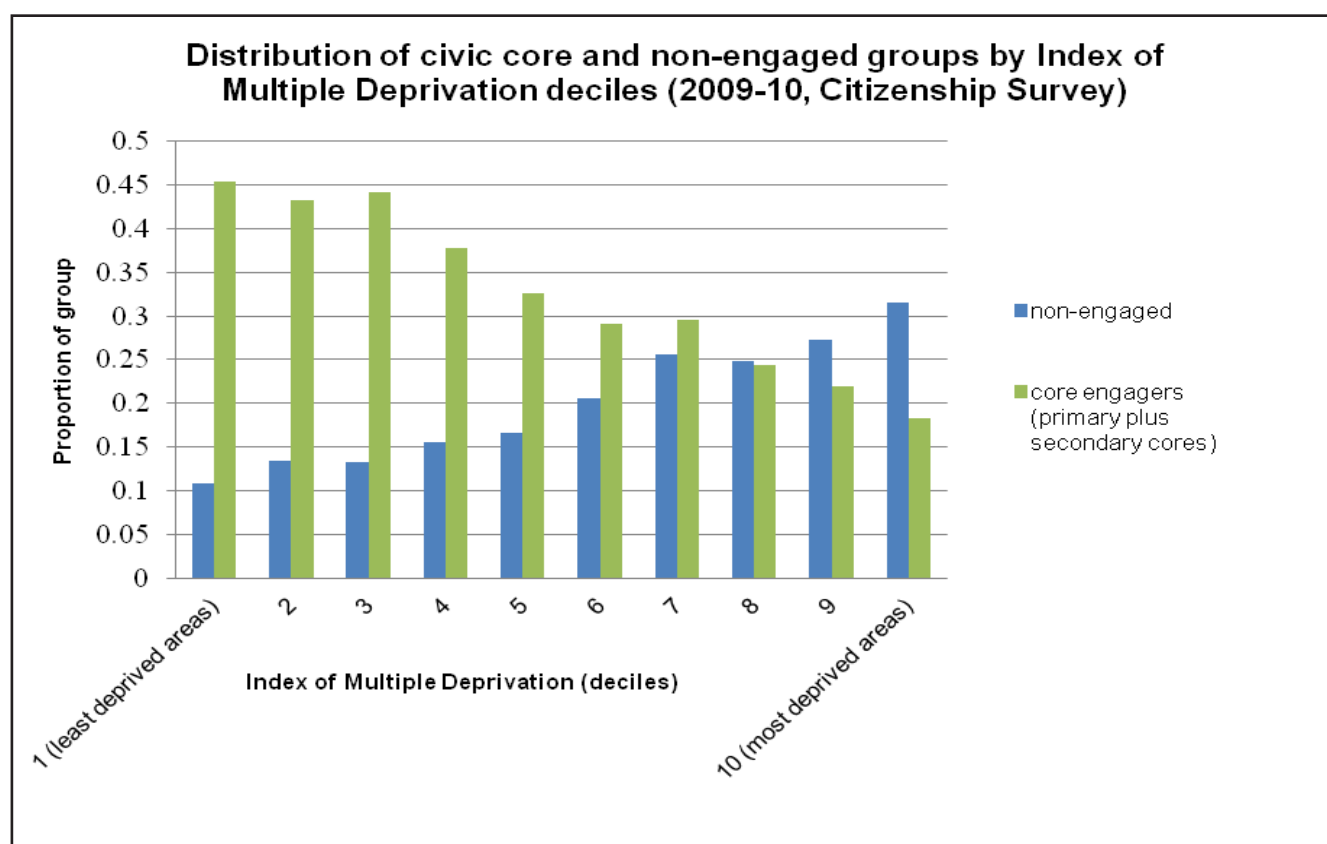
group can be thought of as the 'civic core', and we shall return to them in a later session of this Futures Dialogue.

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 above.

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 emphasize 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?

The Debate

Participants in the first discussion tended to agree that the context in which the third sector is operating is changing rapidly. The phrases used in discussion to describe this include moving from a 'golden age' or 'age of plenty' towards an 'age of lean'. The current period of austerity, characterised by a political strategy of significant cuts to welfare services, is affecting some parts of the sector quite dramatically; a 'perfect storm', as one conference delegate put it, of rising demand for the sector's services and support, alongside constrained resources being made available under tighter conditions. There is a dual aspect to this: the impact on beneficiaries and communities, and the impact on third sector organisations. Most of the debate focused on the latter, although of course the two are related. For example, one participant asked whether and how the sector might help service users and participants to adjust to major shifts in the scale and scope of taken for granted welfare services and support, whilst others were keen to suggest the sector should instead adopt more of a campaigning stance against cuts. It was also suggested that the sector ought to play a more active role in considering preventative strategies for reducing demands for services.

The impact of the 'unsettlement' in the economic and political context on third sector organisations generated some significant debate. One participant noted that many more applications for external funding from third sector organisations demonstrated that they no longer had much financial room for manoeuvre and were now facing a 'cliff edge'. But it was also pointed out that the difficulties were not being experienced equally across a very diverse sector. Many smaller groups do not rely on external or public funding, and therefore might be relatively untouched by these developments. For those organisations most affected, the changing context raises questions about whether they can retain their focus on mission and underlying values, or whether they may drift into other areas in order to survive.

As one participant put it: *"it is very difficult being a mission-driven organisation in a cuts-driven world"*.

> *'There are times when walking away is the right thing to do. Of course money matters but mission matters more. '*

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The discussions highlighted a range of strategies service delivery third sector organisations were adopting in order to survive and mitigate the effects of the unsettlement. These include redirecting resources into employing 'business development' managers with commercial experience, recruiting more volunteers and rethinking their role in service delivery (with concerns about supporting volunteers and substituting paid for unpaid work), changing the way services are provided (such as through innovative use of technology for some service users) and thinking about closer collaboration and merger with similar organisations (though with some disagreement about the extent of duplication found in the sector). However, discussions around merger may overplay its significance. In reality it was suggested that the costs of merger are often prohibitive, and economies of scale hard to realise. Participants noted the cultural resistance to considering mergers, in that many staff and trustees are keen to retain autonomy and control, and have a sense of pride in their own organisations.

Looking ahead, a key challenge is what will be the emerging shape of the sector, given that the unsettlement has only just begun. One participant noted a lack of cohesion in the sector and suggested this might intensify, with a deepening divide between larger contract-delivering voluntary organisations and social enterprises on the one hand, and smaller, local community groups with little or no funding on the other, predicting: *"a gap between winners and losers, a more predatory environment where VCS bodies seek contracts at the expense of collaboration and the effects being a further roll back of the welfare state… it is not a pretty picture."* The idea of a bifurcating sector was echoed by another participant, who also raised the prospect of a 'squeezed middle': at-risk organisations with some paid staff, unable to 'sell' services and too small to win public sector contracts:

"I think we will see a pulling-away of the professionalised, large organisations with highly developed expertise in their subject area. Equally I think there will be a return to more 'associational activity' - more volunteering, more grassroots activity led by communities themselves….Those in the middle will struggle if they cannot find more sustainable income streams than grants, and that will lead to the demise of some organisations with knock-on effects to vulnerable people in society.

The Sounding Board Reflections

The Sounding Board addressed the issues raised in the paper *The worst of times?* at its meeting on 11 October 2012. The key reflections from the Board are as follows.

There is a need to consider the longer-term historical perspective behind the current unsettlement, for example the changing shape and role of the sector at least since the post-war welfare settlement and the changing relationship between the state and the citizen, which has flowed from this. The focus of this discussion is on England, but there is also a need to recognise the impact of devolution within the other UK nations and the broader international context.

Recognition that the significant current changes facing the sector, and the scale of public expenditure cuts pose a major challenge, the impact of which will vary in different parts of the sector and in different localities. How are the changes in public funding for the sector impacting on organisations, and on their service users?

There is a need to focus on the increasing and changing needs on society, in particular where these have been affected by the current economic crisis, and the pressure this may create on organisations dealing with the demand for support from users. Alongside this, should there be an exploration of the assets of communities and the need for support for these within this wider socio-economic context? How should the sector work with government both centrally and locally?

Underpinning this is a debate about the extent to which public services and state agencies should be working alongside, or supporting, voluntary and community organisations in responding to the changing needs and demands. This is captured in part by the Government's 'Big Society' discourse, although there was some scepticism as to whether there was anything of real substance for the sector within this. However, relations with government are not just about funding – it is important to examine more generally how the sector should relate to government and policy makers.

The Sounding Board wanted to explore the question: what are third sector organisations for? However, it was recognised that the sector itself was diverse, with various types of organisations having different missions, and different needs. Some would want to engage in public service delivery, others in advocacy or campaigning, and others in community organising, and quality of life. Can the sector have one role?

Creating change and delivering activities in any area cannot be about the sector in isolation; it should be discussed in terms of the changing relations and dynamics between the third, public and private sectors. How these three sectors understand each other strategically and collaborate or cooperate in practice is of central importance. Also, what expectations each sector has of the others, and the consequences of each other's policies and actions for the changing relationships between them.

The importance of public attitudes was discussed, and also the need for evidence on how the public perceive the sector, its distinctiveness and its relationships with government and the market. What do the public think it is for? How does that relate to what third sector organisations actually do? Is there an opportunity to drive change in public attitudes?

Concern was expressed at the perception of the sector as the 'victim' of the changing policies and practices of the state, and the market. Is there a need to reassert a vision and mission of the sector and to seek to set the agenda rather than reacting to it? Third sector organisations need to identify opportunities to change things positively. This may be an opportunity for third sector organisations to think about the different roles that they can play in society and how to develop their practices to achieve these. Do we need to develop a narrative (or a vision) for why the sector is here? What does a good society look like, and what role might third sector organisations play in shaping it?

There is a need to explore the role of new technologies and the implications of these for organisational development and social action.

Key challenge:

What will be the emerging shape of the third sector as the unsettlement unfolds: will the divide between larger and smaller organisations widen, and does it matter?

'Big Picture' Discussion 2:
No longer a 'voluntary' sector?

This discussion focused on the people involved in the third sector, as volunteers, activists, trustees, frontline staff and managers. For background, Heather Buckingham looks at patterns and trends in the paid and voluntary workforce, and routes into and out of the sector. She used this to concentrate on the dynamic tension between paid and unpaid roles in the sector. Are volunteers being marginalised by an increasing emphasis on professionalisation and delivery of services, at the same time as expectations and responsibilities may be increasing?

Launched: 22 October 2012

London Seminar: 31 October 2012

Guardian Q&A Live Discussion: 23 October 2012

Sounding Board meeting: 11 December 2012

The Paper

Introduction

The input of voluntary resources – in the form of donations, volunteer trustees, or volunteering activity - has traditionally been a defining feature of third sector organisations (TSOs). Recent debates about the payment of charity trustees however, have brought concerns about the erosion of voluntarism within the third sector to the fore. Such concerns have been a topic of conversation amongst academics, practitioners and policy-makers since at least the early 1990s, but the current context presents some unique and pressing dilemmas and opportunities for the sector.

The third sector's impact on society depends strongly on the people that populate it: volunteers, and the paid workforce. In this discussion, therefore, we are primarily concerned with the third sector workforce and the issues and trends that are likely to shape the roles and impact that future managers, staff and volunteers have within society. Findings from the TSRC's recent and ongoing research bring new insights to such discussions, as well as opening up new areas for debate.

> *Voluntary sector organisations can be great employers - of both paid and unpaid workers. We need to understand what works well and why, and make sure that this is supported properly.*
>
> **Guardian Q&A Live Discussion**

The third sector workforce

If we are concerned with the future of the third sector, we should also be interested in the numbers, roles, motivations and working conditions of its workforce and what these might look like in years to come. It therefore makes sense to begin by getting a sense of the scale and composition of the third sector workforce as it stands.

Volunteering is difficult to measure, and there are questions about precisely what activities should be classed as volunteering (under what circumstances, for instance, does informal help given to family members, friends or neighbours become volunteering?) (Working Paper 6). Researchers therefore tend to distinguish between formal volunteering (unpaid help or work done in the context of an organisation or group) and informal volunteering (that done outside of a group context). Data on formal volunteering from the Citizenship Survey tell us that about 40-45% of the adult population volunteer at least once a year, while 25-29% of UK adults volunteer at least once a month. The Citizenship Survey also asked respondents how many hours of unpaid help they had given in the past four weeks. Analysis of this data (for 2007 to 2010) showed that nearly 90% of the total hours volunteered were provided by just over one third of the population (Working Paper 73). Researchers also found that people tended to engage either in high levels of giving, or of volunteering: high levels of involvement in both were unusual.

Levels of participation in formal volunteering have remained relatively stable between 2001 and 2011, although there has been a slight decline since involvement peaked in 2005. However, this does not necessarily mean that volunteering is as popular with the current generation of young adults, say, than with previous generations. TSRC research on membership of voluntary associations based on the British Household Panel Survey showed that levels of membership were lower amongst men born between 1955 and 1964 and between 1965 and1974 than for those born in earlier cohorts. For women, those born between 1965 and 1974 also had lower levels

of membership than those in previous cohorts, when age was controlled for. Whilst membership of voluntary organisations is not equivalent to volunteering, it is a useful indication of involvement in the third sector, and the findings raise concerns about whether such involvement will fall as more engaged earlier generations are replaced by less engaged cohorts.

