

Briefing Paper 78

Crisis, mixed picture or phony war? Third sector discourse and the 2008/9 recession

Rebecca Taylor, Jane Parry and Pete Alcock

Background

The autumn of 2008 saw the credit crunch deepen and media speculation proliferate about the impacts of a downturn on the country and its citizens. Third sector commentators predicted a crisis for the sector; both a squeeze on the financial resources of organisations and an increase in the number and needs of beneficiaries seeking help. This looming crisis raised questions for academics researching the sector that went beyond impact and resilience to concerns about how a recession might shape the sector's evolving policy landscape and relationships between its policy makers and government. The recession marked the final years of the New Labour administration, a period characterised by high levels of sector government partnership and an increase in financial support from the state, particularly via the sector's national infrastructure. This research has taken the 2008/9 recession as a lens through which to view the evolving policy landscape and the relationships and concerns that animated it. It aims to unpick the discourse and rhetoric surrounding the nature and impact of the crisis on a diverse and complex sector, and to explore the effects of the recession on the alliances and relationships within and between the sector and government.

Methodology

The focus for the research was the period from summer 2008 to winter 2009 which broadly coincided with the recession. There were three strands of data collection: a media scoping which tracked and documented the recession related articles in the sector and mainstream press; a literature review of impact reports and research outputs published by infrastructure bodies, consultants, think tanks and academics; and 16 qualitative interviews with key informants from a diverse sample of organisations that included national third sector organisations; government departments or bodies, umbrella/infrastructure organisations (horizontal sector wide bodies and those with a vertical remit in a particular policy field), and 'sector bodies' such as funders, and trade unions. The analysis mapped the trajectory of recession events (summits, action plans, budget announcements, political statements, surveys and impact reports). It then sought to explore the content of the material collected to identify discourses, rhetoric and agendas.

The findings

Three main discourses were identified which characterise policy debates surrounding the sector and the recession; 'the crisis', 'the mixed picture' and the 'phony war'. These are explored in turn highlighting the dynamic

nature of the rhetoric shaped by evolving relationships and agendas and the lack of evidence of recessionary impacts on the sector.

The crisis

Over the autumn of 2008 speculation by commentators in the trade press reflected the anxious tone of the wider recession reporting. Natural disaster metaphors ('gathering clouds', 'bleak futures', and a 'tidal wave') were employed to suggest a looming and possibly dramatic crisis for the sector. The crisis was predicted to cause considerable damage to both third sector organisations (with closures, redundancies and reduced services) and their beneficiaries, who in a time of hardship would not be able to access the services they needed.

Reliable data on the sector has a long lead in time and there was little systematic real time data available on the impact of the recession. A small body of survey data and sector monitoring published at the time was being used as evidence for the impending crisis despite insignificant findings or small sample sizes. A focus on predictions for the future measured confidence rather than actual impacts; leading to what one interviewee described as 'worst case projections and nightmare scenarios'.

Making maximum use of limited evidence, the sector's infrastructure organisations began to mobilise, producing leaflets and websites aimed at advising and guiding their members through the crisis. The government (specifically the OTS) was also quick to respond. Reflecting government strategy in the wider political arena, a recession summit was organised jointly with NCVO in November 2008 and co-chaired by the minister for the third sector. [The 25 sector leaders and policy makers invited to attend the summit effectively created a recession policy elite speaking directly to OTS on behalf of the sector.](#) The summit signalled the government's resolve to support or at the very least be seen to

support the sector. It also provided a quick way for them to gather evidence from the sector on recession impacts and achieve sector buy-in for whatever measures they pursued in the longer term.

The summit culminated in the announcement of an action plan and consultation. The OTS suggested that the action plan would focus on, amongst other things, modernisation of the sector (mergers and collaborations), worklessness, social enterprise, and good quality contracting. The sector's national infrastructure responded to the consultation with manifestos and letters to government that included calls for resources (ACEVO called for a £500 million package, NCVO called for £100million), demands for action to help charities with money in failed Icelandic banks, reform of Gift Aid, a social investment bank, extending the 10-year deadline for balancing the books in pension schemes, and support for mergers and collaborations. Most of these were not new or necessarily recession-related but part of a portfolio of 'issues' that the sector's policy makers and government wanted addressed and which the looming crisis had made more pressing. Mobilising around the crisis effectively cemented a policy alliance between OTS and sector policy makers.

The mixed picture

Without robust empirical evidence the crisis rhetoric was increasingly hard to sustain and as the action plan launch date approached, there was less talk about an imminent crisis and more about recessionary impacts being a 'mixed picture' for the sector. This more measured discourse contained dualities such as 'opportunities and threats' and 'winners' and 'losers', capturing the potential spectrum of outcomes for different parts of the sector. Speculation focused on who would be the hardest hit with areas such as advice and guidance claiming dramatic increases in users whilst representatives of the social enterprise sector were bullish that it was unaffected by the downturn. This reframing accommodated the complexity of issues for the sector but also provided a useful way for

both sector policy makers and government to mobilise around alleviating impacts, despite having little clarity about the precise nature of those impacts.

In February 2009 OTS published the action plan entitled Real Help for Communities: Volunteers, Charities and Social Enterprises. Aimed at supporting both the sector and its beneficiaries, it consisted of a bundle of funded (£42.5m) and non-funded elements that included a volunteer brokerage scheme, a modernisation fund to support mergers and partnerships and a targeted support fund for small and medium size organisations in deprived areas. It would operate over the course of a single year 2009-2010 on the premise that the sector needed a short term boost over a difficult period, although the modernisation fund had longer term goals.

