Third Sector Research Centre

Working Paper 32

Partnership and mainstreaming: voluntary action under New Labour

Professor Pete Alcock

March 2010

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Abstract

The focus of this paper is on the changing policy environment for voluntary action under the new Labour governments at the turn of the twenty-first century. This was a period of rapid policy change with a rise in the profile of voluntary action to rival, if not outstrip, that at any point in the previous century. This rising profile was also accompanied by terminological change, and debate, in effect the creation of a new entity – the third sector. The paper reviews the institutional and policy changes introduced by the Labour governments between 1997 and 2010, setting these in the context of previous political and policy development of the sector. It concludes by assessing the extent to which this constituted a new and distinctive policy regime, characterised by the notions of partnership and mainstreaming, and speculates on the future prospects for this in changing economic and political circumstances.

Introduction

The focus of this paper is on the changing policy environment for voluntary action under the new Labour governments at the turn of the twenty-first century. This was a period of rapid policy change with a rise in the profile of voluntary action to rival, if not outstrip, that at any point in the previous century. This rising profile was also accompanied by terminological change, and debate. Throughout much of the previous century in the UK the focus of academic and policy concern was on what was generally referred to as the voluntary sector, extended later to include also the community sector, as we will return to discuss briefly below. This is to some extent a particularly British concept. Elsewhere different concepts are employed, including the non-profit sector (common the United States) and the non-statutory sector (in continental Europe). These different terms reflect the different politics and ideologies of these different national contexts and cultures, although they also aim to encompass rather different constituencies within these umbrella terms. The voluntary sector is not the same thing everywhere. These different traditions are explored in a collection by Evers and Laville (2004), and the more recent UK debate is explained in Alcock (2010a).

However, what was distinctive about the recent new Labour period in the UK was that it saw the development of a new concept, the *third sector*, aiming to capture a new, and broader, notion of what could, and should, be the focus of political and policy attention. Adoption of the term third sector dated in particular from the creation of the Office of the Third Sector (OTS) in 2006, which brought together policy co-ordination for the voluntary and community sector with previously separate support for social enterprise and co-operatives and mutuals, and was part of a deliberate attempt by government to expand the reach of policy intervention into areas not traditionally associated with voluntary action in the country. To quote the definition employed on the OTS website, *'The term encompasses voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small'*.

At the beginning of the new century therefore, a broader third sector has been replacing the more established focus on voluntary action which had been the concern of much of the previous policy analysis in the field. It has meant that both policy and analysis has had to embrace a larger slice of organisational activity. The third sector includes not only the traditional charities but also industrial and provident societies, community interest companies, and companies limited by guarantee. In 2007 the *Civil Society Almanac* compiled by the National Council for Voluntary Organisations (NCVO) put the total number of potential organisations covered by this wider definition at 870,000 (Kane et al, 2009, p.9).

However, other political changes have in effect operated to narrow the field of policy and analytical concern. This is because the devolution of political control to the independent administrations in Scotland, Wales and Northern Ireland since 2000. Third sector policy is one of the policy arenas which have been devolved, and now separate policy initiatives are being pursued in each of these three countries, delivered by separate offices within the different administrations; although in practice rather similar policy directions have been followed in all three of the devolved administrations (see Alcock,

2010b). Devolution has fragmented UK policy, and therefore the focus of this paper is primarily upon the policy environment that developed in England under the Labour administrations at Westminster since 1997.
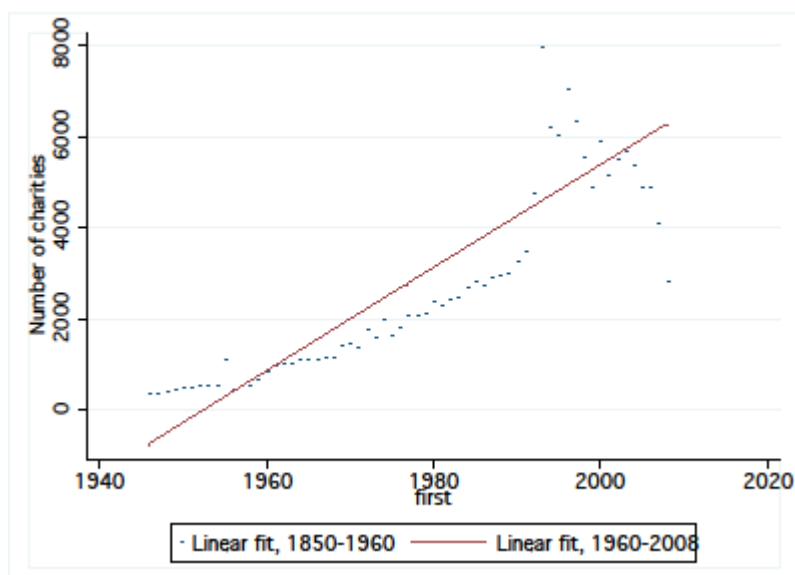
Context

The policy environment of the new Labour era was informed by the legacies of the longer history of policy change, as well as by the priorities and innovations of the government, however. This is a relationship that can be traced back to the Statute of Charitable Uses of 1601; but it is the last century or so of development that has been most influential, and in particular the changing policy environment which flowed from the implementation of the public welfare provisions of the 'welfare state'.