Estimates of employment in the third sector vary considerably depending on the data sources and the definitions used (Working Paper 80). The number of full time equivalent employees in the UK voluntary sector is estimated to have increased by 40% since between 2001 and 2011 with the most rapid growth occurring between 2008 and 2010. According to the most recent Labour Force Survey (LFS) data the number of people working in the voluntary and community sector stands at 774,862. However, when a broader definition of the third sector is taken, the number of employees is considerably higher. The National Survey of Third Sector Organisations (2008) was used to calculate third sector employment in England based on data relating to organisations, rather than individual employees, giving rise to an estimate of 1,179,000 FTE employees (Working Paper 80). This higher figure is in part due to the broader definition used, but is also explained by the fact that the LFS only captures people's main jobs, so will not include individuals who work in the voluntary sector as a second job. This research also showed that third sector employment followed similar regional trends to those exhibited in the wider economy, with FTE jobs being concentrated in London and the south east. The authors point out that this distribution 'doesn't suggest that the third sector is going to be a major employment generator in the most disadvantaged regions any time soon'.

Does the distribution of volunteers match demand?

The individuals identified as being most involved in charitable giving, volunteering and civic participation (according to the Citizenship Survey)- termed the 'civic core' - were found to be 'drawn predominantly from the most prosperous, middle-aged and highly

educated sections of the population, and … are most likely to live in the least deprived parts of the country' (Working Paper 73). Another TSRC study into the relationship between volunteering, social capital and deprivation showed that deprived areas had lower levels of both social capital and volunteering than more affluent areas. This raises concerns about a geographical mismatch between areas where the third sector's services are most needed, and those where resources are most available. However, at present we do not know where those in the civic core are volunteering, or where their donated income ends up. We also do not know how much of this voluntary activity is oriented towards meeting the types of social needs for which the state might typically be deemed to be responsible. Much voluntary activity is oriented towards meeting needs for social interaction and enjoyment, not necessarily towards meeting policy goals (although these may at times overlap) (Working Paper 51). Data show that the most popular areas of involvement for formal volunteers were sports and exercise (52%); hobbies, recreation, arts and social clubs (40%) and children's education/schools (34%).

"The face of volunteering (especially formal volunteering) is now changing and becoming more "elitist"- organisations want highly skilled volunteers who can "hit the floor running" to take on the roles lost to the "cuts"… Significant barriers are being created for people with additional needs who have much to benefit from the volunteering experience and in fact have much to offer'

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The uneven geographical distribution of voluntary activity is nevertheless a particularly pressing concern in the light of the recently passed Localism Act, and efforts to shift power (and with

it, arguably, responsibility) from central government to communities, individuals and councils.

Is volunteer labour being misconstrued as free labour?

The recent Task Force report Unshackling Good Neighbours identified a number of barriers that prevent people from giving both time and money. Many of the barriers identified were of a practical or legal nature, and no doubt measures to address these could go some way towards increasing voluntary activity. However, the report seemed to overlook the fact that resource constraints might restrict individuals' capacity to give. One might anticipate, for instance, that absolute levels of charitable giving would be lower in more deprived areas where incomes are generally lower. Similarly, time can be seen as a commodity or resource that is given away at a cost, and financial security within a household may enable one or more of its members to be more readily released for involvement in voluntary activity. These issues are also apparent amongst young people (mainly graduates) working unpaid as 'interns' in the charity sector as a means of gaining the work experience necessary for accessing paid work: research has found that because this opportunity relies on self financing or support from parents, participation is skewed towards the middle classes.

Involvement in volunteering not only involves the cost of lost income for hours that might have been spent doing paid work, but it can also involve sacrificing time that might have been used to care for or interact with family members, or for (other) leisure activities, for example. Paid work commitments may prevent individuals from participating generously in formal volunteering, and wider socio-economic conditions affecting housing and labour markets can have a significant impact on people's availability for this.

This raises questions about who will shoulder the cost of the responsibilities being devolved to communities, families and individuals, and about whether these costs – and the varying abilities of different local communities to meet them - have been factored

into decisions to increase the delivery of services by third sector organisations in order (at least in part) to reduce costs. Furthermore, involving volunteers is not free to the organisations that do so and the costs entailed in supporting and training volunteers also needs to be considered by those promoting volunteering as part of the 'Big Society' agenda.

'Volunteers are a tremendous asset to our sector, and an incredibly important part of our future as availability of funding/ capital declines, but demands for our services increase. Not as a substitute for paid staff - but as a complement. Volunteers are not free labour - organisations invest in them in many ways, whether through training, development, management or other means.'

Guardian Q&A Live Discussion

Are volunteers being marginalised?

Concerns that the professionalisation of TSOs and their services pushes volunteers to the margins of the third sector became particularly significant during the New Labour years as TSOs became increasingly involved in formal government contracts for service delivery, and as increased funding allowed the sector's paid workforce to grow. Recent analysis suggests that while around 80% of organisations with over 100 staff receive public money, regardless of how many volunteers they have, organisations that are more "voluntary" (i.e. with fewer employees, or none) are less likely to receive public money. Research into the impact of contracting on homelessness TSOs, found that those that were heavily dependent on contractual income did not tend to involve volunteers in core service provision roles (Working Paper 41). As TSOs take on an increasing role in the delivery of front line health and social care to vulnerable people, the professional responsibilities involved often

mitigate against the use of volunteers. Data from the Real Times project suggests that for service delivery organisations the issue of how and where to deploy volunteers is being negotiated in relation to internal debates about mission and quality and pressures from the wider commissioning environment. However, the relatively stable figures on volunteer participation reported above suggest that paid employment in the sector does not necessarily crowd out voluntary participation, and it may be that professionalisation in certain parts of the sector has led to a re-positioning of volunteers both within and between TSOs.

The level and nature of volunteer involvement in an organisation is influenced by the type of TSO, its ethos and aims, the service being provided and the extent to which the organisation is involved in contractual relations. In the homelessness study mentioned above a group of community-based volunteer-run organisations were identified which did not provide services commissioned by local government, but instead 'served functions that family and friends might otherwise have provided, such as companionship, hospitality, emotional support and meeting financial or physical needs in emergencies'. The involvement of volunteers was found to be fundamental to these TSOs' ability to meet such needs, because it 'facilitated the development of informal relationships and a degree of social integration with wider communities' (Working Paper 50).

It may be that there are certain 'niche' roles that are best filled by volunteers, perhaps particularly amongst groups where professionals are mistrusted, or where the fact that someone chooses to care voluntarily could have a significant impact on another's wellbeing. Volunteers may also have an important role in meeting the increasing need for culturally sensitive services that are tailored to particular ethnic or religious groups (Working Paper 37). Locality, community and the size of organisations are also important factors. Research in a community in the north east, where unemployment was high due to the decline of traditional industries, found that the large numbers of unemployed people in a community provided an important and valuable resource for the delivery of health and social care at the local level. In these smaller, local organisations, relations

between paid and volunteer staff were productive and positive. As organisations became larger and operate across multiple sites, more tensions between paid and unpaid staff and 'head office' became apparent.

Is too much being asked of volunteers?

Whilst there may be roles that are more effectively and appropriately filled by volunteers, there is also a danger that the continuing emphasis on increasing TSOs' involvement in public service provision contracts, coupled with reduced local government budgets and public services expenditure, will lead to excessive work and responsibilities falling to volunteers. This has important implications in relation to the capacity of volunteers and the quality and consistency of services provided (Working Paper 50). Research suggests that where TSOs' clients have highly complex needs, it is 'problematic to assume that these services could be run either by volunteers alone or without considerable training or support' (Working Paper 90).

It is important not to underestimate what volunteers and voluntarily resourced action can achieve: research on small voluntary organisations, community groups and more informal or semi-formal activities in the third sector (known as 'below the radar' (BTR) organisations) found that 'not all groups lacked resources. Some could marshal considerable funds when needed; often from within their own deprived communities' (Working Paper 33). However, a note of caution should be sounded to those seeking to harness such capacity for policy purposes, because whilst the BTR organisations could contribute to achieving policy goals (e.g. in employment, regeneration, etc.), one of their key strengths was found to lie in their ability to operate independently from the state, and to maintain a radical ethos.

Crucially too, the BTR organisations were not able to address structural level problems and 'lacked the coverage or consistency needed' to provide a strategic response to issues such as social exclusion. In a similar vein, researchers investigating volunteering and local deprivation found that deprivation was primarily related to economic factors beyond the control of local

communities. It is therefore important to consider what the limitations of localised voluntary activity might be, and what provisions will be made to ensure that services provision and resource distribution acts to alleviate, rather than accentuate, existing socio- inequalities?

Is voluntarism bigger than the 'Big Society'?

Much debate and research about the third sector has focused on its relationship with the state, which became particularly significant in the context of New Labour's emphasis on partnership and the increased involvement of TSOs in public service provision contracts. The Coalition's approach to the third sector in some respects represents a continuation of this approach, but a significant point of departure has been the reduction of public funding for the sector, both through the closure of horizontal schemes such as Futurebuilders and Change-Up, as well as through cuts to local government budgets, which are a significant income source for many service-providing TSOs (Working Paper 82; Working Paper 51). Whilst these changes pose serious financial difficulties for many organisations, such conditions could prove to be a key juncture allowing the third sector to reassert its identity not in terms of its relationship to the state, or its contribution to policy goals, but in terms of the values, resources and goals of the organisations and individuals that comprise it.

'I'd rather have a charity able to continue by losing its workforce and legitimately and appropriately replacing some or all of its services with volunteers, therefore able to continue to help its beneficiaries, than stop all together.'
Guardian Q&A Live Discussion

A transition of this kind could be seen to play into the hands of the Coalition's objectives to increase

volunteering and giving, and to devolve power from government to individuals and communities, putting the sector in a position where it is required to 'do more with less'. However, is it possible that the 'Big Society' could be somewhat bigger and noisier than policy makers expect? The resistive potential of voluntary action and the campaigning and advocacy roles of TSOs have received little attention in the policies that have emerged thus far, yet one might expect these to become more prominent and powerful in a context of economic difficulty and social inequality. As such, it may be that the current political and social economic situation sets a stage upon which the roles played by TSOs – and by the people working within the sector – can be re-imagined and acted out in new ways, in turn giving them an opportunity to challenge some of the broader social, political and economic structures that they have often been confined to operate within.

The diversity of the third sector means that the organisations within it are likely to be affected by, and respond to the issues presented in this paper in different ways, and the role of the 'voluntary' will continue to differ between organisations of different sizes and types of activity. However, a number of key questions for discussion arise from the findings presented above:

- Do political expectations of the sector, and of voluntary effort more broadly, correspond with both the capacity and values of its paid and unpaid workers? If not, how might these tensions play out in the future?

- Do we expect volunteers and paid staff to fulfil different roles in TSOs? Is the current division of labour set to continue or change?

- Does the increasing professionalism of the sector herald the end of volunteering?

- Is volunteering becoming a necessary stage into paid employment?

- Can governments act to increase volunteering, or does voluntary action have to be just that, voluntary?

- Does the context of austerity present an opportunity for a reassertion of the 'voluntary' within the sector?

The Debate

The debate on the respective roles of paid and unpaid staff in third sector organisations was partly framed in terms of the aggregate numbers and trends, but then quickly focused on more contentious issues, such as: labels and types of participation, the changing role of volunteering in the context of the wider unsettlement, the relationship between paid staff and volunteers, and how volunteering is situated within the wider labour market.

The discussion raised important issues of the terms used to describe unpaid activities. It was suggested that the term volunteering draws attention to larger and more formal voluntary organisations, typically run by paid staff but using and directing volunteers in a range of ways including service delivery and governance. This focus would miss the vast amounts of unpaid *participation* of various kinds in other settings, including with statutory authorities and private companies, but also at grassroots community and neighbourhood levels. The latter is particularly significant in scale, but also in character: still unpaid activity but organised in a more self or peer-directed way, including political activism. As one participant argued: *"They are going about their own business doing the things they self-initiate with their friends and neighbours in their local communities or in their communities of identity or interests. They are rarely going to be interested in 'delivering public services'. They are about something else, and work and organise in a totally different dynamic"*. In this way new social movements and ways of organising were thought to open up new flexible spaces for social action.

There was a concern from some that the policy and practice aspiration to increase levels of volunteering both across the board, and specifically to support the delivery of services, ought to be viewed with some ambivalence and caution. In a context of austerity volunteers were being expected to bridge the gap as services face cuts, substituting for previously paid roles, and many paid staff were carrying out unpaid overtime

in addition to their paid work. It was argued by one participant that the sector would then become *"a Trojan horse wheeled out to ameliorate and even accentuate cuts"*. Instead it was asked whether volunteering could be seen more as a progressive social force. Volunteering and participation are of course multiple sets of activities, in different contexts, for a variety of reasons. In this way, it was argued, volunteering should not be viewed instrumentally merely as a 'resource' for organisations, and a way to keep services going on less money, but as an expression of commitments to things people care about and through which they want to make a difference. For some this represents a core element of the values of voluntary action. The key challenge here then is the variable impacts of austerity on the nature, scope and organisation of different forms of unpaid participation as well as paid work in the third sector.

