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Hybridity, diversity and the division of labour in the third sector: what can we learn from homelessness organisations in the UK?

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Contents

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Abstract

Whilst the boundaries between the different sectors within the welfare mix have always been indistinct, the increasing involvement of third sector organisations (TSOs) in government contracts has arguably accentuated the 'blurring' of inter-sectoral boundaries over recent decades. It is partly as a consequence of this that the concept of hybridity has come to the fore in third sector studies. Taking homelessness TSOs as an example, this paper builds upon existing theoretical work on hybridity and presents the welfare pyramid as a theoretical framework within which hybridisation and its implications for TSOs of different types can be conceptualised. It highlights the existence of an organisational division of labour within the homelessness third sector, which seems to have been exacerbated by contracting processes, and draws attention to the need for policy-makers to take into account the varied roles, capacities and limitations of different types of TSOs.

Keywords

Welfare mix, homelessness, hybridity, contracting

Introduction

The recent escalation of political interest in the third sector and its role as a provider of state funded services in the UK has been premised at least in part upon the notion that third sector organisations (TSOs) have certain comparative advantages over statutory and private sector providers. For instance, the New Labour government's Office of the Third Sector (2006: 9–10) suggested that TSOs

> often bring a range of strengths to the tasks of empowering users and promoting community engagement, particularly for those who may be distrustful of the state. They often have the personalised approach and public trust required to build services around the needs of users and to build their capacity.

Both nationally and across Europe, the growing preference for third sector involvement in service provision has been concomitant with an increasing emphasis on monitoring the performance of organisations that receive state funding, and the development of competitive quasi-markets amongst prospective third sector providers. This has amounted to a radical re-working of the funding and policy environment in which many TSOs operate, the implications of which have been complex and ambiguous. The changes have not only affected individual TSOs, but have also disrupted and challenged our understandings of how the third sector – or the voluntary sector as it is often termed in the UK – might be defined and its boundaries delineated (see for example Alcock, 2010; compare Kendall and Knapp, 1995: 90). The 'blurring' of the boundaries between the different sectors that comprise the welfare mix is certainly not a new phenomenon, but has arguably been accentuated through the increasing adoption by some TSOs of values and practices associated with the state and market sectors. The notion of 'hybridity' has consequently come to the fore as a means by which we might better understand and conceptualise the third sector's identity, and that of the organisations within it, particularly in relation to the other sectors (e.g. Evers and Laville, 2004; Billis, 2010).

In his recent book, *Hybrid organisations and the third sector*, David Billis (2010) notes that the study of 'hybridity' as it applies to the third sector is in its infancy, and points to the need for the development of 'tentative theories' in this area. This paper responds to this call by providing an alternative perspective on hybridity and presenting another tentative theory, the 'welfare pyramid' model. However, it is Adalbert Evers' (e.g. 1988; 2005) earlier work on hybridity and his concept of a 'tension field' within the welfare 'triangle' with which this article engages most closely. The welfare pyramid model maintains (in line with Evers) that values and practices typically associated with the markets, state and informal sectors – the latter of which is excluded from Billis' (2010) analysis – influence and are appropriated by TSOs to varying extents; however, it departs from Evers' conceptualisation by assigning the third sector an identity of its own, and by asserting that hybridity is pervasive across all sectors of the welfare mix, rather than being distinctive to the third sector. Whilst there are some commonalities between the conclusions drawn in this paper and the arguments made by Billis (2010), three key differences are: the inclusion of the informal sector – networks of family and friends – as a third interface at which hybridisation can occur; the recognition of different stages or degrees of hybridity (in contrast to Billis' binary distinctions between shallow and entrenched hybrids,

for example); and the notion that differing degrees and types of hybridisation allow different TSOs to fulfil particular functions or niche roles.

Some might argue that discussions about hybridity are of little relevance beyond the academic sphere: this paper counters this view by demonstrating that such debates can help draw attention to the differing resource requirements and capabilities of different types of TSO, and enable us to anticipate variations in the impacts of policy interventions across the third sector. This is particularly important in the contemporary UK context in which the advancement of the Coalition government's Big Society agenda will likely entail a still greater emphasis on the role of TSOs in public services than did New Labour's Third Way. Interestingly though, the Coalition government has abolished the third sector capacity-building bodies established by New Labour and has also departed from their approach by promoting the role of volunteers in public service delivery. If this rhetorical emphasis on volunteering is reflected in resource allocation decisions and policy interventions (or indeed a lack of them) it will mean a significant change in trajectory for many TSOs. The model presented in this paper provides a theoretical framework through which the influence of such changes on different types of TSOs - and those whose needs are met through their services – can be conceptualised and explored.