Much of what we now regard as public welfare provision, was initially provided in some form at least by voluntary organisations, and the introduction of state welfare in the last century could perhaps be seen in simple terms as a gradual replacement of voluntary action by public support. In fact, however, the history of the changing relations between the state and the third sector over this period is a more complex one than this simple model of displacement suggests. In an overview of this history Lewis (1999) identifies three major shifts in the terms of relationship between the sector and the state (and see Finlayson, 1994; Harris, 2010).

The three shifts identified by Lewis can be characterised as producing three, or now four, eras of change in voluntary action and its relations with the state. First, in the nineteenth century, was the era of voluntary organisations as the *providers* of services, with little competition or interference from the state. Then as public services developed in the first half of the twentieth century voluntary action remained as a *complementary* form, providing services where public provision was absent or under-developed, such as hospital services and social care. In the middle of the century the 'welfare state' reforms of the late 1940s introduced more comprehensive public provision, for instance through the National Health Service, and following this voluntary action moved to a *supplementary* role, providing additional or specialist services, such as hospice care, or challenging state services, for instance in Citizens Advice Bureaux. As Lewis (2005) discussed in a more recent article, at the turn of the new century we entered a new era in state and voluntary sector relations which could be characterised as one of *partnership*, as we will explore in more detail below.

Thus the simple model of a decline in the scale of voluntary action as state welfare developed is far from an accurate portrayal of a complex set of changing relations (Harris, 2010). There is also no evidence of a decline in the numbers of voluntary organisations; indeed analysis from the Third Sector Research Centre suggests a more or less continual process of growth over the latter half of the twentieth century, albeit that changes in registration criteria complicate the picture after 1990 – See Figure 1.

Figure 1 – Growth in Charity Registrations from 1945-2005

The changing policy environment of the post war period has been explored in more depth by Kendall (2003 and 2009), who argued that over this time there was firstly a move from incremental 'charity-centric' institution building with no policy focus on any broader sector, to 'voluntary sector' oriented incremental consolidation, influenced critically by the Wolfenden Report of 1978. 6 and Leat (1997) analysed the policy discourses of the period after Wolfenden to argue that these discourses operated in effect to *create* the voluntary sector as a site for policy interest. This led up to the third phase in Kendall's analysis, which followed the Deakin Commission (1996) and Michael's Labour Party paper on partnership (Labour Party, 1997), with a shift to a discourse of partnership and a more directive policy regime that Kendall called hyperactive mainstreaming and the creation of the third sector (Kendall, 2009).

The new third sector discourse

The most recent Labour government phase of third sector policy making can be traced back to the consolidation of discourse about the sector in the 1990s. As Lewis (1999) explained, in the 1980s the predominant policy discourse was that of New Public Management efficiency and effectiveness, and the role of voluntary organisations as potential alternative providers to state welfare. This market-style, contractual, environment was criticised by some third sector commentators as potentially undermining sector values and independence (see Billis and Harris, 1996); and it did not initially include any positive policy engagement with the sector. However, in the early 1990s a more supportive policy dialogue began to develop, for instance, in the 1994 'Make a Difference' initiative to provide support for volunteering delivered through the Home Office (see Davis Smith, 2001).

The Voluntary Services Unit in the Home Office became more active in promoting and supporting voluntary action in the 1990s, commissioning the Centris Report (Knight, 1993). More significant was

the Deakin Commission (1996) which reported three years later. This was an independent inquiry established by the NCVO and chaired by an academic, Nicholas Deakin. Its remit was to review the challenges facing the voluntary sector in the coming new century and to outline how these might be met. The recommendations focused significantly on relations between government and the sector and argued that these could be improved through a more structured and proactive approach by both sides. It was suggested that this could be framed within an over-arching *concordat* governing, directing and improving policy and practice in relations between the two.