> *'If the voluntary sector is being asked to connive in policies which arguably threaten to undermine or destroy established public services, for which there is no evidence that local voluntary action can effectively replace, then surely it has a responsibility to decide and make public where it stands?'*
>
> **thirdsectorfutures.org.uk**

However, volunteer involving organisations need to plan their work around and with volunteers, providing support and guidance. This can prove challenging for the delivery of services as many people may need to dip in and out of volunteering depending on personal commitments and circumstances, and increasingly have a preference for more flexible volunteering opportunities. It was reported that some social enterprises have taken the view that supporting volunteers was too difficult to manage and took up time and resource in training. Conversely, one participant noted that increasingly managerial approaches to working with volunteers may actually

stifle volunteering and may put some people off, since voluntary activity begins to look like a job with no pay.

A final element of the debate considered the role of volunteering in relation to the wider labour market as a whole. For many policy makers volunteering is seen as providing a stepping stone into employment, though there was some scepticism about this claim. A more complex set of relationships between volunteering and employment overall, and the respective roles of volunteers and paid staff in individual organisations, was suggested, with important regional variations. Some organisations use paid staff to deliver services, with little role for volunteers, but in other regions where there is a smaller pool of professionally trained staff volunteers would have a greater role. There are also important equity dimensions in access to volunteering opportunities, for example where voluntary organisations can select from a range of potential volunteers. A preference perhaps for highly skilled and motivated people to join third sector organisations as volunteers has significant implications for opportunities for those less privileged backgrounds.

The Sounding Board Reflections

The Sounding Board addressed the issues raised in the paper *No longer a 'voluntary sector'?* at its meeting on 11 December 2012. The key reflections from the Board are as follows.

Overall, the voluntary principle was seen as still very strong within the voluntary sector.

The Sounding Board recognised that there seems to be a growing demand/ interest in volunteering – but may not be sufficient capacity/ opportunities to accommodate this demand.

There was some concern about equality of access to volunteering. Organisations have more choice over volunteers, and increasing power to demand particular skills and experiences ('ready-made' volunteers). This may mean that those with greater needs who could benefit from volunteering may be excluded. The mismatch between volunteer potential and opportunities may not be new, but could be of more concern if inequality increases and the power dynamic between volunteers and organisations changes and reduces the diversity of volunteers.

Volunteering is not unique to the voluntary sector. It takes place in the private and statutory sector too. However, it is important to recognise the integral part that volunteers/voluntary action plays in the voluntary sector, and should be key to where it gets its inspiration from. Volunteering creates closeness and engagement with communities, helps in co-producing services, and is vital to the sector's identity.

The commissioning and contracting regime poses a threat to voluntary action:

- some organisations have less time/ space to include volunteers

- local councillors have less room to support local community activity when they are dominated by the machinery of commissioning

- loss of funding for support for volunteers (as money is tied up in specific delivery of contracts)

- threat from increased professionalisation.

The Sounding Board also noted the danger of assuming that there was a golden age before professionalisation.

A typology of volunteerism would be helpful as voluntary activity takes many different forms and motivations differ. Some voluntary activity is not about changing the world, but about leisure. We should not assume voluntary action is about state or society. It may serve those things, but a lot of activity is not about that. There seems to be a shift in the type of volunteering people do i.e. shift toward more episodic, one-off volunteering e.g. 'fun-run'. A potential research question might be - are different types of people more likely to do different types of volunteering?

Questions were raised over whether the capacity to organise is being lost. Some felt it is just changing form, with social media activity representing new forms of organising. But others felt that some level of 'on the ground' organising was in decline. Knowing how to start is key.

There is some concern over who pays for voluntary action. Volunteers in many communities are trying to pick up the pieces from austerity and state withdrawal (e.g. the growth of food banks) but the costs are being borne by deprived communities.

Expectations around volunteering by volunteers/ organisations/government don't always match. There is a challenge of power in different organisational settings – who decides what volunteers do?

> ## Key challenge:
>
> **What will be the impacts of austerity on the nature of different forms of unpaid participation and paid work in the third sector?**

'Big Picture' Discussion 3:

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

The third discussion aimed to take forward this debate by asking whether the third sector has special or distinctive characteristics. Is the sector's '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? Angus McCabe discusses the worth of the third sector: how can the contribution and impact of diverse third sector activities be identified, measured, appreciated and valued?

Launched: 12 November 2012

London Seminar: 21 November 2012

Guardian Q&A Live Discussion: 27 November 2012

Sounding Board meeting: 11 December 2012

The Paper

Something different?

This discussion paper had 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 State. 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 organisation; 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 is a clear demonstration of 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 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 with, 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'.

> *'The value and uniqueness of the sector is rooted in its own values - which include, at their best, enabling those furthest from power to have a voice; understanding the needs of and reaching those missed by mainstream services (including co-producing solutions); innovation; and, at some levels in all voluntary organisations, a gift relationship (i.e. volunteering)…. It's right that some things are measured and compared, but not everything can be measured and priced'.*
>
> **Guardian Q&A Live Discussion**

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 the '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.

> *'The distinctiveness and the uniqueness of the sector is that it will be driven by a set of values which will never be compromised and negotiated'.*
>
> **thirdsectorfutures.org.uk**

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) in workforce numbers. With this growth has come controversy – at least in some quarters.

However, 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 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 acquisitions taking 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).

> *'The big questions are about where the sector stands politically, how dirty it is prepared to get its hands, and what it can do to protect communities, services and state infrastructure from the depredations of market economics and neoliberal economic and social policies'.*
>
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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 a 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, the 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 an interest (some might say 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).

'Given the inter-dependence of voluntary groups, state funding and private financial support, it is reasonable to seek some form of common metric to measure the social and economic value. Perhaps working towards a common metric (that has meaning and resonance for the sector as well as for funders) is even more necessary given the competition for scarcer resources'
thirdsectorfutures.org.uk

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, the 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 (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 or access to welfare 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, and 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 of the role of 'voluntary' – and particularly 'community' – sector if it is to remain relevant to everyday needs and realities – to demonstrate both that it is *'special'* – and how – and that it has a *'worth'* that is not simply monetary.

The Debate

Questions around identifying and articulating the third sector's distinctiveness and value have been a continuing thread in discussions around the role and future of the sector. The discussion on these themes opened up some nuanced positions and contributions to the debate.

Participants considered what might be the distinctive characteristics or core principles of the sector. Several participants referred to the need to articulate the sector's 'Unique Selling Point' (USP). There was a vigorous call for this to be a central focus of the sector's conversation: *"You rarely hear the sector talk about what makes it different and potentially attractive to donors and the Government - its connection with and commitment to diverse communities, the number of its supporters and volunteers, its specialist knowledge of what works in complex social areas, the creativity of its staff, its independent voice speaking truth to power. It's time to talk up differences, not hide them!"*

Other key features mentioned in the discussion include: a focus on mission as the bottom line, the principle of voluntarism, how values are enacted and embedded in organisations, closeness to clients and understanding needs, local engagement, voice and advocacy, creative thinking and pioneering new 'early action' ways of doing things, and drawing attention to the needs and concerns of those often overlooked. It was cautioned, however, that distinctiveness may not be a single thing encompassing the whole sector given its diversity; rather, different parts of the sector have different characteristics.

> *'The distinctive feature of the sector is its focus primarily on mission rather than money. Ok, businesses can have a mission too but getting a financial return comes first. The voluntary sector has to make money to at least break even but that is not what should, ideally, be driving what it does'.*
>
> **Guardian Q&A Live Discussion**

Some concern was expressed here that the distinctive features and identity of the sector were under threat: that especially in hard times organisations become so concerned with survival that they become reactive and their critical voice gets lost: *"the campaigning and policy voice of the sector is in danger of being seriously undervalued and yet is so important to a healthy democracy"*. Threats to distinctiveness and identity also arise through the development of new hybrid organisational forms, spin outs and partnerships mixing elements of voluntary, statutory and commercial practices and norms. Typically claims of distinctiveness are made not just in the sector's own terms, but in relation to and comparison with other sectors. This may require careful delineation: *"it is important for the voluntary sector to think about its USP, rather than to try to out-compete other sectors at their own game. Even the largest voluntary organisations cannot compete with many of the private contractors"*.

Distinctiveness is also about asserting value. However, participants in the debates noted that this view of the sector's distinctive value is not universally shared. Some people enter the debate with primarily a 'sector agnostic' perspective, in which third sector organisations take their place amongst an interchangeable range of 'any willing providers' of services. To some extent this perspective flows through to the sector in the decisions of some organisations to engage in competitive bidding to deliver public services in challenging areas such as criminal justice and

employment programmes. However, the question was raised of whether there should be any 'no go' areas for third sector organisations as providers:

"if we are to maintain what is special about the sector – our unique relationship with our clients and users, our mission focus and our prioritisation of those who are most vulnerable or deprived (in short our charitable status) then there are some public services which we should not enter as they are inherently non-charitable activities – incarceration, involvement in deportation, security, etc."

Participants tended to agree with the need for the sector to demonstrate its value – *'a clear and persuasive story of impact and value'* as *'a critical element in the armoury'* for the sector in difficult times. This can operate at two levels – in broad aggregate terms for the sector or parts of the sector, and at organisational level. The growing interest in impact measurement across the sector and amongst funders was noted, and it was acknowledged that something of a 'measurement industry' in the sector had developed, with a vibrant and crowded 'market' of measurement frameworks and tools.

> *'If many of us pay for services that bring about a similar change, e.g. a counselling session, why can't that be used as a rough guide for the value of that kind of change? The point I think is to provide a guide to value in the case of difficult to measure outcomes, rather than throw our hands up in despair and declare it immeasurable!'*
> **Guardian Q&A Live Discussion**

The challenge lies in what elements of value to draw attention to, and the terms in which impact is articulated and measured, particularly when much of the sector's value is argued to be intangible. The funding environment for many organisations appears to be dominated by concerns about cost and price as indicators of value. In this context third sector organisations may face difficulties in comparison with other providers, since not everything of value in third sector organisations can be measured or priced. There was some discussion about the use, scope and limitations of Social Return on Investment (SROI) techniques, including a worry that these might become dominant frameworks which squeeze out other approaches such as case studies, stories, and distance travelled models; first-hand accounts which can capture the imagination. As one participant argued: *"storytelling can be a key way of demonstrating impact and often is far more effective with funders and other stakeholders than some kind of trumped up ratio or value"*.

Finally it was argued that impact assessment can be important not only in demonstrating value, but also as a learning process in its own right for the improvement and development of services and organisations. This includes learning about and from negative impacts and less than successful approaches. The concern was that in an increasingly competitive environment proving impact tends to be privileged above learning for improvement.

The Sounding Board Reflections

The third discussion paper: *Is the third sector so special? What is it worth?* was discussed by the Sounding Board on 11 December 2012. The key reflections from the Board are as follows.

The sector needs to develop its own narrative on its value and distinctiveness, in its own terms with a new language.

The Sounding Board noted that public perceptions are important to the sector, and also that the current unsettlement, by blurring boundaries between the private, public and third sectors, meant that it was important for the sector to assert its identity, especially as the survival of the sector is based on wider support beyond the state .

Although 'the sector' is diverse and may need to be referred to as a 'strategic unity', it must not lose its distinctiveness. A 'received wisdom' or 'set of simple truths' or 'core principles' needs to be asserted within this diversity.

The mission 'for the public good' in the sector may be similar to other sectors, but governance is different; and organisations are independent. The sector's value lies in being able to question and voice the concerns of its communities, to champion unpopular causes, to cater for the needs of 'outliers', reaching those parts of society others can't, or won't, reach and addressing 'wicked issues'.

Both transactional (monetary) and non-transactional values need to be considered when measuring, addressing questions such as 'what are we measuring, how are we measuring, for what purpose and for whom'.

The assumption that decisions (to fund services etc.) are made on the basis of measurement outcomes may often be a myth. But measurement tools may be more useful for organisational learning and development.

There is a need for proportionate measurement approaches - can the same lens really be applied to activities at the 'below the radar' and 'large established organisations' ends of the spectrum?

We need to be telling the 'untold' stories of how the sector is transforming society to those who have a stake in the sector's future, and sharing the sector's knowledge and experience to inform policy.

Key challenge:

What distinctive dimensions of third sector activities should be highlighted in the need to demonstrate value; and how is impact best articulated and measured?

'Big Picture' Discussion 4:

Is the third sector being overwhelmed by the state and the market?

In the fourth discussion Heather Buckingham, James Rees, and Simon Teasdale looked at how the sector is shaped by its varied and changing relationships with the state, and perhaps increasingly by its relationships with the market. Is the sector's 'partnership' model with the state being recast as new models of public service delivery are developed, and how is the third sector positioned to take advantage of emerging opportunities? This may involve new hybrid relationships with commercial enterprises and trading/social enterprises. The authors asked how funding and business models in the third sector are changing, and discussed what marketisation means for the sector's future.