It has been suggested that in order to understand the hybridity, dynamism and diversity of the third sector more fully, it is useful to focus on a particular field of activity and investigate the full range of organisations operating within it, including those at the periphery of the sector whose identity as TSOs is debateable (Brandsen *et al.,* 2005). The current paper seeks to do this, taking single homelessness services[1] in the UK as an example. Homelessness is an insightful field upon which to focus for this purpose, for several reasons. First, TSOs have historically played a major role in homelessness services: they therefore exhibit a wide range of organisational forms, characteristics, service types and stages of development. Second, developments in UK homelessness policy over the past 10 years have seen an increase in government funding and regulation of homelessness TSOs. Homelessness TSOs have also become increasingly involved in contracting and competitive tendering (Buckingham, 2009), and hence experience the quasi-market conditions whose impacts are of ongoing interest within third sector studies and social policy research more broadly. Finally, homelessness is a sphere in which attributes deemed to characterise the third sector – such as being values-driven, placing an emphasis on personal relationships, and involving the community – are often crucial to the quality and effectiveness of services (Billis and Glennerster, 1998). It is therefore important to explore the impact that hybridisation might be having on these attributes.

The welfare pyramid model was developed by bringing the findings of a recent empirical study into dialogue with broader theoretical debates about the third sector. The empirical research explored the impacts of government contracting on 20 TSOs providing homelessness services in southern England, and the paper begins with a brief description of this study. The subsequent section introduces the concept of the welfare mix and explains its relevance to homelessness services; it then goes on to engage with debates about hybridity, relating these to the roles, characteristics and experiences of homelessness TSOs and highlighting some of the shortcomings of existing models. The welfare pyramid is introduced and is then used in conjunction with interview data to explain the division of labour that exists amongst homelessness TSOs, and to show how this has been influenced by policy

and funding arrangements. In closing, the paper considers the implications of the changing division of labour for the homelessness field, and reviews what has been learned in relation to wider policy and academic debates about hybridity and the third sector.

The case study: homelessness TSOs in south-east England

To investigate the ways in which conceptual debates about the influence of the market, state and informal sectors were (or were not) being played out in the day-to-day workings of TSOs, it was necessary to adopt an intensive, and primarily qualitative, methodology. The study therefore focused on a relatively small geographical area encompassing two local authorities in south-east England, Hampshire and Southampton.[2] Twenty-three semi-structured interviews were conducted (in 2007/08) with representatives of 20 TSOs that provided services for single homeless people in these areas.[3] A further three interviews were conducted with one infrastructure TSO manager and two local government representatives. The TSOs studied were diverse in terms of their size, income sources, service types and level of volunteer involvement, and quantitative data from documentary sources were used to categorise the TSOs according to these characteristics. Given the limited sample size and scope of the evidence base, it is not my intention to present the welfare pyramid model as a theory that necessarily applies in other geographical or service provision contexts: rather, it is put forward as a conceptual framework that may aid reflection on the different trajectories being taken by TSOs and the diverse and changing roles that they play in welfare provision, thereby enabling theoretical debates about hybridity to be traced through to their political and social implications.

The national and local policy context and the services provided by the TSOs studied are described elsewhere (Buckingham, 2010) but it is important to note here that not all of them were involved in government contracts: some relied solely on volunteers and donated income, for example. The 20 TSOs were classified into four types according to their characteristics and their experiences of and responses to contracting: Comfortable Contractors, Compliant Contractors, Cautious Contractors, and Community-based Non-contractors. The typology was derived using both the quantitative and qualitative data, and whilst it of course simplifies what is a far messier and more complex reality,[4] in doing so it renders the diverse experiences of TSOs more comprehensible and allows these experiences to be given voice within the research outputs. The four types, and the process by which they were defined, are described in more detail in another paper (Buckingham, 2010), but their key attributes are summarised in Figure 1 (the numbers in parentheses indicate how many of the TSOs in the study were classed as this type).