The Deakin Commission was independent of government, but Deakin himself had had a close affiliation with the Labour Party as well as with the voluntary sector. His report was in some ways an anticipation of the policy environment that a new Labour government might wish to embrace. And in 1997 Labour published its own review of relations with the sector, led by Alun Michael, who had been appointed by Tony Blair to lead new policy thinking on this (Labour Party, 1997). As Kendall (2009) explained, Deakin, Michael and other leading policy agents played a critical role in the development of a new discourse on the need for a formal and structural review of state and voluntary sector relations in the mid-1990s, which the new government in 1997 proved able and willing to take up.

Much has been written about the broad thrust of 'New Labour' politics and policy and the extent to which it was distinctive and innovative (see Driver and Martell, 2006; Chadwick and Hefferman, 2003). Central to the new policy environment however, at least in the early years, was the notion of a *Third Way* for public policy planning (Blair, 1998; Giddens, 1998). The third way was intended to capture a rejection of public service policy planning which relied primarily on the state (as supposedly was the case with old Labour governments) or the market (as had been the case under the Thatcher governments of the 1980s). It also drew on the New Pubic Management notion that what mattered in service delivery was 'what worked' rather than who provided it. Much rhetoric permeated the third way discourses, and critics pointed out there was nothing new in promoting reliance on a mix of state and market forces or in being concerned to ensure that service delivery was effective. But in the context of voluntary sector policy development it created a potentially new space for a proactive role for the sector as a tailor-made alternative to both the state and the market.

By being explicitly not-the-state and not-the-market, the third sector could offer a genuine alternative provider base. A government seeking to celebrate and promote such welfare mixing was therefore likely to embrace voluntary and community activity, and to seek to bring it into the mainstream of political debate and policy planning (Macmillan and Townsend, 2006). This is just what Labour did, not just mainstreaming third sector policy, but doing so 'hyperactively' (Kendall, 2009).

An enhanced role for voluntary action within the third way was supported early on by the Prime Minister, Tony Blair in a speech to the NCVO Annual Conference:

> *'History shows that the most successful societies are those that harness the energies of voluntary action, giving due recognition to the third sector of voluntary and community organisations.'* (Blair, 1999)

And at a similar event six years later, the man who would succeed him as Prime Minister, the then Chancellor Gordon Brown, expressed similar sentiments talking of a:

'Transformation of the third sector to rival the market and the state, with a quiet revolution in how voluntary action and charitable work serves the community.' (Brown 2004)

Blair's quote was an early example of the use of the term 'third sector' by the government, a point to which we will return below. The new engagement with the sector was also welcomed by key practitioners within it, who embraced the partnership theme which, as we shall see, became the leitmotif of new Labour policy. For instance, Stuart Etherington, Chief Executive of NCVO opened a speech in 2002 with the words:

'This is an exciting and challenging time for people working in the voluntary sector. Over the past five years we have seen a growing understanding of, and emphasis on working with, the voluntary sector across government. Partnership working has become the norm…' (Etherington, 2002).

In addition to speeches there were a range of government documents outlining the dimensions of the new relations between the state and the third sector, discussed in more detail below (for instance, Home Office, 1998), together with a cross-cutting review on the role of the sector in the delivery of public services as part of the Comprehensive Spending Review (HM Treasury, 2002), and a joint report on future planning for a ever wider role for the sector in social and economic regeneration (Cabinet Office and HM Treasury, 2007).

In an analysis of the broader ideological context new Labour policy development, Kendall (2010) went on to argue that what had been created by the discourses on third sector policy since the mid 1990s was a 'decontested space' for voluntary action at the centre of modern democratic society. This notion that both government politicians and policy makers, and third sector practitioners and protagonists, had developed a shared discourse around the desirability of a new partnership between government and the sector in policy planning was explored further by Alcock (2010a). He argued that what had emerged from this discourse was a 'strategic unity' amongst all the key agents and agencies, who had a collective interest in maintaining and developing the third sector as a space for policy intervention and forward planning. In the space of around a decade therefore the Labour governments had translated the emerging discourses of the mid 1990s into a new era of state and third sector relations with ever greater expectations about the role that the sector could play across society and the support that was needed from government to underpin this.

Institutional change

Central to the new era of partnership between the state and the third sector was the building of new institutions to act as sites for policy development and delivery. In the 1980s and 1990s the location for policy interface with the voluntary and community sector had been the Voluntary Services Unit within the Home Office. The Labour government's first strategy was to rebrand and expand this. In 2001 it became the Active Community Unit (ACU) and received an additional £300 million three year budget to underpin a programme of engagement and support for the sector aimed at promoting voluntary activity. This was followed by the creation of the Civil Renewal Unit with a wider remit to promote citizenship and community action, but with a focus too on the role of voluntary action in this. These

were then merged with a separate Charities Unit to create a larger entity within the Home Office, the Active Communities Directorate, expanding further the policy reach and the budgetary commitment.