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The Paper

Introduction

"My personal view is that some charities have become dependent on the state. And I think that most members of the public, when asked, would say a charity is an organisation funded from private donations, not public funds."
(William Shawcross, Chair of Charity Commission, 29 November 2012)

"Delivering public services for beneficiaries on contract does not make charities dependent, nor need it mean mission drift...The notion that these organisations are dependent little satrapies is ludicrous."
(Sir Stephen Bubb, CEO of ACEVO, 5 December 2012)

This exchange of views between William Shawcross and Stephen Bubb re-ignited a longstanding debate over the place of third sector organisations (TSOs) in the welfare system. This is not simply a matter of the rightful boundary (artificial or otherwise) between state and third sector. The new public management reforms of the 1980s and 90s saw the marketisation of state welfare services in the UK, initially through the development of internal markets and later, particularly under New Labour, through the competitive tendering of welfare services to private and third sector organisations. We are thus faced with two interrelated (although theoretically distinct) dynamic processes through which the changing nature of the state impacts upon the third sector – the marketisation of the welfare state and the privatisation of welfare services. By marketisation we mean the process of entering into, participating in, or introducing market competition in service delivery. By privatisation we mean the transfer of ownership or delivery of state services to private (including third) sector organisations. Together these processes have changed the relationship between government and (some parts of) the third sector via the introduction of procurement and performance measurement strategies.

The third sector is also influenced more directly by the wider permeation of market based ideologies in society. In addition to TSOs entering markets to deliver public contracts, increasing attention has been paid to the adoption of private sector organisational structures, management practices and ways of thinking and behaving, alongside a developing trend of replacing private donations and grants with revenue derived from the sale of goods and services (Working Paper 69).

This paper explores the politics of marketisation and the third sector. It draws on quantitative evidence collated by TSRC to understand the extent to which the third sector relies upon financial resources from the state and market, and on qualitative research exploring the consequences for TSOs of dimensions of privatisation and marketisation.

The politics of the third sector and marketisation

The role of TSOs in service delivery and marketisation of the third sector has not been wholly welcomed. For example, at a recent seminar co-organised by TSRC, Andy Benson of the National Coalition for Independent Action (NCIA) set out what could be described as the 'old left' position whereby public services should be funded through taxation and delivered by government agencies. The role of TSOs should be to hold the state to account, develop new services and persuade the state to take over the delivery of these services.

To some extent therefore the dividing lines are political and ideological. But this is not simply a matter of (old) left versus (new) right. For instance, in the UK much of the social enterprise agenda was driven by those on the left, particularly from within the co-operative movement. Thus on the left there is a split between those favouring state provision of welfare services and a modernising 'third way' position which attempts to marry the dynamism of markets with social democracy. Similarly some on the right have long adopted a position not dissimilar to that of NCIA, with influential neoliberal think tanks such as

the Institute for Economic Affairs claiming that *"many charities have become little more than government subcontractors, charging fees to provide services... very few charities now offer any real alternative to the statutory approach".* On the other hand 'Big Society' policy rhetoric envisions a significant role for TSOs in the delivery of public services (Working Paper 82).

What can we learn from quantitative data?

Drawing on data from the 2008 National Survey of Third Sector Organisations (NSTSO), TSRC researchers have estimated that 36% of third sector organisations received some public money – either from central or national government (Working Paper 45). Fourteen percent of third sector organisations regarded statutory funding as their most important source of income. Larger organisations were more likely to receive some public funding.

'With much of the Governments rhetoric of Localism and 'Big Society' being met by an equal and opposite regression in terms of funding and material support - it would seem there is much for the third sector and local government to collaborate on when it comes to resisting the austerity cuts.'

Guardian Q&A Live Discussion

Separate analysis of the NSTSO data found that 28% of organisations received 'earned' income through contracts or trading (Working Paper 43). However if membership fees or subscriptions are included as commercial income, this figure rises to 56% of the organisations surveyed.

It is not possible to tell how much income comes from a particular source using the NSTSO data. However analysis of a sample of charity accounts,

collected by TSRC in partnership with NCVO, suggests that around 79% of statutory income received by charities is of a commercial nature (fees for services or payments for contracted services). This analysis, reported in the NCVO UK Civil Society Almanac, estimates that 38% of charities' total income comes from statutory sources, and 55% of total income comes from commercial sources - over half of this is commercial income from statutory sources.

Clearly the state as primary funder has considerable influence over the third sector. At present neither the NSTSO data nor the analysis of charity accounts permit longitudinal analysis (although this will become possible in the future). However, TSRC analysis (Working Paper 69) shows that commercial revenue became gradually more important to general charities between 2000 and 2008, rising from around 40 to 49% of total income, and that commercial revenue is a partial replacement for grants and donations.

'What is needed is an understanding by Government and private sector companies of how the voluntary sector is structured and funded, particularly the small size of most potential partners'.

Guardian Q&A Live Discussion

It is important to remember of course that most third sector organisations receive little or no money from government or commercial types of revenue if membership fees and subscriptions are excluded. Nevertheless it would appear that the state and market are having a growing influence over the third sector, at least as measured quantitatively through revenue sources. The trends suggest that the largest TSOs are becoming increasingly reliant on statutory and/ or commercial revenue. So what does this mean at the level of organisational practice for TSOs?

What can we learn from qualitative research?

Innovation

Innovation is widely held to involve the development of new (or existing) solutions to (new or) existing markets, with social enterprises playing a key role here. But innovation involves a complex set of processes which provides both benefits and challenges to TSOs (Working Paper 83). It has been argued that exposing TSOs to market principles will unleash their innovative capacity. TSRC research into homelessness service providers suggests that innovation is a key value for some TSOs contracting with the state (Working Paper 41). However TSRC research also shows that reliance on highly specified government contracts might adversely impact on TSOs' capacity to innovate (Working Paper 83, Working Paper 92). Questions remain as to how governments might seek to utilise the innovativeness of TSOs' approaches to tackling social problems without at the same time constraining that same innovation.

Competition and collaboration

The third sector has previously been portrayed as being different to the private sector through a collaborative approach to problem solving. Exposure to markets is likely to change the ways in which TSOs collaborate. It is possible to identify two fairly distinct stages in the third sector's exposure to public services' markets. A first stage saw TSOs drawn into competition with each other as niche providers of services, but remaining relatively shielded from competition with the private sector, through programmes such as Supporting People. Research by Heather Buckingham into Supporting People and homelessness service providers suggested that competition between TSOs was deemed detrimental to co-operative inter-organisational relationships. Buckingham raised the question as to whether *the distinctive characteristics of TSOs and the relationships between them might be undermined, particularly in providing for vulnerable social groups.*

'What has been happening has been the destruction of locally based organisations. The consequences have not been thought through.'
London seminar

Evidence from TSRC's research into the work programme (Working Paper 92), however, suggests these lessons have not been learned. Indeed, whereas under Supporting People, homelessness service providers were largely shielded from exposure to competition with private sector providers, under the Work Programme third sector providers were given no special treatment (despite some of the rhetoric involved). Thus the changing mechanisms through which the third sector is drawn into the delivery of privatised welfare crucially represents the culmination of a shift from niche provision - in which TSOs' specialist skills were valued and resourced - to a single generic programme for all benefit groups – in which TSOs are treated merely as alternative providers.

The Public Services (Social Value) Act which comes into force this year may have some limited impact on this through the requirement that public authorities consider wider social value when commissioning public services contracts. However TSOs should not be too optimistic here. The original bill aimed to provide preferential treatment for TSOs, but this was substantially watered down in the final legislation, which does little more than 'nudge' commissioners to consider social value.

Mission drift?

Mission drift is a potential problem for TSOs engaging in service delivery (Working Paper 20). TSRC's research on employment services raises concerns that those TSOs which are able to successfully engage are influenced by powerful isomorphic pressures, into working in similar ways, and delivering similar interventions to organisations from the private sector in particular. For instance, gaming behaviour remains endemic whereby TSOs are drawn into creaming off

those clients easiest to place into employment and avoiding or 'parking' those deemed too expensive to place into the labour market (Working Paper 92).

Mission drift might also be a problem for TSOs engaging in the sale of goods and services to non-state actors. While this type of social enterprise activity may allow TSOs greater autonomy from the state, the need to make a surplus exerts different pressures on organisational value and practices (Working Paper 50). Many social enterprises find that financial and social goals are misaligned, or indeed diametrically opposed. A popular claim from 'social entrepreneurs' is that organisations have to be tough by prioritising sales at the expense of social goals to protect the long term needs of their organisations (Working Paper 5).

However TSOs often display considerable agency and creativity when negotiating tensions between social and economic objectives. They may be able to adapt to, or even shape, the unwritten rules of the game by positioning themselves as different entities to different stakeholders in order to access a wide range of resources (Working Paper 23). Evidence from TSRC's research into housing organisations (Research Report 88) shows that TSOs may be able to strategically deploy different combinations of resources such as social mission, trust, reputation, charitable income, commercial revenue and voluntary effort in order to engage in markets while avoiding erosion of third sector identities (Research Report 53 and 54). While little is known about the longer term implications of negotiating hybrid entities for TSOs, TSRC's longitudinal Real Times study is beginning to address this question.

Concluding thoughts

The third sector is often depicted as occupying a space between (and sometimes overlapping with) the state and the market. This 'tension field' has been widely recognised for some time, and it would be wrong, therefore, to suggest the third sector is suddenly now being overwhelmed by the state and the market. Although a relatively small number of very large TSOs

rely heavily on government funding and/or revenue from the sale of goods and services, most TSOs receive little or no funding from these sources. Nevertheless there has been an increase in state funding in the new century, particularly through contracts. There has also been a rise in the sales of goods and services to other customers. These revenue streams now constitute over half of the sector's income. So are there any broader implications from this for TSOs?

Engagement in the contracting process may hamper TSOs innovative capacity as they become delivery agents for programmes developed by government officials. However it might also be argued that by engaging with markets TSOs can unleash their full innovative capacity and compete with private commercial providers to deliver services with a social mission. But competition is a double edged sword which may undermine the collaborative approach taken by TSOs to achieving social goals. Moreover when entering competition with private companies, as in the Work programme, TSOs have not fared well.

> *'Co-operation within the sector becomes competition... Smaller community based charities lose out - they don't have the profile, financial base, contacts and so on to compete.'*
> **Guardian Q&A Live Discussion**

Competition with private providers, also often involves mimicking the gaming behaviour of private firms and the compromise of social goals. From the perspective of government, TSOs can appear a cheaper alternative to private firms due to their ability to draw upon a hybrid range of resources. However it remains unclear as to whether volunteers and donors will remain willing to contribute to TSOs which become more like private firms. Perhaps a split is emerging within the third sector which sees some organisations increasingly relying on sales of goods and services to deliver

activities specified by the state and/or funded through the market; and a wider third sector which relies on the contribution of private donations and voluntary effort. These dynamics add to the sense that the 'sector' is a rather a fragmented collection or alliance of groups and organisations (Working Paper 89).

What is more, considerable work still needs to be done to understand the relationship of the third sector with the state and the market, and to challenge the rhetoric of 'overwhelming'. Many of the welfare services now being privatised and marketised were originally delivered by the third sector and were scaled up as a consequence of their adoption by government. Similarly the third sector has historically played a role in the development of the market as can be seen from the pioneers of the Co-operative movement. It could be argued that more recent innovations such as the movement towards co-production of services or the campaign by TSOs such as Fairer Tax to persuade multinational companies such as Starbucks to recognise their social obligations reflect the third sector's current influence upon the state and market. Future research might begin to explore the qualitative and quantitative dimensions of the third sector upon the state and market both in resisting marketisation and privatisation, and also in creating a more socially cohesive society.

The Debate

The changing relationship between third sector organisations, the state and markets is one of the most contentious areas of debate in the third sector, since in many ways it strikes at the heart (and soul) of what the third sector is or should be about. The discussion on whether the third sector is being overwhelmed by the state and the market proved no less controversial, surfacing some quite passionately argued claims and reflections.

Broadly speaking there are two political positions, representing ends of a spectrum, with many variations in between. On the one hand there are those who have been keen to promote the third sector's role in state-contracted delivery of public services, even where this involves large scale outsourcing of services provided previously through the state. This position was represented, for example, in the view of one participant that: *"There is no-one better qualified or better placed to support the vulnerable in society. Delivering public services gives charities another route to reach as many as possible with the work they do. If charities withdraw from that it's the vulnerable who will feel the impact"*. On the other hand, there are those for whom these developments represent a dangerous collusion by key parts of the third sector in an ideological project to dismantle universal public services, a trajectory which compromises them and harms the rest of the sector. This was represented by the argument that *"The voluntary sector is being used a) as a pawn to sweeten these 'reforms'…and b) to line up philanthropy as the substitute for universal public services where these are not found to be profitable. Individual voluntary organisations have a choice about whether to conspire with this or join the resistance to it"*.