Figure 1: A typology of organisational responses to contracting (Buckingham, 2010, p. 13)

Type 1: Comfortable Contractors (5)	Type 2: Compliant Contractors (7)
• Typically housing associations or related organisations with business-like practices • Involved in government contracts • Homelessness is not 'core' business • No volunteer involvement • No voluntary income	• Charities that have become business-like and professionalised • Heavily dependent on government contracts • No/little volunteer involvement • No/little voluntary income
Type 3: Cautious Contractors (4)	**Type 4: Community-based Non-contractors (4)**
• Involved in government contracts • Voluntary income is significant • Involve paid staff and volunteers • Tensions between multiple stakeholders • Resistance or difficulty in adapting to government requirements • (Often) faith-based	• Not involved in government contracts • Entirely voluntary funded • (Almost) entirely staffed by volunteers • Small organisations or groups of people • Embedded in local communities • Independent of government monitoring • (Often) faith-based

Whilst the typology served primarily to highlight TSOs' divergent responses to contracting, it also drew attention to the division of labour within the homelessness third sector, and it was apparent that different types of TSO were performing different functions and meeting different types of need. Furthermore, it seemed that government contracting and the processes associated with it were exacerbating the division of labour between contracted and non-contracted TSOs. Locating the different types of TSO in relation to other sectors of the welfare mix will enable us to better understand these changes.

Hybridity, homelessness, and the welfare mix

The prolonged dominance of TSOs in providing services for single homeless people in the UK can partly be explained in terms of the 'failure' of other sectors to meet their needs. These failures may arise because of neglect, resource insufficiency, the inherent limitations of particular welfare sources, or due to barriers that make it difficult for single homeless people to access welfare provision. In terms of state welfare for example, many single homeless people do not fall into the priority need groups that local authorities in the UK have a duty to accommodate and most are not eligible for income support. Mistrust of state agencies and reluctance to be identified can also prevent homeless people from accessing statutory services (Cloke *et al.*, 2001). Homeless people often lack the financial resources to secure their welfare by purchasing goods such as accommodation or food through private markets and, relatedly, face considerable barriers to participating in the labour market. Furthermore, many homeless people are unable to draw on family networks to meet their needs. Homelessness is often

triggered by family and relationship breakdown, and in some cases families or households have been a source of dis-welfare: many homeless women are victims of domestic violence, for example. Homeless people are often geographically distant from their family and friendship networks, which reduces the resources that they might draw upon for financial or material support, and increases the likelihood of their experiencing social isolation.

In summary, whilst single homeless people are able to draw to some extent on the state, market and informal sectors to meet their needs, they are likely to encounter significant difficulties in securing their welfare from these sources. However, the barriers and shortcomings associated with the other sectors do not in themselves provide a sufficient explanation for the importance of the third sector in compensating for them: there must be certain characteristics, or comparative advantages that enable TSOs to overcome some of the other sectors' limitations (Billis and Glennerster, 1998). To address this question, we need to place the third sector in the context of the welfare mix.

The welfare mix refers to the way in which the welfare needs of a population are provided for by a combination of different sources (or sectors), the configuration of which varies over time and space (Rose, 1986; Esping-Andersen, 1990; Pinch, 1997). Work on this theme initially identified three main sectors: the market, the state and the informal welfare sector, the latter being made up of the support that families, friends and neighbours might provide for one another (Rose, 1986; Esping-Andersen, 1990, 1999). However, as political and academic interest in the third sector increased, Evers (1988) observed that voluntary organisations (as he termed them in that text) also contributed significantly to people's welfare but did not fit into any of the three sectors within the 'welfare triad'. Other scholars had conceived of the third sector as a domain located between the market and the state (Seibel and Anheier, 1990), and as a response to market and state 'failure' (Hansmann, 1980). Evers, however, suggested that the third sector could be better understood as existing within a triangular 'tension field' between the three other sectors (Evers, 1988; 1995; Evers and Laville, 2004).