Not only were new institutions being built up within the Home Office, however. In the Treasury a new Charity and Third Sector Finance Unit was created in 2006 to co-ordinate fiscal policy for the sector. And it was the Treasury in 2002 that initiated the cross cutting review of the role of the sector in service delivery, which led to some of the major investment programmes outlined below. The review was revisited in 2004 and 2005 (HM Treasury, 2004, 2005), with further investment and a continuing concern to ensure that support for the sector was included in mainstream financial planning within the Comprehensive Spending Reviews.

In 2001 the government also created a Social Enterprise Unit (SEU) within the then Department of Trade and Industry (DTI) to provide co-ordination and support for social enterprises. Social enterprise was a new term developed to apply to third sector organisations which traded as businesses, but had explicit social and/or environmental purposes, and used their surpluses to reinvest in the business rather than paying out dividends to shareholders. In practice this form of activity has been around for a long time, and could include for instance the co-operatives created in the nineteenth century. The broader area of the social economy, within which businesses with a social purpose operate, is also one well recognised and established in continental Europe (see Evers and Laville, 2004, Ch. 1). However, they became a new focus for political and policy concern within the UK at the turn of the new century, in part because of the expectation (or hope) that they could play a critical role in economic regeneration and neighbourhood renewal by promoting business and social development in rundown areas. A powerful lobby developed to promote social enterprises as a new form of third sector activity, at the heart of Labour's third way (see Peattie and Morley, 2008); and by 2001 this had led to the creation of the SEU and the development of Community Interest Companies (CIC) as a new legal form for social enterprise.

One of the recommendations of the Deakin Commission had been that the law on the definition and regulation of charities should be reviewed and updated, in particular as it dated back to the seventeenth century. The Labour government also took forward this proposal and in the Charities Act of 2006, for the first time in over three centuries, charity law was simplified and the definition of charities and more closely refined (Cabinet Office, 2002). All charities now needed to demonstrate 'public benefit' in order to register, and to secure or retain the benefits of tax relief, although much of the practical implementation of this new definition was left to the Charity Commission to develop.

By the mid 2000s a range of new institutions and legal forms had been created to provide a new structure for relations with the voluntary and community sector. Indeed if anything it was the wide range of institutions that was itself creating potential problems for policy co-ordination and practical engagement. So in 2006 the process of institution building was rationalised, and given even higher political profile, by the creation of a new Office of the Third Sector (OTS), based at the heart of government within the Cabinet Office. The OTS was constituted by merger of the Active Communities Directorate from the Home Office and the SEU from the DTI, although some of the civil renewal activities of the former Directorate were at the same time transferred to the new Department of

Communities and Local Government - and the Charity and Third Sector Finance Unit remained in the Treasury.

The OTS took over co-ordination of all government policies and investments for the sector, giving it a portfolio and a budget much larger than its separate constituents; and in 2009 it also took over control of the Social Exclusion Taskforce, which had started out in 1998 as a separate unit within the Cabinet Office. The move of social enterprise support from the DTI was not popular with all in the social enterprise community; but OTS moved quickly to establish its credentials here with the publication of a new Social Enterprise Action Plan (Office of the Third Sector, 2006).

The creation of OTS also meant that there was now a Minister for the Third Sector, within the Cabinet team; and the first incumbent was Ed Miliband, later himself a senior Cabinet member. It also meant that a Director for the Office had to be appointed; and the first person to hold this position was a significant appointment, for the post went to Campbell Robb. Robb had previously worked at NCVO as its policy lead and had a strong base within the voluntary and community sector. His appointment was a clear indication that partnership between the government and the sector could lead to transfer of people as well as ideas and resources, and that a sector perspective and experience would be valued at the centre of government.

Perhaps because of Robb's experience and commitment the OTS moved quickly to establish formal mechanisms for engagement with the sector, establishing an Advisory Body of senior sector representatives and a group of Strategic Partners with whom they would work in delivering funding and other support to third sector organisations. They also worked to establish links across government to ensure that third sector engagement reached into major service Departments, recruiting senior civil servants as 'third sector champions' in each Department.

Perhaps the most significant feature of the OTS, however, was what its title revealed about the organisational and conceptual base for policy under the Labour governments. The Office's remit was 'the third sector', and not just the voluntary and community sector. The merger with the SEU was critical in this, and was evidence of a clear intention by government to bring social enterprise and voluntary action into the same political and policy space. As the definition employed on the OTS website explains: *'The term encompasses voluntary and community organisations, charities, social enterprises, cooperatives and mutuals both large and small'*.