Much of the discussion is found somewhere between these two positions, and less politically charged, with participants being by degrees sanguine or concerned about particular aspects of the relationships between the sector, the state and the market, in terms of the financial flows to different parts of the sector, whether

distinctive characteristics of third sector organisations are at risk, and whether independence of voice and action are compromised. Alongside these concerns is a question about the direction third sector organisations might take through the unsettlement and in response to cuts in government funding; as one participant put it: *"will they seek greater income from trading activities, or look to voluntary giving, or elsewhere to support their work?"*

The debate primarily focused on the changing relationships with the state, rather than with markets and the private sector, although developments in public service commissioning and the emergence of the prime contractor model blur the distinction. Developments in state funding of (part of) the sector remain a particular talking point, particularly the relative decline of grants in favour of contracts, and latterly the promotion of social investment. Some decry these developments, seeing with grants a funding model which allows third sector organisations greater freedom and flexibility in the context of trust, honesty and relationships, compared to the control implied in contract specifications and monitoring requirements. The latter, it is argued, render third sector organisations as an extension of the public sector, putting them *"on the slippery slope to becoming an arm of the state"*. The alternative position is to accept these developments and attempt to make them work more effectively to the sector's advantage. Other participants argue for a more plural ecology of funding mechanisms to suit different purposes.

The commissioning process drew a lot of discussion. In particular, much concern was expressed by participants over the variable quality of commissioning, and particularly the emphasis given to procurement based on price and cost savings, rather than wider outcomes and social value. In what seems to be the neglect of the whole commissioning cycle, one participant argued that there seems to be precious little opportunity for the third sector (and the public) to engage in deliberation about the nature of services offered: *"the purchaser decides what service it wants to buy and the potential provider has no opportunity to amend the service or apply its own expert knowledge. Commissioning is too often seen simply as procurement, not as making a*

difference for a disadvantaged group". At the very least this is a missed opportunity to develop better services. These concerns extend to, and are thought even to be exacerbated by, sub-contracting arrangements with private sector prime contractors in, for example, the Coalition government's Work Programme. It was suggested that deeper dialogue might lead the government *"to commission in a way which values what the sector has to offer. The story of the last few decades on commissioning has been getting the cheapest price"*.

A central concern for the sector in relation to contracting with the state remains the impact on its independence, and whether its role as a campaigning force and advocate for marginalised voices is stifled as a result. There was some debate at the conference over whether 'independence' is the most appropriate term to use in this context, as it may be rather too weighed down with a normative association that 'dependence' is necessarily a bad thing, and may suggest isolation rather than a complex two-way reality of inter-dependence between sector and state. 'Autonomy' was suggested by some in preference to independence, invoking notions of power and self-determination.

Notwithstanding this debate, there was some discussion over the ways in which third sector organisations can realise and use the strengths they have in order to protect their independence, including their knowledge and expertise, trusted 'brands' and independent finance, alongside collaborative campaigning. In addition, however, it was argued that further protections are needed from the state itself, such as Compact compliance, outlawing so-called 'gagging clauses' in sub-contracts and supporting the Charity Commission's role in promoting independence. It was also suggested that cuts in government funding may loosen the ties that constrain third sector organisations in terms of what kinds of services are provided, where and to whom. This may also involve some rebalancing of the sector's focus towards more campaigning rather than just direct service delivery.

'Challenging the state is a vital and necessary part of the work of charities, in my opinion, because without representing the views, experiences and opinions of those people who they represent, they are failing to fulfil a basic function. Funding should not affect that ability, whatever the circumstances'.

Guardian Q&A Live Discussion

The discussion in this theme also considered the growing interest in both the relationships between third sector organisations and the private sector. One participant noted that the private sector may become more important as public funding retrenches: *"More VCS organisations are exploring the potential to build partnerships with local companies – whether it's through their CSR work or in ways that are more integrated to their core business". For some, however, this was not thought to be a priority. Others countered that "the sectors are in the same space, in terms of society and or services. And in the case of services it is in the interests of all of us to co-exist and build relationships in a way that achieves the best engagement and outcomes for individuals".*

More broadly, the third sector's varied relationship with markets is an important area for further consideration. On the one hand, it was suggested that the third sector has an opportunity to stake a stronger claim for its role in society given the crisis of legitimacy facing markets. Yet on the other hand, it was claimed that amongst many policy makers at least, markets are seen in rather 'starry-eyed' terms as the best means of coordinating services. Either way, a key challenge for the third sector is to debate further, and seek to shape, its relationships within a complex ecology of private and public sector activities.

The Sounding Board Reflections

The Sounding Board discussed the fourth paper: *Is the third sector being overwhelmed by the state and the market?* at its meeting on 7 March 2013. The key reflections from the Board are as follows.

The Sounding Board observed that, although overall the sector was not being overwhelmed by the market and state, this varied substantially between certain sub sectors, localities and types of organisations. The impact of the current context was geographically very uneven, and there were negative consequences for some organisations, including those working in disadvantaged areas and with disadvantaged client groups, and on equality issues.

The government's role in setting the agenda, and terms of their relationship with the sector, is important. It has a role to play not just in funding some organisations, but in ensuring a thriving sector overall.

The Sounding Board believes that the state has an obligation to communities in need, and disadvantaged groups, which are experiencing rising demand as public services are cut, with diminishing support from central and local government. If local voluntary organisations cease to exist the state would have to pick up the pieces.

The ethos of competition may drive innovation but can also create tensions and reduce creativity and learning, leading to potentially perverse consequences. The notion of 'creative destruction' is not always the best approach when vulnerable communities are affected.

There were concerns voiced about assuming the 'inevitability of austerity'. Although it was generally recognised that these are financially difficult times, it is still possible to question some of the political choices being made.

Funding models used for state support to voluntary organisations need further consideration. Well defined contracts could be valuable in some cases, but in others there is a case to be made for grant funding or alternative resourcing models. Local voluntary organisations that cannot compete for contracts may leave gaps that no one else can fill, and cost the state more in the long run.

The voluntary sector has a mission and core social values that make it distinctive from other sectors, but the sector needs to be more strategic in articulating the value and the contribution that it makes. The need to maintain public trust and support is vital in the current environment.

It is vital to focus on mission when judging whether the sector is overwhelmed. Contracting may change parts of the sector into something indistinguishable from other sectors. The state has a role in upholding its own commitments to protect the independence of the sector, but organisations must also make hard choices about contracts and funding in order to protect their mission, and must judge when there are things they shouldn't do.

The role of organisational agency, good governance and decision making is key when having to make difficult decisions, and maintain an organisation's independence.

It is important that the 'voice' of the sector, and its ability to speak out on issues, is not lost or side-lined. This is a particular worry for those organisations that are also delivering services under contract.

Concerns were also raised that the funding crisis would lead to the loss of the 'whistle-blowing voice of the third sector' which is an important asset both to society and government.

Care is needed in the tone and language used to describe the sector by commentators and the sector itself. Voluntary organisations are not passive recipients of the changing situation, but can make choices and influence change; although it was noted that some organisations are in a stronger position to do so than others, particularly those

with independent and diverse income sources and strong popular support. We need to see the sector as a whole as well as in its granularity, not just as dissenting voices, but resilient voices for change.

Concern was expressed about the situation that some voluntary organisations would find themselves in, providing or funding additional services that create profit for private companies through the payment by results systems.

It was emphasized that third sector organisations often work in areas of market failure, which is problematic when looking to market-based income.

Key challenge:

How can third sector organisations negotiate their relationships with the public and private sectors, and maintain their autonomy and mission?

'Big Picture' Discussion 5:
A strategic lead for the third sector?

Finally, Rob Macmillan and Heather Buckingham looked at possible futures for the third sector. They discussed continuing tensions between delivering services for and advocating on behalf of vulnerable groups, alongside both collaboration and growing competition between third sector organisations. Given these tensions, how could or should a strategic and coherent voice for the third sector materialise?

They raised questions of leadership, legitimacy and leverage to debate who can or should speak for the third sector and on what basis.

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London Seminar: 14 February 2013

Guardian Q&A Live Discussion: 19 February 2013

Sounding Board meeting: 7 March 2013

The Paper

Introduction

You often hear the complaint. Local authorities or central government departments seem to want a single point of contact in the voluntary sector; a phone number to ring in order to find out what 'the sector' thinks about a new policy or programme. This, it is said, involves a fundamental misunderstanding of the nature of this thing we happen to call a sector. In reality, 'sector' houses a highly diverse collection of groups, organisations and individuals: a 'loose and baggy monster' in the time honoured phrase. Whether or not the complaint is true or fair, it illustrates a pressing but longstanding set of issues for the voluntary sector. To what extent can it be regarded as a single 'sector' at all, either conceptually (how we think about it, what is the appropriate unit of analysis) or politically (whether there might be common interests across its diversity, and how these are organised and represented)? This paper discusses these questions and in particular considers whether a coherent strategic voice for the sector is possible or even desirable. We set this discussion in the context of concerns about leadership in and of the third sector.

> '…the concept of a voice for the voluntary sector is a tricky one, and a balance has to be struck between creating a mandate with which to speak up and the dilution of the message as a result.'
>
> **Guardian Q&A Live Discussion**

At fairly regular intervals during the last 35 years there have been a good number of wide-ranging commissions and reports into the condition, role and future of voluntary action, organised through government and the sector itself. Arguably these have been part of a longer term process of constructing and institutionalising the idea of a single sector. It has a name, albeit rather contested, such as voluntary sector, voluntary and community sector, or third sector. More importantly perhaps, it has a range of reinforcing processes and policies which together build and strengthen the idea of a sector: Compacts, trade magazines, events, research programmes and strategic partner programmes with government departments. Into the pot for consideration would also go the multifarious efforts within the sector to identify, shape and channel different conceptions and understandings of the sector. These could be more or less straightforward descriptive representations of the sector (what it is, what it looks like, what it does and how it works) or could be political representation of diverse perspectives and policy positions.

But if you get beneath the label and peer inside the box, you begin to appreciate both the sector's diversity and its fuzzy hybrid edges. Then you might also begin to worry about whether it is feasible to call it a distinctive sector at all. There are lots of different entities involved and they look rather different: from small informal groups in the grassroots to larger more formal organisations delivering a range of different services; from neighbourhood and local organisations to those operating across larger geographic scales; organisations working in different fields of activity – community development, mental health, advice, criminal justice, etc; various kinds of 'social enterprise' activities set against other kinds of organisation; and BME-led organisations alongside 'mainstream' organisations. The list of cross-cutting fractures and dividing lines could go on, and leads some to suggest that the appropriate unit of analysis ought to be the nature and workings of individual groups or organisations, rather than the artificially constructed and reified notion of 'sector'. Eventually, a diverse and fragmented sector may not be considered a sector at all. Of course the third sector is not unique in this respect. The business sector, the media and the public sector are characterised by extraordinary diversity as well.

In the third sector these divides are manifested in occasional outbreaks of deep-seated disagreement across the sector. Some will remember the outcry at

the suggestion, in the Centris report 'Voluntary Action' from 1993, that the sector should effectively be split into two: a 'first force' of large service delivery agencies competing for contracts with the state on the one hand, distinguished from advocacy and campaigning groups on the other. More recently, a letter from several national representative bodies to the Chief Secretary to the Treasury promoting the sector's role in the government's Open Public Services agenda drew criticism in some parts of the sector, and a counter-letter was organised in response. Weaving through the dispute are different conceptions of the sector's role, but crucially also concerns about leadership in terms of who can speak for the sector, and what they may legitimately say. So questions about the nature and name of the beast of voluntary action, and about how its diverse perspectives and positions are articulated and pursued, are also fundamentally questions about leadership in and of the third sector. How does, or should, leadership work across diversity?

Researching leadership

TSRC has addressed some of these concerns in its research programmes. Reviewing the sector's role in national political and policy discussion during the successive Labour governments from 1997 onwards, Working Paper 24 argued that the third sector, particularly during the era of Labour governments from 1997 to 2010, could be construed as a 'strategic unity'. This amounted to an acceleration of earlier relationship building efforts in the sector. A coalescence of interests between a number of national third sector umbrella bodies – NCVO, ACEVO, NAVCA and the like – was forged with a government keen to embrace and engage the sector in a partnership on public policy, community participation and public service delivery. Policy developments such as the Compact, cross-sector investment programmes and the formation of the Office of the Third Sector in the Cabinet Office, with an encompassing definition of the 'third sector' including co-operatives, mutuals and social enterprise, sought to cement the notion of a single sector. Arguably the establishment of TSRC itself reflects this policy

current. This 'hyperactive mainstreaming' (Working Paper 42) of the sector reached its zenith in a series of summits during 2008 and 2009 as central government and national third sector leaders formulated a joint response and action plan to respond to the economic downturn and recession (Research Report 78). From the perspective of 2013, the decade leading up to the 2008 financial crisis begins to look like a 'golden age' for the sector, of both generous resources and a secure seat at the policy table. But would the 'strategic unity' accompanying these developments (Working Paper 24) survive both an economic squeeze and a change of government? If the apparent unity established in an accommodating political and economic context was at best 'strategic', could it last through unsettling times? Are competitive pressures for survival likely to open up the cracks papered over by strategic unity? And what was the basis on which the sector could be held together as a unity in the first place? Working Paper 89 suggested an alternative way of thinking about the idea of sector, as a more or less fragmented set of overlapping fields and interests. Here we see a sector with contested, fuzzy and permeable boundaries characterised increasingly by hybrid organisations taking different pathways in relation to the market, the state or the core voluntary sector (Working Paper 50). Given this complexity, the 'strategic unity' of the sector becomes a more fragile, contingent and provisional alliance of strategic interests across the sector. It cannot always necessarily contain diverse perspectives and interests, and some will resist being herded in such ways. Furthermore this alliance is likely to be a continually evolving picture as the wider context for the sector changes.