Figure 2: The welfare triangle (after Evers, 1988)
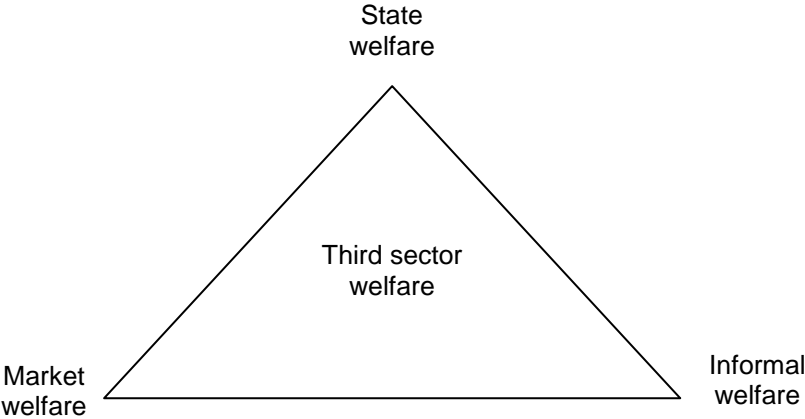
Evers' 'tension field' provides a useful framework within which to conceptualise the influence of changing state-third sector relations on TSOs: organisations can be conceived of as moving along different trajectories towards or away from the other sectors as their characteristics and relationships change over time. However, this requires some degree of consensus about the primary rationalities or

principles that characterise these other sectors. Although there are discrepancies between the accounts offered by different theorists, it can be broadly surmised that state welfare is based upon notions of citizenship and the state's authority to redistribute resources to promote equality or at least a minimum standard of living; market provision is based on the notion of individual choice governed by competition and the profit incentive; and informal welfare relies upon principles such as care, reciprocity, solidarity and personal obligation (see Rose, 1986; Evers, 1988, 1995; Evers and Laville, 2004; Brandsen *et al.*, 2005; Billis, 2010). Having identified these characteristics, the welfare triangle model (Figure 2) enables us to conceptualise the third sector as having a periphery populated by organisations whose characteristics closely resemble those associated with other sectors. However, it is difficult to discern which attributes might characterise organisations located at the central 'core' of the third sector.

The triangular tension field model circumvents this problem because it does not afford the third sector a distinctive identity of its own, suggesting instead that TSOs' distinctiveness lies in their hybridity or (in other words) their ability to combine the values and practices of the other sectors (Evers, 2005). Few would dispute that the third sector is 'simultaneously influenced by state policies and legislation, the values and practices of private business, the culture of civil society and by needs and contributions that come from family and community life' (Evers and Laville, 2004: 15), but there is considerable doubt over whether this hybridity can be seen as distinctive to the third sector. As Bode (2006) points out, all welfare sectors are permeated to some extent by values and practices associated with other sectors. One might consider, for instance, the increasing importance of corporate social responsibility in private markets, or the introduction of quasi-markets within state welfare services. It may be that the central position of the third sector in the welfare triangle loads this model towards the conclusion that the third sector *consists in* the combination of the influences of the surrounding sectors, when in fact the inter-sectoral exchange of practices and rationalities occurs across all sectors. Second, much of the literature on the third sector is underpinned by the premise that there is something distinctive about the sector (e.g. Osborne and McLaughlin, 2004; Cairns *et al.*, 2005), and although this is not always precisely specified or agreed upon, even those who appear to endorse Evers' hybridity thesis continue to advocate further research into whether there exists a unique 'third sector rationality' (Brandsen *et al.*, 2005: 761).

The question of exactly what (if anything) is distinctive about TSOs is a contested one, but insights can be gained from the wider third sector literature about the practices, values and characteristics that are typical of such organisations (e.g. Seibel and Anheier, 1990; Harris *et al.*, 2001). For instance, Salamon and Anheier's (1997) structural-operational definition outlines five features shared by organisations in the sector: they must be organised (having meetings or procedures etc.); private (i.e. separate from government); non-profit distributing; self-governing; and involve some form of voluntary input (Salamon and Anheier, 1997: 33–34). TSOs are often seen as having a distinctive ability to strengthen active citizenship and democracy through engaging volunteers and campaigning (Brown *et al.*, 2000) and may provide a less bureaucratic, more personalised service, being able to innovate and respond more creatively and flexibly to local needs (Billis and Glennerster, 1998). The ability to cultivate trust has been identified as an important feature of TSOs and they can nurture social environments in which individuals and communities can develop and interact (Parr, 2000; Conradson,

2003). While they usually share the statutory sector's public benefit objective, TSOs are often more directly associated with particular moral frameworks such as religious beliefs, which may characterise their services to varying extents (Cloke *et al.*, 2005; Cloke *et al.*, 2007). The ability to combine multiple functions such as service provision, innovation, advocacy, values expression and community-building, has also been put forward as an important feature of TSOs (Kendall, 2003; Evers, 1995). Clearly not all TSOs serve all of these functions, but where organisations do have multiple roles, these may often be interdependent. For example, the value-expressive function of the third sector is often significant in drawing employees to work within it (Frumkin, 2002), therefore maintaining opportunities for the expression or enaction of particular values within an organisation may influence its effectiveness and sustainability.