In an analysis of the policy discourses of the 1970s and 1980s, 6 and Leat (1997) argued that these had operated to create the voluntary and community sector as an entity. The creation of the OTS in the early twenty-first century in effect did the same thing for the third sector. Carmel and Harlock (2008) explored this in a rather more critical vein, arguing that in this way the third sector was a product of a new discourse of governance through which agencies previously outside of formal policy planning could be constituted as a 'governable terrain' and therefore a site for policy intervention and, potentially, control. The policy makers did, of course, have an active interest in securing the sector as a distinct entity. But it was not just policy makers who contributed to this new consensus. In 6 and Leat's study of the invention of the voluntary sector, practitioners also played a leading role; and, as Kendall (2009 and 2010) later discussed, many of the leading protagonists in

more recent debate and practice acquired a shared interest in promoting and supporting the notion of a third sector as a distinct and homogenous entity.

Capacity building and investment

One of the reasons for the support from sector practitioners for the new discourses of third sector partnership were the considerable benefits that flowed to third sector agencies and organisations as a result of the programmes of investment set up to provide practical support to back up the rhetoric of greater third sector involvement in service delivery and civil renewal. One of the issues addressed by the Deakin Commission was the capacity of third sector organisations to deliver on their own commitments and mission, and to engage more actively with government. Although some, especially the larger and well-established organisations, were well-placed to do this, and to take advantage of the new forms of engagement, many others were not; and both government and sector policy makers were concerned that the new environment of partnership should not be extended only to a small handful of larger and already more influential organisations within the sector. As a result therefore institutional change was accompanied by formal regulation and guidance, and by financial investment, to support partnership.

A recommendation of the Deakin Report (1996) had been the need for some proactive formalisation of relations between public and voluntary sector agencies in the form of a governing 'concordat'. This was taken up quickly by the government after 1997, and in 1998 they established a national *Compact* in England to provide a framework for relations between central government and third sector organisations, implementing the principles, if not the terminology, of Deakin (Home Office, 1998). Similar Compacts, with much the same aims and structure were implemented shortly after in Scotland, Wales and Northern Ireland. The national Compact was also promoted as a model for local compacts to be developed at local level between authorities, National Health Service agencies and other public bodies, and the representatives of the local third sector. And over the next few years local compacts were implemented in virtually all local areas (Craig et al, 2002).

However, the Compact was a framework for relations, not a legally binding document; and it required both parties to undertake proactive engagement with its guidance and procedures to make it work. This led to difficulties both nationally and locally, with some government departments and agencies much more willing and able to engage with the Compact protocols than others, and to criticism from practitioners that in some cases not enough was being done to translate documentary rhetoric into practical reality. The result was that national guidance was then issued on a number of key mattes of concern, such as whether and how to ensure that the full costs of voluntary organisations were included in contracts (Home Office, 2005). Later an independent agency, the *Compact Commission*, was established by government to oversee its implementation and promote good practice under it. The Compact was also a framework for partnership: third sector organisations had to play their part as active parties; and this led to the creation of another new agency, *Compact Voice*, to co-ordinate and promote engagement with the sector.

Despite the criticisms and the limitations, the Compact became a leading feature of new government commitments to engaging with the third sector. It has also led policy makers to recognise that co-ordination and partnership may require more than just formal agreement. In particular for third sector organisations to engage in the partnership arrangements that flow from the Compact, including securing funding under contracts to deliver services for government, then investment may be needed to build up their organisational capabilities and practical skills.

There had been examples of government support for organisational development in voluntary action and social enterprise in the twentieth century; but this had largely been confined to the work of national agencies operating within particular fields of social action, such as the Housing Corporation in supporting housing associations. Kendall (2003) has referred to these as *vertical* structures for support and he contrasted them with the *horizontal* dimensions which were introduced after 1997. Following the principles underlying the Compact, horizontal support was aimed at building up the capacity of all third sector organisations, whatever the focus of their mission or activity – although, as we shall see, inevitably not all could in practice benefit from this.

It was the Treasury-led cross cutting review of 2002 which led to the development of significant new initiatives to support third sector organisational development in England; and, because this was linked to the Comprehensive Spending Review, it led to new streams of investment for this. The first example of this was the *Futurebuilders* fund, initially £125 million over three years from 2005 to 2008, to provide grants or loans to third sector organisations to help equip them to bid for public funding.