> *'Depending on the matter on hand, not every leader will need an organisation. And an effective voice need not be a leader and vice-versa'.*
> **Guardian Q&A Live Discussion**

Whilst research has often looked at the relationship between national umbrella bodies and key government departments, other actors have a considerable and influential role to play in the third sector and in influencing public policy. Regulatory agencies such as the Charity Commission, and funding bodies such as the Big Lottery Fund and charitable trusts and foundations play important field-shaping roles. Research on the Big Lottery Fund's relationship with and impact on the third sector (Research Report 75) identified three main impacts of BIG on the sector: on the very shape of the sector through its funding programmes, on skills and capacity such as partnership working and understanding outcomes, and lastly a wider indirect impact on the third sector through influencing funding practices and policy. The research raises a number of questions for BIG and other stakeholders to consider, and in particular whether BIG should endeavour to become a more 'active' policy actor and leader of change in the third sector.

It is important to distinguish between leadership in and of groups and organisations (leadership in the sector) and wider notions of leadership across broader collectivities in the third sector (leadership of the sector). Reviewing literature and arguments on third sector leadership, Working Paper 76 noted a focus on individual leadership qualities, styles and characteristics, but discussed and promoted the idea of leadership as narrative. Based on the idea of framing, this drew from the emphasis given in existing leadership accounts to 'inspiring visions', 'painting pictures' or 'telling stories'. The development and articulation of convincing and credible narratives was an essential component of pursuing a cause and mobilising a following. This suggests a more dynamic and plural conception of leadership, with many contributing voices in a wider conversation. A strategic narrative is then an intervention to frame and shape the direction of debate about aspects of the third sector's role and future. The paper concluded with a call for a strategic debate on the future of the sector, speculating whether a new strategic narrative was possible.

New directions in third sector leadership

Research currently being conducted by the TSRC, and to be published in due course, is considering questions about leadership, representation and influence in the third sector. The study has a particular focus on the sector's leadership at national level, and involves interviews with leaders and commentators on leadership, supplemented by focus groups with local infrastructure organisations and frontline organisations. A variety of voices and perspectives have so far emerged, around both the perceptions of leadership by those identified as leaders at this level, and by the sector more broadly. There are concerns about whether it is really possible to 'speak for' such a diverse sector, particularly at the national level where the representation given was considered by some to have a strong London/south east bias. Amongst TSOs, field-specific umbrella organisations (for example in mental health, housing or criminal justice) were sometimes seen as more important than bodies seeking to represent the third sector as a whole. This raises the question about whether these 'vertical' forms of infrastructure and leadership specific to policy fields, client groups and social problems, are more significant for many in the sector, and possibly for government, than 'horizontal' forms. There may also be a dynamic aspect to this: is the phasing out of the Cabinet Office's Strategic Partners' programme, alongside reduced funding for cross-sector initiatives, a signal that the state is increasingly interested in supporting field-specific relationships, rather than sector-wide relationships?

'…I find it surprising that even amongst the educated about to enter the world of work there are many who think any work in the voluntary sector must be on a voluntary basis…. If there was more readily available information and support in careers centres regarding the third sector then I think this would really improve the situation'.

Guardian Q&A Live Discussion

However, there did seem to be an important role for national level leadership in speaking into policy and public debates on behalf of TSOs. This was highlighted, for instance by a group of TSO leaders in one of our focus groups in Watford, whose constrained resources were being focused on service delivery and on responding to the anticipated impacts of benefit reforms on their clients, leaving them with no time or resources with which to seek to influence the policies driving these changes and shaping the environment in which they were operating. Similar issues were identified by TSO leaders in Birmingham and Manchester. If the concerns expressed by the Panel on the Independence of the Voluntary Sector in its second annual report *(Panel on the Independence of the Voluntary Sector (2013) Independence under Threat: the Voluntary Sector in 2013 (London, The Baring Foundation, Civil Exchange and DHA) http://www.independencepanel. org.uk/)* are anything to go by, there is a danger of self-censorship amongst voluntary organisations, fearful of the consequences of speaking out on behalf of vulnerable people. In these circumstances leadership and representation arguably becomes even more important. National umbrella organisations, whether general or field-related, might need to devote more attention to their campaigning and influencing functions than at present, with stronger channels of communication to other voices and perspectives in the sector. If we acknowledge this need for 'voice' or representation, concerns about discrepancies between the messages given by the loudest or most influential leaders in the sector and the experiences of TSOs 'on the ground' also need to be taken seriously, raising the question of who speaks for whom.

The national level leaders involved in the study had different perspectives on what it meant to represent the sector, and to some extent their claims and views on this reflected the nature of their organisations. Membership organisations, for instance may have a duty to represent their members' views which other organisations do not have. Some organisations had formal consultation strategies in place, whereas others seemed to give their leaders a freer hand to improvise based on their own views, experience and knowledge. There might be different mechanisms operating to give legitimacy to leaders' narratives and representations, for example, a membership mandate, regular consultation, or the authority which derives from expertise or research knowledge. However, a common underlying element here was an implicit process of accountability and resonance. As one participant put it, there is an 'emperor's new clothes' element to leadership. On the one hand leaders are more or less tethered by these mechanisms; whilst they have licence to speak, they quickly know if they are speaking out of turn. On the other hand, their voices and representations need to resonate with their followers and wider audiences in order to have influence and leverage.

Some leaders reflected that representing the views of the sector was not always their goal: sometimes there was a clear value position that their particular organisation would hold to as a matter of principle, for example. In other cases part of the leadership role was to influence and challenge the sector itself to improve its structures and practices, for instance in reporting outcomes or engaging with social media. As one interviewee noted, there was space for a leadership of ideas and values as well as practice.

'there is a "London" bias to the sector's national leadership which needs to be balanced by voices from the local level, ironically that includes the "local" level in London too'
thirdsectorfutures.org

'…the sector may want superheroes but it's probably best they don't get them and are forced to work together more effectively instead.'
Guardian Q&A Live Discussion

Where this greater scope for values-based leadership – as opposed to democratic representation – is given, the characteristics of individual leaders perhaps become more important. This might include values such as integrity, humility, self-awareness, and commitment to a particular set of values, as well as having relevant knowledge and social networks. It was also suggested that personal experience could play an important role in this respect, and it may be that those leaders that achieve greatest 'resonance' or credibility amongst TSOs are those that have come up 'through the ranks' and seek to remain connected with the day to day work of those on behalf of whom they speak. As one leader expressed it '… if you've got your values base right and you've got an authentic understanding of the issues you're tackling…. then you have a responsibility to articulate those and to seek changes that will address poverty and disadvantage…it's a duty of leadership to do that'.

Mission impossible?

We highlighted from the onset the challenge of representing or speaking for the third sector at a national level in view of its diversity. However, not only does there seem to be a demand for this kind of collective voice in the political sphere, there also seems to be a large number of organisations and individuals that could be considered to be suppliers of this type of leadership. As one of our national leaders put it: '… So diversity's a wonderful thing in the sector but if you are so diverse that you become a clamour then you're not going to be very effective and you're very easily played off one against another'. This perspective seems like an attempt to rejuvenate the 'strategic unity' that brought the sector together to benefit from greater policy influence and access to resources under New Labour. As such opportunities contract, this strategic unity may be dissolving. If so, might a coherent narrative of the third sector fade or get left behind?

However, this has not been the story of past periods of state welfare retrenchment, and it seems unlikely that the third sector discourse will disappear in the near

future. Perhaps instead there is a need to find a new basis for agreement, or a new 'strategic narrative' for the sector (Working Paper 76). This might be framed not on the basis of a particular set of relationships with a government (as was the case with the Compact, for example), but upon more far-sighted core elements and shared priorities which could command attachment across the sector: a deeper and enduring common interest in promoting well-being and social justice on the one hand, and coupling social action with a willingness to 'speak truth to power' on the other. This might come in full acknowledgement that the aspects of wellbeing, forms of action, and conceptions of truth embodied within the sector will remain highly diverse and dynamic.

Leadership in such a context might then involve creating and maintaining space and opportunities for organisations to debate and enact these two core elements. It might also involve holding the third sector itself to account, as well as managing and challenging its relationships with other actors, operating in both the state and the private sector.

The research and debates highlighted here beg some important questions for further discussion:

- Was the third sector's apparent 'strategic unity' a product of the Labour government's commitment to the sector through policy dialogue and financial support?

- Without that government commitment and support has the need for such a 'strategic unity' now disappeared, or has it intensified?

- Might an increasingly fragmented sector lose its political influence just at the time when arguably it is even more necessary?

- To what extent does the sector need a leadership that is given authority by leaders' values, knowledge and experience, compared with a leadership supported more by democratic mandate?

- Is there a London bias in third sector leadership – and if so does this matter?

- Should leaders base their views on evidence about the contribution of the sector, or should they be promoting sector values?

- Are existing leadership structures and sources of legitimacy in the sector fit for purpose, or do we now need something different?

The Debate

The debate on leadership flowed through two inter-twined discussions: firstly on the conditions, challenges and prospects for leadership across or *of the third sector* as a whole, and secondly on issues around the development of leaders *in the third sector*. Whilst the former was the primary focus of the Futures Dialogue debate, it cannot progress without considering leadership development.

Discussion of leadership development started with the question of whether there are fundamental differences between leadership in the third sector compared to other sectors. Views differed here: one participant thought that lines of accountability are more complex in voluntary organisations - involving different forms of accountability to boards, staff, volunteers, beneficiaries/ clients and funders – compared with other sectors. Others noted greater similarity across sectors, with common challenges albeit in different settings. The relationship with funders was thought to be especially important: it was also suggested that funders look for strong leadership when seeking to invest in and support third sector organisations. Gaining experience and skills in different sectors, through boundary crossing career paths, secondments, shadowing, mentoring and co-location, was thought to be vital in challenging accepted 'sector' wisdom and culture. One participant thought the next generation of leaders may be more open and adaptable and less 'tribal' than current leaders: *"Maybe they'll emerge without our intervention. If we want to foster them, I doubt the best place to do it is in business schools or institutions. They need to be encouraged to learn from our mistakes and from each other in a real world context".*

Rather than just a focus on CEOs of larger and more formal third sector organisations, this real world context includes different roles in organisations of all shapes and sizes. In the conference discussions the importance of small organisations as sites for leadership development was emphasised. Nonetheless, there was some concern that typically in discussions of leadership *"the*

words draw us to icons, rather than what they might stand for and how they behave and relate to others (people, organisations, society)" and that there was a need to discuss leadership *"for the many not the few"* involving *"networks and team approaches rather than superheroes".*

The wider thread of leadership across a diverse sector concentrated on whether a common voice for the sector was possible. The influence of the state and the market, and increasing incidence of hybrid organisational forms might reduce the sense of membership of a single 'sector'. This is a particularly pressing issue during a period of unsettlement and austerity, where it was thought that the sector's position could be weakened and its 'strategic unity' might fracture as different interests within the sector become more apparent. The key challenge remains that the third sector has many perspectives and positions, so can or should it attempt to speak with one voice? On what basis can it claim a mandate or legitimacy? The third sector was thought by some participants to be too broad and complex a category through which to exercise leadership, leading to the idea that more specific localised spaces for leadership might be more appropriate, including localities, specific areas of expertise, and field-specific contexts such as housing or health and social care: *"I wonder if going too broad and having to please too many, dilutes the message?"* Another was concerned that the result is that current leaders *"often miscalculate what they assume is the position of the sector. And often it is the smaller and more specialist organisations whose positions are undermined".*

It was suggested that the basis for leadership of the third sector should lay in its priorities and/or underpinning values – the idea of 'values based leadership', which *"goes beyond identified individuals and that's committed to social change"*. There was some concern that this might be rather unrealistic ('pie in the sky') or difficult to pin down ('motherhood and apple pie'). However, this was countered with the view that: *"the current and future leaders are the guardians of those values. We talk about trust, authenticity and integrity a lot. We support and invest in the individual so value based leadership is vital"*. Other suggestions

made in the debate for key sector values were around empowerment (e.g. being accountable, participative, enabling others, building a vision) and taking action (tackling exclusion, building bridges, taking a stand, acting with enterprise). One area noted for leadership development was around skills, confidence and capabilities in campaigning and advocacy, including explaining the importance of the sector's campaigning role.

Since many third sector issues are inevitably and rightly contested, the prospects for a unified message may be too great and ultimately unwelcome. However, this should not necessarily mean that the debate closes down. One participant was clear in expressing a view of leadership as enabling the diversity of voices found in the sector. Here the role of infrastructure in articulating common concerns was emphasised:

"We do need 'voice' and I suspect that given the scale and diversity of the third sector this can only be legitimated through a collaborative value-based approach. Otherwise we just get "voices". Collaboration of course doesn't mean everyone must agree to say the same thing; merely that the spokespeople acknowledge a full range of views and positions when purporting to speak for the sector…Too often the assumption is a shared position - yet it is unusual for that to exist. We need coherent channels for enabling multiple voices to be heard. Like a choir".

The Sounding Board Reflections

The Sounding Board discussed the final paper: *A strategic lead for the third sector?* at its meeting on 7 March 2013. The key reflections from Discussion 5 are as follows.