The diversity of the third sector, coupled with the inter-sectoral mixing alluded to previously makes it difficult to identify distinctive characteristics that are shared by all TSOs, and the attributes listed above are by no means unique to TSOs. However, such complexities also characterise the state and market sectors and have not precluded the association of generalised principles and characteristics with these sectors (e.g. Rose, 1986). As such, whilst arguments about the third sector's distinctiveness are likely to remain unresolved, there is still value in seeking to identify 'ideal type' characteristics for it. Billis (2010: 55) offers a useful model of sectoral ideal types, and suggests that ownership by members and governance through private elections are 'third sector principles', along with the commitment to a distinctive mission and access to resources in the form of dues, donations and legacies. This paper employs a similar approach but focuses on three features which, on the basis of the literature reviewed above, can be considered to characterise an 'ideal type' TSO:

- commitment to a particular mission or goal that is defined from within the organisation;
- independence: from the legal obligation to pursue goals imposed by government; from the commercial incentive to maximise profits; and from expectations/responsibilities of reciprocity or generosity within familial relationships or close friendships;
- use of voluntary resources in the form of financial or in kind donations, and/or labour, given by individuals or groups who choose to support the organisation and are not obliged to do so through statutory taxation or family responsibilities, and who do not stand to profit financially from their donation.

It is important to clarify that the word 'ideal' is not used in a normative sense here. Indeed, it may be that organisations that exhibit these typical characteristics most strongly are also the most vulnerable to the comparative disadvantages associated with the sector such as particularism (Salamon, 1987), mismatches between social needs and resources (e.g. Fyfe and Milligan, 2003), and excessive amateurism (Salamon, 1987). However, it is important to acknowledge that there remains considerable diversity within this ideal type in terms of scale, mission and practices: it does not consist solely of small grassroots organisations. Some very large, national TSOs rely mainly on donated income and have paid workforces, sometime with volunteers alongside them. The ideal type serves rather as a reference point, enabling us to compare different types of TSO and better understand the processes and consequences of hybridisation for TSOs and those they serve.

The welfare pyramid

The previous discussion has argued that, in spite of its diversity and ability to adopt values and practices from other sectors, the third sector does have some typical characteristics, suggesting that it should be afforded an identity of its own within models of the welfare mix. Here, a modified version of Evers' triangular model is proposed, which responds to this problem whilst retaining the original model's power to conceptualise hybridity or inter-sectoral mixing.

Esping-Andersen (1999, in a footnote on p. 35) noted that the third sector could constitute an additional component of the welfare 'triad' and, paraphrasing him, Powell (2007: 7) suggested that the triangle should in fact be a diamond. However, this would distort the visualisation of the mixing between sectors (by creating two pairs of opposing vertices) and would make it difficult to trace the movement of different TSOs within the model. Instead, I suggest that a fourth 'third sector' vertex could be added to create a three-dimensional model: the welfare pyramid (Figure 3).