The investment in *Futurebuilders* was expanded to £215 million and continued for 2008 to 2011, although delivery of the programme was transferred to a new independent agency, the Adventure Capital Fund, which later established the Social Investment Business (SIB). The SIB went on to become a major source of investment support for third sector organisations. It also administered the £70 million *Communitybuilders* fund, established by the Department for Communities and Local Government and the OTS in 2008 to provide support for small local and community based organisations, and the £100 million Social Enterprise Investment Fund, established by the Department of Health, to provide support for social enterprises bidding to deliver health and social care services. It became a major source of financial support for voluntary action and social enterprise therefore, much of it provided in the form of loans which, in principle at least, could secure the basis for an ongoing investment fund for the sector as these were repaid and could be re-invested.

In addition to the horizontal funding provided through SIB, the government introduced another programme in 2004 called *ChangeUp* to provide support for infrastructure agencies delivering capacity building services to third sector organisations. Infrastructure agencies operate at a national level, for instance the NCVO; but also at local and regional levels – most local authority areas have a local Council for Voluntary Service co-ordinating and supporting local organisations. There are also service based, or vertical, infrastructure agencies, such as the National Association of Citizens Advice Bureaux (now called 'Citizens Advice'), and these too have national and local manifestations. All have been supporting voluntary action for decades. However, the ChangeUp programme provided significant additional resources of £150 million for such infrastructure support, directed at particular organisational needs such as workforce development and information technology. After 2006

ChangeUp was delivered by a separate government agency established by OTS called *Capacitybuilders*. This led some commentators to refer to these horizontal investment initiatives as the 'builders' programmes; and certainly the theme of investing in building up the capacity of organisations runs through them all.

Public funding through the 'builders' programmes was a major boost to horizontal support for voluntary action over the last decade or so; but it was not the only source of such support. Independent funding from charitable trusts and foundations has always been an important source of support for organisational development within the sector, with some well known providers such as the Nuffield Foundation or the Baring Foundation playing key roles in promoting and developing third sector capacity. However, a major new source of independent support was created in the 1990s in the National Lottery Charities Board (now Big Lottery Fund or BIG), to distribute a proportion of the income from National Lottery ticket sales to third sector organisations. BIG grew significantly over the first decade of the century as lottery sales increased, and it provided over £2.8 billion for investment in voluntary and community action, much of which was linked to organisational capacity building and development. As a source of horizontal investment in the sector, BIG support was in some ways even more influential than government funding; and, as relatively independent of government policy priorities it was also able in practice to reach a wider range of third sector organisations. By the end of the 2000s therefore it had become a central feature of the new environment of capacity building and investment.

Partnership

The public investment in capacity building for the third sector in the UK, supplemented by other new resources such as the Big Lottery fund, led to a step change in horizontal support for voluntary action in the new century. Never before had so much public investment been available to the sector, and as a result the sector itself grew significantly over the decade or so after 1997. This growth was captured by the annual *Almanac* produced by the NCVO. In 2009 this revealed that income for general charities (only a part of the broader third sector) over the period from 2000 to 2007 had increased from £24.2 billion to £33.3 billion, with around 31 per cent of this coming from statutory sources (Kane et al, 2009, pp.29-36).

These additional resources expanded both the scope and the scale of voluntary action and social enterprise. They also meant that third sector organisations were better equipped to secure funding and develop their business, indeed much of the funding was tied specifically to such organisational development. They also raised the profile of the sector within politics and policy making more generally. Delivery of horizontal support required policy makers to engage with the sector to identify priorities, distribute resources and monitor outcomes. At the same time sector representatives were encouraged, and required, to review their own structures and priorities and to engage with politicians and policy makers in the development and delivery of programmes of support. Kendall (2009) had described this as 'hyperactive mainstreaming'; and it had significant consequences for voluntary action and third sector organisation within the UK.

As we mentioned earlier, if this new engagement could be captured in one word, then that word was *partnership* (Lewis, 2005). Partnership was the term frequently used by government to describe the new form of engagement which underpinned investment and support. The Compact was described as *'an expression of the commitment of Government and the voluntary and community sector to work in partnership'* (Home Office, 1998, Para.4); and this spirit of collaboration was also embraced by key sector representatives, such as in the quote from Etherington (2002) from the NCVO above. Partnership working required both sides to work towards common frameworks and common goals; and after 1997 there was a willingness on the part of the leading agents in government and the third sector to do just this.