A sector narrative is possible and there is a space to promote the 'core mission' and 'ethos' of the sector, while still celebrating its diversity.

There is a need to encourage and support 'communities of interest' and 'issue-based' leadership, representing sub-sector groups and issues and the diverse nature of the sector. Sector leadership may not be best placed centrally through an apex organisation to achieve this.

The Sounding Board believe that the style of leadership that would best suit the ethos of the sector is one that is enabling, creating space for different voices to be heard, including those from different regions of the country. It should be based on real engagement by opening up channels of communication, but not just through social media. Although it was acknowledged that this is not always easy given how stretched members currently are.

Leadership should have convening power, creating a space and mechanism for collaborative contributions from the sector, not just proxy representation. There was also a view that third sector leaders should be willing to 'give away' power, for instance giving their member organisations opportunities to speak directly into policy or media debates. It was noted, however, that sometimes the biggest challenge is getting different organisations to engage in policy development, or to speak out through the media.

The legitimacy of voluntary organisations is partly derived from its authentic firsthand experience of issues and the expertise that result. As part of building a new narrative, we need to find ways to develop a credible mandate. We need to ask how connected leaders are with what is really happening on the ground, and find ways for more beneficiaries of voluntary organisations to speak up about the sector.

We need to build on and make use of public trust. The sector has a different and diverse voice, and a great deal of knowledge about what works.

Sometimes we need to lead (and not simply represent or reflect) which is perhaps a greater challenge than whether or not the voices of those on the ground are being heard. At a time when technology has enabled the voice of almost anyone to be heard, we wonder if the bigger challenge is how to take positions whilst recognising diversity and dissent?

The sector has an important role to play in influencing public opinion. There is scope for more leaders to speak out, especially around specific social/community issues

Academic investigators can play a useful role in offering informed comment and reflections to generate 'leadership of ideas' in the sector.

Trusts and foundations and infrastructure bodies can play an important 'convening role' in bringing groups together to speak out on specific issues or concerns.

Key challenge:

What role is there for a united voice within the third sector, given that there are so many different perspectives and positions to be found within it?

The Futures Dialogue Conclusion

The Futures Dialogue has engaged a wide range of participants from academia, policy and practice, as can be seen in this report. Within the context of a diverse sector, therefore, it is inevitable that not all would agree on how to respond to the issues raised – indeed it was to explore just such disagreement and debate that the Dialogue was established in the first place.

Despite the differences, however, there is a considerable amount of underlying consensus over many of the key issues, and a shared concern to explore a positive role for the third sector in responding to the political and economic circumstances that it faces. This was underpinned by TSRC research findings, which provide important details about the structural and organisational background to current dilemmas and help to ensure that debate has been informed by knowledge of current circumstances. However, the Dialogue also involved a significant normative dimension – participants were keen to discuss what should be done to respond to the challenges, and the opportunities, that the sector faces. Discussions about the future of the sector invariably involve the exchange of different underlying visions for its development. But this does not mean that the Futures Dialogue concludes with a prescriptive model for the future of the sector. Much of what was discussed was the direction or context for responses (what needs to be done), rather than the substance of a particular vision for the future (how we should do it).

Diversity and unity

The diverse nature of the third sector is one of its greatest strengths. There are a wide range of organisations engaged in a wide range of different missions. This is a major strength, as different organisations can, and do, react to changing circumstances in different ways, and different approaches can be the source of great inspiration, reflection and learning. What may be challenges or threats to some parts of the sector may not apply to others; and even where some organisations or subsectors may struggle or decline others can innovate and flourish. In part this means that reacting to a changing context needs to be seen from the particular circumstances of different organisations – there is no single problem, and no single narrative to inform a response to it. At the same time, however, this diversity is a collective strength, as it means that the sector as a whole will not be overcome by threats to particular parts of it.

This raises questions therefore about the extent to which there is unity within this diversity – to what extent is the sector more than the 'sum of its parts', and can the sector speak with one voice? These were the particular focus of discussions on leadership of the sector stimulated by Discussion Paper 5. There are leaders who seek to speak for the sector as a whole, even though they may not formally represent all organisations; and their voices can be important in shaping debate and influencing policy and practice. There was recognition within the Futures Dialogue that there is, and will continue to be, the need for a sector voice, which is more than just the clamour resulting from the claims of particular organisations or subsectors, or a focus on particular issues. This voice may in practice represent only a 'strategic unity', appealing to or speaking for

those issues around which organisations may have common cause, and seeking to use this to influence external agents in government or the commercial world. But this strategic unity can be a significant factor in shaping the future political and policy context for the sector; and there was agreement that it continues to drive wider debate about generic sector issues.

Distinctiveness

Finding unity within the third sector is linked to discussion of its core characteristics – are there distinctive features which unite all organisations? Discussion of distinctiveness has sometimes been side-tracked by approaches to the sector which aim primarily to distinguish it from other sectors, for instance, is it the non-profit or the non-statutory sector? The problem with these approaches is that they tell us what the sector is not, but not what it is. There was a concern within the Futures Dialogue to counter this with a more positive discourse informed by debate about the intrinsic features of the sector, and to promote these as a value base around which politics and practice could focus.

In practice there was significant agreement about some of these intrinsic features. The third sector is part of civil society. It is the organised space within which free collective or associational activity takes place. It is comprised of organisations with identifiable missions which they have determined and which are not imposed by external agents, and with a resource base which includes voluntary effort and contribution.

There was also recognition that there is a strong normative dimension to discourse on the distinctiveness of the sector. This included the expectation that organisations would be producing broader 'social value', and not just quantifiable outputs, in part through engagement in associational activity. More generally it was argued that third sector organisations should be aiming to 'do good', and this was of particular importance in the role that they played in promoting civil society more generally as essential to progressive social development. However, such

normative discourse leaves open to debate what constitutes 'doing good'; and it was recognised that this remains a continuing forum for discussion in the promotion of a positive future role for the sector.

What is distinctive about third sector organisations, therefore, is their participation in a discourse about the desirability of doing good, and a recognition that this is at the heart of the rationale for their existence as an organisation. This distinguishes them from public agencies and commercial organisations, whose rationale is determined and debated differently. It also provides the basis for identification of the values of the third sector as a whole, as the collective forum through which this discourse is conducted and promoted.

Autonomy

Independence is often cited as being one of the key distinctive features of the third sector, based on the freedom of association without external regulation or control. Independence has also been the focus of discussion by the Baring Foundation Panel on the Independence of the Voluntary Sector, which has explored the importance of this and the threats to it. However, it was recognised within the Futures Dialogue that independence was a complex issue. It does not mean that organisations do not receive public funding, which may be tied to particular activities and outcomes, nor that external regulations will not control or influence some aspects of organisational action; and it does not mean that organisations will be immune to the pressures of the market and commercial competition. For some organisations public funding and regulation will remain central elements of their purpose and practice, and for some competition and commercial trading will be critical to their mission and sustainability. Others may be able to navigate a more autonomous path relatively immune from the state and the market.

For many organisations, the critical question for the future is how to manage these relations with actors and influences from other sectors; and this was conceived as a concern with the practice

of interdependence. Effective interdependence, however, requires third sector organisations to retain their ability to act autonomously. Autonomy, independence and interdependence were identified as core dimensions of the distinctiveness of the sector, therefore, and as critical for its future development.

Politics and policy

The Futures Dialogue was promoted because of the changing political and economic circumstances within which policy and practice for the sector were being constructed. This was the focus of the first paper and discussion, and remained a theme underpinning debate throughout the course of the dialogue. The changing context is part of a broader consideration of the shifting focus of the 'welfare regime' within the UK. This includes reductions in public spending, the reform of public services, the promotion of localism and community organising, and a shift in the expectations of the role of the state in public life – captured in the promotion of the 'Big Society'.

The changing role of the state has particular consequences for the third sector, especially after following the period of policy 'hyperactivity' under Labour. It means that the future of the third sector depends to some extent on what role government expects the sector to play in society, how it works to promote this, and how this is related to other changes in public and market support for welfare. This may include opportunities for third sector action, for instance to deliver new public services or to fill gaps in the market, often in partnership across sectors; but it will also pose challenges, for instance if resources for third sector action are reduced and demand from potential users and beneficiaries increases.

Direct support for the sector from government has been reduced. The Office for Civil Society has withdrawn much of the infrastructure support for the sector that had been developed under the previous administration, and has promoted a more limited model of its role as identifying and promoting good practice rather than seeking to shape, and support, voluntary action. There are different political views about the desirability of this new politics for the sector, but there was a firm agreement within the Futures Dialogue that this was leading to a changed relationship between the sector and the state, which should inform any debate about its future.

It was recognised that the future of the sector would be shaped by these circumstances, but also that the sector should be proactive in responding to and seeking to influence this changing context. There was a strong consensus that discourse on the future of the sector should avoid a 'victim mentality' which saw organisations only as passive products of changing political and economic pressures. This was linked to the importance of autonomy – organisations must be free to determine how they will respond to the contexts in which they find themselves.

Debate on policy went further, however, to argue that political choices and policy decisions are contestable, and that there is a role for third sector organisations to challenge those decisions which they disagreed with, and to advocate for alternative choices to be made. Advocacy has been a core activity within many third sector organisations, and whilst changing economic and political circumstances may change the focus and the message, they do not remove the right of organisations to advocate for change.

Third sector organisations will continue to seek to influence the political and policy climate within which they operate. However, it was argued that they also have a critical role to play in advocating on behalf of their users and beneficiaries, in particular where these are amongst the more vulnerable and marginalised members of society. In many arena of social need, it is third sector organisations who will continue to have the ability, and the responsibility, to speak up for those less able to speak for themselves, and to focus attention on their welfare needs and opportunities.

It is not only individual organisations who should be proactive in responding to changing political and policy contexts, however. It was argued that the

sector as a whole also has a responsibility to seek to understand and hence to influence political and policy change – to 'speak truth to power'. Most importantly perhaps the sector as a whole has an interest in, and a duty to, promote the importance of the advocacy within the public domain, in particular where this is challenged either directly, by 'gagging clauses', or indirectly, by suggestions that public funding should not be used to advocate for policy change.

However, there are a range of other areas of policy development where a third sector voice will continue to be important, including – policy and practice on commissioning, availability and use of social investment, capacity building and support, localism and community budgeting, and more. Not all of these issues will affect all organisations equally, but there will continue to be a value in a collective voice on these from the sector.

Organisations and agents

The importance of a collective voice in the political and policy terrain raises the issue of the extent to which debate about the future of the third sector is a debate about the future for the (current) organisations within it, or a debate about the role of the sector more generally. What the Futures Dialogue revealed, of course, is that in practice it is both of these.

Certainly there was a clear consensus that organisations need to determine their own futures, within the context of the constraints, opportunities and choices open to them. Their autonomy to do this is critically important, as mentioned above; and in practice determination of future development is likely to involve interdependence - negotiation with other agencies and management of relations with stakeholders, funders, regulators, users and others. In this context participants in the dialogue were keen to emphasize that third sector organisations were autonomous agents. They may not entirely be the 'masters of their destinies'; and knowledge of the forces which may influence them is essential to the process of negotiation. But ultimately the future of organisations

depends upon the decisions that they take, and all with a concern for the future of the sector must have confidence in their ability to continue to do this.

Nevertheless there are also ways in which organisations can, and do, act collectively. There is partnership working, bi-lateral support, shared resources and investment, membership of subsector or umbrella bodies, and (most important perhaps) dialogue and debate. Discussion within the Futures Dialogue also focused on the role that collective agents and sector leaders could play in shaping a future for the sector which extended beyond the plans and fortunes of individual organisations. And, although the status and the mandate of sector leaders will always be contested, it was recognised that there will be a continuing need for collective voices from the sector to promote dialogue and collaboration, and to articulate shared needs and concerns to a wider audience.

What is the sector for?

The future of the third sector will therefore be determined by structural forces (the economic and political context in the UK, and beyond) and by the actions of agents (the choices made by organisations and the voices coming from its protagonists). However, underlying the discussion of these within the Futures Dialogue was a more general concern with the 'bigger' question of just what the sector is for. This is linked to the discussions reported above about the values and distinctiveness of the sector, and the diversity of the organisations operating within it – and there is something of a tension here between the form and purpose of organised voluntary activity.

On the one hand, what the future of the sector depends on is the ongoing viability of the groups and organisations that constitute it (in their infinite variety). From this flow concerns about organisational survival, business planning, mission drift, funding mix and so on – and behind this their autonomy to determine their own fate. But there is a danger here that

sustaining the organisation becomes more important than delivering the mission. When does flexibility and adaptability become little more than self-preservation?

On the other hand, the future of organisations is, and should be, driven by their mission and values – or more directly by the needs of their users and beneficiaries, and by a focus upon ensuring that these needs are effectively met. From these flow concerns about user and citizen engagement, impact measurement, advocacy and campaigning, and the social values of collective action; and the challenge here is to put these before organisational survival. It may be that merger and collaboration are the best way forward in some circumstances, or that others can do it better and organisations must change – or fold. Is what we do ultimately more important than who we are?

There is no simple means of resolving this dilemma, and the Futures Dialogue did not seek to do this. It is also, of course, not a new dilemma, nor one just associated with the particular economic and political circumstances that prompted the dialogue – although it is an issue which TSRC researchers and others must continue to explore.