Figure 3: The welfare pyramid
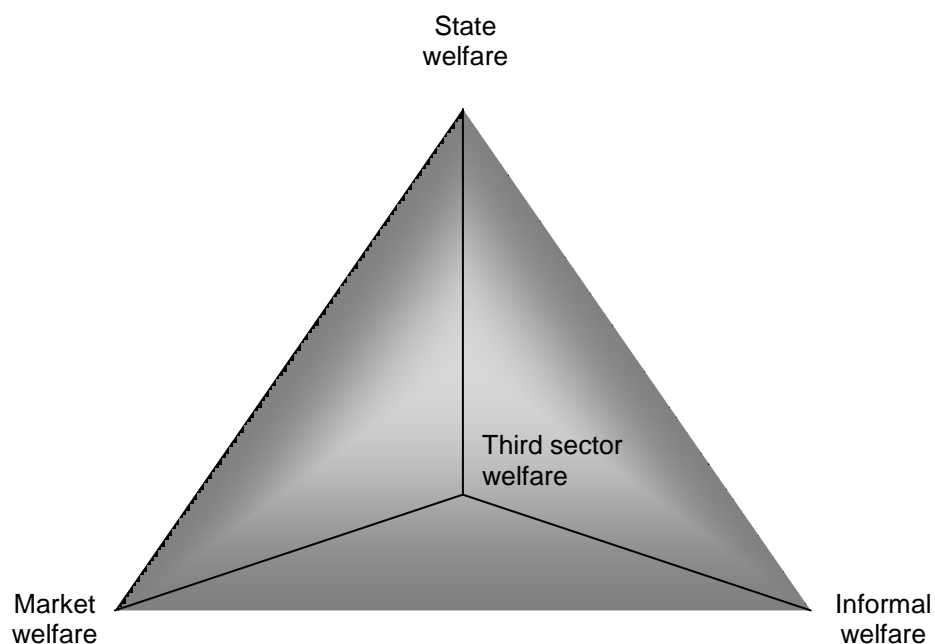
This morphological change has a number of significant effects. First, by introducing a third sector vertex, the third sector is given an identity of its own, rather than simply being conceived of as a hybrid of the other sectors. Second, in this three-dimensional figure the third sector is displaced from its central position (see rotation in Figure 4, for example), meaning that the model no longer places disproportionate emphasis on this sector and is not weighted towards the conclusion that hybridity is unique to the third sector. Third, the tension field becomes a three-dimensional tension zone containing organisations from each of the four sectors. Each vertex represents the core of each sector, at which the typical characteristics associated with that sector (see pages 11, 14–15) are most closely satisfied, but each sector extends into the tension zone, as long as the characteristics

associated with that sector remain dominant. The tension zone therefore remains a space of hybridity, but is not occupied entirely by the third sector. Moving away from the vertices along the pyramid's edges, and towards its centre, there is greater mixing or hybridisation of the characteristics of two or more sectors. Individual TSOs can therefore be located within this three dimensional space according to the characteristics they exhibit.

Positioning homelessness TSOs within the welfare pyramid

The welfare pyramid allows us to conceptualise the movement of TSOs towards the state, market or informal sectors over time. There was certainly evidence to suggest that such transitions were being made by the homelessness TSOs studied. Crudely, the quality measurement processes could be seen as more characteristic of bureaucratic state administration processes, whilst tendering was intensifying competition amongst TSOs and encouraging them to maximise cost-efficiency, principles typically associated with the market sector. The welfare triangle and pyramid (as drawn in Figure 3) suggest that these two tendencies towards the market and state would 'pull' TSOs in different directions, creating an additional dimension to the tensions between the core and periphery described earlier. However, this did not appear to be the case. The influence of marketisation on state welfare since the 1980s has drawn state sector actors towards the market sector vertex. As a result, when conceptualising the changes affecting the TSOs studied here it is perhaps more accurate to think of one broader trajectory towards the marketised state (Figure 4), than of two divergent trajectories towards the market and the state.