There was a broader policy context to this new spirit of partnership however. One of the key drivers here was the expanding role of third sector organisations in the delivery of public services. Third sector organisations have always played a central role in delivering public services – the National Society for the Prevention of Cruelty to Children (NSPCC), created in 1884, was providing child protection services long before the creation of local authority children's departments. However, this role began to grow in the 1980s as the Conservative governments sought to explore alternatives to state monopoly of welfare services, and it expanded further in the health and social care field after the implementation of 'community care' in the 1990s (Kendall and Knapp, 2001). After 1997 Labour's commitment to a third way for policy development and the promotion of a mixed economy of welfare providers placed third sector delivery of public services at the centre of policy planning. The concern to ensure that users of services were given a choice in service access and to focus on the outcomes of policy provision (what works) rather than the input (who provides) provided an opportunity for third sector organisations to bid for and secure contracts to deliver public services, particularly in areas such as health and social care and community empowerment, where they already had a strong record.

The shift to contract funding for service delivery also had a significant impact on third sector organisations, however. It required them to acquire skills and experience in procurement processes, contract negotiation, cost allocation and reporting and evaluation. It was the need to equip organisations with these skills and competences which was behind much of the builders investment discussed above; and the consequences for the structure of the sector have been clear to see. Whilst income from statutory sources grew from £8.4 billion to £12 billion from 2000 to 2007, all of this additional income came from contract funding, with grant funding even declining slightly from £4.6 to £4.2 billion (Kane et al, 2009, p.40).

The expansion of contract funding for service delivery was warmly welcomed by some in the sector, for instance, the Association of Chief Executives of Voluntary Organisations (ACEVO) and their chief executive, Stephen Bubb, who have championed an ever greater role for third sector service delivery as an alternative to a bureaucratic state and a profit oriented market (ACEVO, 2004). However, contract funding was not without it problems, not the least the need for organisations to acquire new skills, and the 'transactional costs' of securing and delivering on contracts themselves. It also meant that the services provided were driven by the needs, and priorities, of government funders

rather than the missions of organisations themselves. And some have expressed concerns that this could threaten the more general independence of the sector (Smerdon, 2009).

Service delivery was not the only driver behind the new partnership between government and the third sector, however. In his introduction to the Compact in 1998, the then Prime Minister, Tony Blair, talked about the government's mission to support voluntary and community organisations and said this was because,

> *'They enable individuals to contribute to the development of their communities. By so doing they promote citizenship, help to re-establish a sense of community and make a crucial contribution to our aim of a just and inclusive society'* (Home Office, 1998, p. 1).

The role that third sector organisations can play in promoting citizenship and civic engagement has long been recognised as key dimension of voluntary action; and has been articulated theoretically by Putnam (1993, 2000) in his world famous work on voluntary organisations and social capital. Putnam was an early advisor to the new Labour administrations on social capital and civic engagement, and his ideas amongst others were instrumental in convincing the government that another reason for supporting the third sector was the contribution which it could make to democratic politics through promoting engagement in social action. In 2003 the Home Office published a strategy document on *Building Civil Renewal* (Home Office, 2003) and established a separate Civil Renewal Unit to provide support for third sector partnership in community based regeneration activity (Home Office, 2004).

The Civil Renewal Unit was merged into the OTS in 2006, although some of its budget and activities were transferred to the Department for Communities and Local Government. This suggested something of a division between this dimension of policy engagement and partnership and the Treasury led support for public service delivery. Both were aimed at horizontal support for partnership action through building the capacity of third sector organisations, and both were instrumental in expanding voluntary action and raising the profile of the third sector; but they had rather different aims (service provision, and community engagement) and in practice were often targeted on different parts of the third sector (larger service focused charities and social enterprises, and smaller community groups). Service delivery also tended to be supported through contracts for provision, whilst support for civic renewal was more likely to take the form of grants.

One effect of this was to threaten a bifurcation within the sector, between the larger well-funded delivery organisations, and the smaller less well-established community groups. That the former were more likely to share the aims of their public funders and the latter were more likely to be challenging or even campaigning against public agencies, made this division potentially more politically problematic too - for both government and third sector partners. The divide was sometime presented as creating a distinction between the *insiders* (compliant and welcome partners) and the *outsiders* (challenging and potentially threatening opponents); although, as Craig et al (2004) explained, in practice the distinctions between engagement and challenge in relations between third sector organisations and public agencies were more complex and nuanced that this simple bi-modal model might suggest.