Sector leaders responded with measured approval. The chief executives of NCVO and ACEVO both suggested publicly that the plan was a good start, but that more money should be forthcoming at a later stage. **There was some agreement amongst the policy elite that the OTS had worked quickly, taken different sector interests into account and achieved sector buy-in. They noted the 'quite herculean' achievement in securing funding from the Treasury during a financially testing time.** One chief executive saw the plan as demonstrating the high value of the sector for government and that this had created 'an atmosphere of recognition which I hope is going to stand the third sector in good stead.'

However, there was also significant criticism often from those less involved in implementing the plan. It was pointed out that the financial commitment was considerably less than the amount requested by some in the sector and there was nothing on gift aid reform, a social investment bank or guarantees for Icelandic bank deposits. Some suggested that the plan enabled the Government to be seen to do something rather than actually providing long term strategic support. Inevitably interviewees saw it as failing to support parts of the sector

they deemed most in need. There was little knowledge about the constitutive elements of the plan and their take up, suggesting buy-in might not be sector wide and raising the possibility that the OTS's role in the sector's welfare in the recession was rather more symbolic than real. In practice, the support signalled by the plan was not necessarily relevant for all TSOs. Whilst the threat of recession had effectively strengthened the horizontal policy domain, vertical relationships between individual organisations and relevant policy departments in government continued to play a crucial, and at times more useful, support role.

A phony war or lagged effects?

Despite the plethora of impact reports produced in 2009 there remained little evidence of the impact of the downturn on the sector. By the winter of that year sector leaders and policy makers were looking beyond the immediate economic downturn to wider and longer term issues affecting the sector. A third less public discourse emerged alongside the 'crisis' and the 'mixed picture' predicting a more serious crisis on the horizon for the sector variously described as 'lagged effects' or 'a second wave' of the current recession or as a new crisis. The term 'phony war' was used to portray the initial recession crisis in contrast to the 'real crisis' which lay ahead. **This 'second wave', it was argued, was to take place in 2010 and 2011 and was caused by a combination of the end of several large local authority contracts, the spending review and anticipated cuts to public services and the 2010 general election.** Some policy makers argued that a 'scaling back' of the sector was inevitable and to a certain extent necessary, as it had just been through a period of unparalleled prosperity which had led to an 'overinflated sector' with duplication and poor quality provision existing alongside the good provision. Some suggested the impact of the second wave would be to improve the overall quality of the services the sector was offering.

In this crisis discourse responsibility for supporting the sector was no longer understood to be the role of OTS in partnership with the sector policy elite. A crisis caused by a reining in of public spending and reduction in contract revenue to the sector, coupled with a change in government and shifting policy arena, could not be addressed even symbolically by an OTS support package. In the final recession summit held early in 2010 sector leaders assessed the take-up of action plan funds, talked about the needs for improved research and monitoring and called for improvements to the public sector commissioning process but there was little mention of the role they might take in supporting the sector through the next period of crisis.

Conclusions and questions

Looking back on that period we know that in early 2010 government and policymakers were overtaken by the election campaign. The country was out of recession, at least in the short term, but the longer term prognosis for the strategic partnership that had developed between government and the sector's policy elite was now, in part, in the electorate's hands. **The impact of the recession on the sector has turned out to be on-going, extending well beyond the initial crisis; but it is being played out in a very different political context that is shaping the priorities and agendas of the sector and government.** The coalition government elected in May 2010 orchestrated deep cuts in public spending with implications for those parts of the third sector delivering public services. The Conservative's Big Society

rhetoric heralded a new vocabulary in government sector policy. The term 'civil society' has replaced 'the third sector', and community based voluntary action is lauded whilst the sector's organisational architecture is being reshaped and downsized. The OTS, now the OCS, is considerably smaller and with fewer resources. This new landscape raises interesting questions about what will happen to those relationships, to the policy elite and to the "atmosphere of recognition" that developed over the previous decade.

What can the sector learn from the 2009 recession?

We know that the sector's organisations and policy makers struggled to demonstrate the impacts on its constituent organisations and there is more work to be done to enable the sector to produce good quality data about its organisations and their performance. **We also know that, despite this, its national infrastructure were able to form a partnership with the government of the time which focused on supporting the sector in a time of need. The capacity building of previous years had, in that sense, paid off.**

Of course, the policy landscape - the nature of the roles and relationships between sector leaders and policy makers and those in government - is dynamic. The current hard times for the sector are different to those in 2009. Our research on the 2008-9 recession provides a historical marker against which we can explore some of these changes. It will be interesting to see how the sector is able to influence government and mobilise support in the future in the context of this new political and economic landscape.



This work is licensed under the Creative Commons [Attribution-NonCommercial-NoDerivs 3.0 Unported License](https://creativecommons.org/licenses/by-nc-nd/3.0/).

© TSRC 2012

This paper is part of the Third Sector Research Centre – Briefing Paper Series see www.tsrc.ac.uk for more details and a copy of the full Research Report.

The support of the Economic and Social Research Council (ESRC), the Office for Civil Society (OCS) and the Barrow Cadbury UK Trust is gratefully acknowledged. The work was part of the programme of the joint ESRC, OCS Barrow Cadbury Third Sector Research Centre