It is also, moreover, linked to the normative dimensions of third sector policy and practice raised above. If the purpose of the sector is to promote social value and 'do good', then we need a continuing debate about the nature of organisational missions and the values that might underpin these, and the desirability of supporting and promoting different forms of organisation and activity to achieve this. Participants in the Futures Dialogue did not necessarily agree on what these should be; but they did agree that informed debate about them was essential to any future planning. A dialogue about the future must continue to ask and challenge what the sector is for.

Key challenges

- **What will be the emerging shape of the third sector as the unsettlement unfolds: will the divide between larger and smaller organisations widen, and does it matter?**

- **What will be the impacts of austerity on the nature of different forms of unpaid participation and paid work in the third sector?**

- **What distinctive dimensions of third sector activities should be highlighted in the need to demonstrate value; and how is impact best articulated and measured?**

- **How can third sector organisations negotiate their relationships with the public and private sectors, and maintain their autonomy and mission?**

- **What role is there for a united voice within the third sector, given that there are so many different perspectives and positions to be found within it?**

Acknowledgements

Sounding Board members

We would like to acknowledge the Sounding Board's contribution and massive time commitment to the process. Their insight and willingness to speak openly and honestly sharing their views on the third sector was refreshing. We hope they will maintain their interest in the debate (see Appendix I for list of members)

Expert Panel members: live Q&A by Guardian Professional

Discussion 1: Pete Alcock (TSRC), Sarah Mistry (Big Lottery Fund), Barney Mynott (NAVCA), Belinda Pratten(Belinda Pratten and Rosie Chapman Associates), Matt Scott (Community Sector Coalition)
Discussion 2: Susan Halford (TSRC), Veronique Jochum (National Council for Voluntary Organisations NCVO), Pauline Leonard (TSRC), James McHugh (Skills Third Sector), Joe Taylor (National Community Activists Network)
Discussion 3: Andy Gregg (freelance consultant), Louise Harris (The First Ark Group), Jenny Harlock (TSRC), Angus McCabe (TSRC), Debbie Pippard (Barrow Cadbury Trust), Caroline Slocock (Civil Exchange)
Discussion 4: Andy Benson (National Coalition for Independent Action), Faith Boardman (Public Management and Policy Association), Heather Buckingham (TSRC), Miia Chambers (Holy Cross Centre Trust), Alex Massey (Association of Chief Executives of Voluntary Organisations ACEVO), James Rees (TSRC), Kate Van Der Plank (National Grid)
Discussion 5: Pete Alcock (TSRC), Tracey Beasley (TRTI Global), Ben Holt (Unltd), Jenny North (Impetus Trust), David Smith (Voluntary Action Leeds), Alex Whinnom (GMCVO).

Contributors

Thank you to those who contributed to the debates on the website and through the Guardian Q&A live discussions, and also to those who participated in the London seminars and promoted the dialogue through their networks.

British Library

We acknowledge the continued valuable support from the British Library, especially Jude England (Head of Social Science Collections and Research) who agreed to host TSRC's National Conference in April 2013. Thanks also to all those who attended the conference and contributed to the workshops on the challenges facing the future of the third sector.

TSRC researchers

We acknowledge the contribution from TSRC's research staff who contributed to the development of the debate through the production of the 'Big Picture' papers, the London seminars, and the online dialogues.

TSRC's Knowledge Exchange Team (KET)

Thank you to Razia Shariff and Naomi Landau, KET, for leading and managing the Futures Dialogue process.

Referenced papers

Briefing/Working Papers referred to in this report:

Paper 5:   Innovation in the homeless field: How does social enterprise respond to the needs of homeless people? Simon Teasdale

Paper 6:   Individual voluntary participation in the UK, Dr. Laura Staetsky

Paper 20:   The third sector delivering public services: an evidence review, Rob Macmillan (July 2010)

Paper 23:   The contradictory faces of social enterprise, Simon Teasdale

Paper 24:   A strategic unity, Pete Alcock

Paper 33:   Understanding the distinctiveness of small scale third sector activity, Jenny Phillimore and Angus McCabe (May 2010)

Paper 37:   The value of volunteering in Europe in the Noughties, Jeremy Kendall (September 2009)

Paper 41:   Capturing diversity: a typology of third sector organisations' responses to contracting based on empirical evidence from homelessness services, Heather Buckingham (Sept 2010)

Paper 42:   Constituting the third sector, Pete Alcock and Jeremy Kendall (August 2010)

Paper 44:   Opportunity and influence: the third sector and the 2010 general election, Jane Parry, Pete Alcock and Jeremy Kendall (Oct 2010)

Paper 45:   How dependent is the third sector on public funding? David Clifford, Frida Geyne Rajme, and John Mohan (Oct 2010)

Paper 49:   The ambitions and challenges of SROI, Dr Malin Arvidson, Professor Fergus Lyon, Professor Stephen McKay and Dr Domenico Moro (Jan 2011)

Paper 50:   Hybridity, diversity and the division of labour in the third sector: what can we learn from homelessness organisations in the UK? Heather Buckingham (Dec 2010)

Paper 51:   Below the radar in a Big Society? Reflections on community engagement, empowerment and social action in a changing policy context, Angus McCabe (Feb 2011)

Paper 53:   Connecting the dots: the potential for self-help housing to address homelessness, Simon Teasdale, Patricia A. Jones and David Mullins (Jan 2011)

Paper 54:   Self-help housing – Towards a greater role. Case Study Findings Summary to inform Consultation at St George's House, Windsor Castle, December 2010. Professor David Mullins, Dr Patricia A. Jones and Dr Simon Teasdale (Feb 2011)

Paper 56:   Seeing things differently? The promise of qualitative longitudinal research on the third sector, Rob Macmillan (March 2011)

Paper 64:   Personalisation: what will the impacts be for carers? Dr Mary Larkin and Dr Helen Dickinson (July 2011)

Paper 69:   The marketisation of charities in England and Wales, Stephen McKay, Domenico Moro, Simon Teasdale and David Clifford (November 2011)

Paper 71: Little big societies: micro-mapping of organisations operating below the radar, Dr Andri Soteri-Proctor (December 2011)

Paper 73: The idea of a 'civic core': what are the overlaps between charitable giving, volunteering, and civic participation in England and Wales? Professor John Mohan and Dr Sarah L. Bulloch (February 2012)

Paper 76: Third sector leadership: the power of narrative, Rob Macmillan and Vic McLaren (March 2012)

Paper 80: The regional distribution of employees in the third sector in England: estimates from the National Survey of Third Sector Organisations (NSTSO), Frida Geyne-Rajme and John Mohan (June 2012)

Paper 82: The Big Society: a new policy environment for the third sector? Pete Alcock (June 2012)

Paper 83: Innovation and social enterprise activity in third sector organisations, Celine Chew and Fergus Lyon (November 2012)

Paper 87: All Change? Surviving 'below the radar': community groups and activities in a Big Society, Angus McCabe and Jenny Phillimore (September 2012)

Paper 89: 'Distinction' in the third sector, Rob Macmillan (October 2012)

Paper 90: Making sense of the Big Society: perspectives from the third sector, Rob Macmillan (January 2013)

Paper 92: Does sector matter? Understanding the experiences of providers in the Work Programme James Rees, Rebecca Taylor and Chris Damm (February 2013)

Research Reports

Research Report 75: Wherever there is money there is influence: exploring BIG's impact on the third sector, Angela Ellis Paine, Rebecca Taylor and Pete Alcock (February 2012)

Research Report 78: From crisis to mixed picture to phoney war: tracing third sector discourse in the 2008/9 recession, Rebecca Taylor, Jane Parry and Pete Alcock (May 2012)

Research Report 88: Partnership working, James Rees, David Mullins and Tony Bovaird (October 2012)

Appendix I

Sounding Board: members who participated in at least one of TSRC's Futures Dialogue activities:

Chair – Pete Alcock (Director, TSRC)
Faith Boardman (Development Director, Public Management and Policy Association)
Miia Chambers (Director of Development P3, TSRC Social Enterprise Reference Group)
Steve Clare (Director of Campaigns, Locality)
Neil Cleeveley (Director of Policy and Communications, NAVCA)
John Coburn (Network Coordinator, HACT)
Caroline Cooke (Head of Policy Engagement and Foresight, Charity Commission)
Anna Coote (Head of Policy, New Economics Foundation)
Katharine Danton (Director of Research and Policy, Unltd)
Nicholas Deakin (CBE, Emeritus Professor of Social Policy at Birmingham University and Chair of the Commission on the Future of the Voluntary Sector which reported in 1996)
Chris Ford (TSRC Below the Radar Reference Group)
Andy Gregg (Chief Executive, Race on the Agenda)
Martin Holcombe (Chief Executive, Birmingham Settlement)
Sara Llewellin (Chief Executive Barrow Cadbury Trust)
Debbie Pippard (BCT, Head of Programmes)
Belinda Pratten (Independent Charity Advisor)
Ralph Michell (Director of Strategy, ACEVO, TSRC Service Delivery Reference Group)
Sarah Mistry (Head of Research and Learning, Big Lottery Fund - from 8.4.13 Director of Effectiveness and Learning, BOND)
Judy Robinson (Chief Executive, Involve Yorkshire and Humber)
Caroline Slocock (Director, Civil Exchange)
Nick Starkey and Lucy Isotta (Office of Civil Society)
Karl Wilding (Head of Policy and Research, NCVO)
Alex Whinnom (Director, Greater Manchester Centre for Voluntary Organisations)

TSRC Knowledge Exchange Team:

Razia Shariff – Head, Knowledge Exchange Team

Naomi Landau – Knowledge Broker

TSRC researchers involved:

Pete Alcock	Malin Arvidson	Sarah Bulloch
Heather Buckingham	Jenny Harlock	Susan Halford
Pauline Leonard	Rob Macmillan	Angus McCabe
John Mohan	James Rees	Simon Teasdale

Appendix II

TSRC Futures Dialogues: process cycle for each dialogue

A
- Dialogue/discussion paper launched for online comment
- Enewsletter and press release

B
- London seminar to discuss paper
- Contributions written up for Sounding Board

C
- Guardian Voluntary Sector Q&A with panel of up to six stakeholders
- Main points written up for Sounding Board

D
- Sounding Board meeting: presentation by researchers, online and seminar comments shared, outputs agreed

E
- Outputs from Sounding Board publicised and put online for feedback.

F
- Final Sounding Board meeting to receive feedback and agree final report 28 March 2013

G
- TSRC National Conference, British Library, 19 April 2013

Discussion 1: the worst of times?

Date: September – October 2012

This discussion puts the 'great unsettlement' into context. How serious are the economic and political changes that the sector is currently experiencing? Is this a significant turning point for the sector?

Paper launched: 24 September 2012
London Seminar: 4 October 2012
Guardian Q&A: 9 October 2012
Sounding Board meeting: 11 Oct 2012

Alcock, P. Macmillan, R. and Bulloch, S. (2012), The worst of times? Birmingham, TSRC.

Discussion 2: no longer a voluntary sector?

Date: October – December 2012

Here we focus on the people involved in the third sector, as volunteers, activists, trustees, frontline staff and managers. Is there a tension between paid and unpaid roles?

> Paper launched: 22 October 2012
> London Seminar: 31 October 2012
> Guardian Q&A: 23 October 2012
> Sounding Board meeting: 11 December 2012

Buckingham, H. (2012), No longer a voluntary sector? Birmingham, TSRC.

Discussion 3: is the third sector so special? What is it worth?

Date: November - December 2012

Does the sector have special or distinctive characteristics? How can we value this? Is the sector's 'uniqueness' being threatened by trends like professionalization, contracting or marketisation?

> Paper launched: 12 November 2012
> London Seminar: 21 November 2012
> Guardian Q&A: 27 November 2012
> Sounding Board meeting: 11 December 2012

McCabe, A. (2012), Is the third sector so special? What is it worth? Birmingham, TSRC.

Discussion 4: is the third sector being overwhelmed by the state and the market?

Date: January – March 2013

How is the sector being shaped by its changing relationships with the state and the market, including an increase in contracting? What do new models of funding mean for the sector's future?

> Paper launched: 18 January 2013
> London Seminar: 18 January 2013
> Guardian Q&A: 22 January 2013
> Sounding Board meeting: 7 March 2013

Buckingham, H. Rees, J. and Teasdale, S. (2013), Is the third sector being overwhelmed by the state and the market? Birmingham, TSRC.

Discussion 5: a strategic lead for the third sector?

Date: February - March 2013

Finally, we take a serious look at possible futures for the third sector. Should the sector speak with a strategic or coherent voice in order to negotiate its future? Who can or should speak for the sector?

Paper launched: 11 February 2013
London Seminar: 14 February 2013
Guardian Q&A: 19 February 2013
Sounding Board meeting: 7 March 2013

Macmillan, R. and Buckingham, H. (2013), A strategic lead for the third sector? Some may lead, but not all will ever follow, Birmingham, TSRC.

The five discussion papers which form the basis of the TSRC Futures
Dialogue primarily draw upon TSRC's own research.
For access to the TSRC Working Papers cited in the discussion papers visit www.tsrc.ac.uk.

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