The divisions between different third sector organisations flowing from these different strands of government support for the sector were also reflected in the ideologies and discourses which

underpinned these. As discussed above the notion of a single third sector was at best one constructed from a 'strategic unity' within policy discourse, based on the mutual benefits which both government and sector agencies could extract from a unified space for policy intervention and practice development (Alcock, 2010a). And in an analysis of the ideological debates which lay behind these discourses, Kendal (2010) argued that fractures existed here, based on different emphases or dimensions within the partnership model: from higher regulation to lower regulation, and from higher engagement and lower engagement. From these dimensions of partnership relations he identified an unfolding ideological differentiation, with three different 'constellations' or 'camps' emerging, supporting different models of partnership, and potentially different levels and means of engagement and support –

- consumerist ideologies – largely based on quasi-market public service delivery concerns, promoting the sector as an alternative to state and market failure;
- civil revivalist ideologies – with a state-led focus on third sector contributions to civil order, promoting the sector as a response to a perceived democratic deficit;
- democratic renewal ideologies – with a community focus on group action and engagement of local citizens, promoting the sector as a vehicle for community empowerment.

In one sense, of course, this was hardly surprising or concerning. The third sector has always been known to be an aggregation of a wide range of different shapes and sizes of organisations engaging in an almost infinite range of activities, from major international service providers like Oxfam to the local church playgroup – once tantalisingly described by Kendall and Knapp (1996) as 'a loose and baggy monster'. And though fractured these ideological camps all have co-existed within a broader consensus on the values of partnership between the state and a collective third sector. However, what this more nuanced analysis revealed was that the policy environment created by the new Labour governments after 1997 had a more complex dynamic than the simple notion of partnership might at first suggest, and also that the third sector which came together to engage with this partnership was itself a fractured unity.

Conclusion

Throughout the thirteen years of new Labour government after 1997 voluntary action enjoyed a higher profile in political debate and policy planning than at almost any point in its long history. The government openly committed itself to promoting and supporting an active partnership with the sector, and sector agencies came together to embrace and engage with this in a climate of sectoral unity that was unprecedented. What is more this new united third sector expanded to include social enterprises, co-operatives and mutuals which would not in earlier times naturally be seen as belonging to a collective third sector. A shared discourse of policy and practice thus created a new third sector and placed it at the centre of a new third way for policy development

However, the policies and practices of the new Labour era had their roots in a longer history of engagement between voluntary action and government support and intervention. What is more the

unity of discourse in policy and practice was at most only a strategic unity, based in large part on the mutual benefits which both government and the third sector could gain from the practice (and in some cases the appearance) of partnership working. Government policy has been less holistic and co-ordinated than this in the past, and could become less so in the future; and the strategic unity which was constructed within the third sector to engage with the new Labour partnership agenda could fragment and divide in a changed political and policy landscape.

This begs the question, of course, of to what extent third sector partnership was an exclusively new Labour idea – in particular at a time when a general election may see Labour removed from government after thirteen years of office. This is not the place to speculate about future policy development; but in practice there is evidence that many of the positive features of closer government and third sector relations are shared by the other major UK political parties. In particular in 2008 the Conservatives published a 'Green Paper' on third sector policy development which echoed and endorsed many of the key elements of recent Labour policy developments (Conservative Party, 2008).

However, much of the positive engagement in partnership by both government and the third sector has been driven by the high levels of financial support available through the OTS and the 'builders' programmes in England, and through analogous provisions within the devolved administrations in Scotland, Wales and Northern Ireland. The ability of government to sustain such support in the aftermath of the severe economic recession of 2008 to 2009 will be open to question, whichever party takes in power after the summer of 2010. Whilst political support for partnership may be broad and deep therefore, economic support for an expanding process of engagement and support may be hard to deliver – and without this the unified discourses of partnership may fragment into competition within the sector, and challenge to government agencies no longer able to meet the demands of all. Whatever happens to the politics and ideology of voluntary action therefore, economic pressures may mean that in time history may judge the new Labour era to have been a high water mark in partnership between the state and the sector.

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About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The third sector research centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

Third Sector Research Centre, Park House, 40 Edgbaston Park Road,
University of Birmingham, Birmingham, B15 2RT

Tel: 0121 414 3086
Email: info@tsrc.ac.uk
www.tsrc.ac.uk

Theory and Policy

It is essential that the Centre's research is informed by a strong theoretical and conceptual analysis of the sector and the policy environment within which it is situated. Theoretical analysis of the sector is not well developed in the UK, in part because of the applied focus of much existing research. TSRC will contribute to ensuring that difficult theoretical issues are articulated and explored. Critical understanding of the policy environment is also essential, for it determines much of what happens within the sector. TSRC is co-funded by the Office of the Third Sector which is responsible for developing and delivering policy in England. The Centre's research will help inform this policy development, but will also make that policy process itself the subject of critical review. We need to know 'what works', but we also need to understand who decides 'what matters'.

Contact the Author

Professor Pete Alcock
Tel: 0121 414 3171
Email: p.alcock@tsrc.ac.uk

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Funded by:

Cabinet Office
Office of the Third Sector

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