Figure 4: Positioning homelessness TSOs within the welfare pyramid
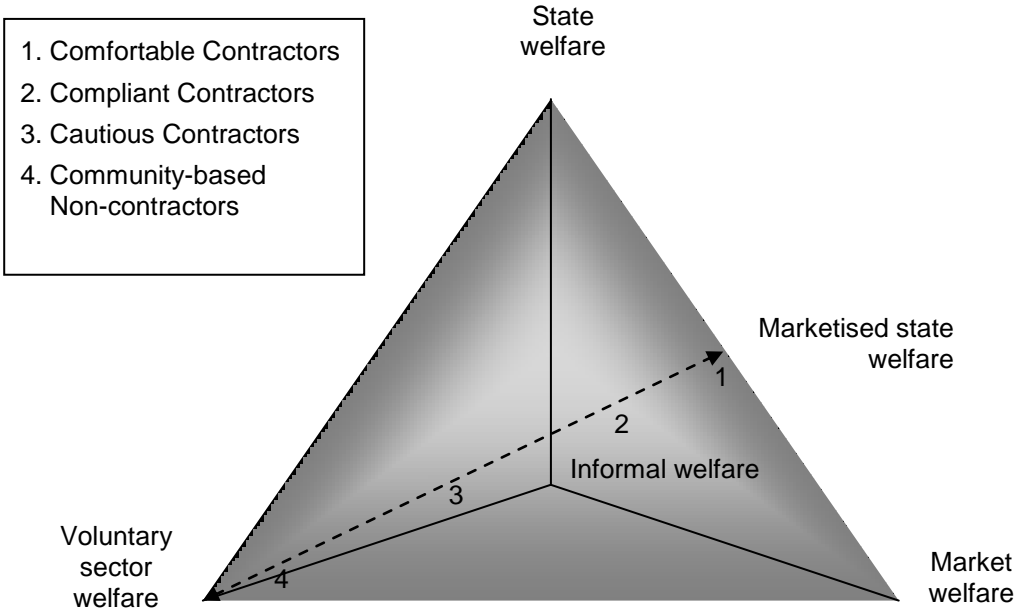
The different types of homelessness TSO identified in this study can be understood to occupy different positions along this trajectory, as Figure 4 shows. The Community-based Non-contractors most strongly reflected the characteristics associated with the third sector that were identified previously, and are therefore located at the 'core' of the third sector. By contrast, the Comfortable Contractors were closest to the marketised state in terms of their values and practices. The Compliant and Cautious Contractors were positioned in between these poles. For the majority of the Compliant and Cautious Contractors the third sector vertex represented their approximate historical point of origin: formalisation and professionalisation in response to state contracting had contributed to their migration towards their current position. Some providers had originated as Comfortable Contractors, having been established in response to the availability of government funding: these correspond with Billis' (2010: 61) 'enacted' hybrids, those which are 'established from day one as hybrids, usually by other organizations'. The welfare pyramid also reveals some of the alternative pathways that TSOs might pursue. Organisations could also move back towards the core of the third sector, for instance by increasing their use of volunteers or voluntary income, or by becoming more independent from the state. As such, the arrow marked in Figure 4 is perhaps better described as a continuum than a trajectory. However, while a few managers reported that they were contemplating measures that would have caused their organisations to change direction and move closer to the core of the third sector, none seemed to have done this as yet.

How can the welfare pyramid help us understand the changing division of labour amongst homelessness TSOs?

It was noted earlier that single homeless people often encounter difficulties in accessing market, state and informal sector welfare, and the different types of TSOs in this study seemed to be responding to needs arising from the shortcomings or inherent limitations of different sectors of the welfare mix. The welfare pyramid can help us to conceptualise the way in which hybridisation (driven, for instance, by changes in the policy and funding environment) might influence TSOs' capacities to meet to such needs. The Comfortable, Compliant and Cautious Contractors usually provided accommodation, thereby catering for needs that would usually be met through private or social housing markets. These TSOs also offered housing-related support under the Supporting People programme, which aimed primarily [albeit implicitly] to better equip clients to access state or market welfare, for instance by preparing them to maintain a tenancy in private or social housing,[5] or providing assistance with budgeting, benefits applications or securing employment. These TSOs were therefore compensating for some of the shortcomings of state and market welfare, and helping homeless people overcome barriers to accessing these.

By contrast, the Community-based Non-contractors primarily served functions that family and friends might otherwise have provided, such as companionship, hospitality, emotional support and meeting financial or physical needs in emergencies. As such these TSOs could be said to be compensating for shortcomings in informal welfare provision.[6] As one volunteer leader put it:

> Because we're here every week, we get to know them and they get to know us, and they can confide in us ... And you know they sort of rely on us now, and class us as part of their friends (Interview 22; Community-based Non-contractor)

The involvement of volunteers in these services seemed to be fundamental to their ability to meet these types of need, because this facilitated the development of informal relationships and a degree of social integration with wider local communities. In several of these organisations, commitment to the Christian faith played an important part in this, both in terms of motivating volunteers and giving access to broader communities in the form of church congregations that were sources of volunteers and donated resources, and in some cases provided opportunities for people using the services to develop social relationships beyond the service provision context itself. These observations correspond with the findings of previous research on homelessness services in the UK which included interviews with service users and volunteers (Johnsen *et al.*, 2005a, 2005b; Cloke *et al.*, 2005, 2007).

The division of labour between contracted and non-contracted providers was becoming more pronounced as a result of the government's homelessness policy and its approach to commissioning services from the third sector. The Compliant Contractors had assimilated the quality measurement processes and other contractual requirements, and had also adopted the emphasis on moving clients on that had been promoted by the government. To some extent these changes were embraced willingly as a means of improving service quality, and as one manager commented:

> I think when Supporting People was first introduced, it did actually sort of standardise organisations, the way they work, the policies and procedures, the expectations, it did standardise things in a very positive way ... there were organisations out there that were perhaps <u>not</u> delivering the service that perhaps they should have been. (Interview 5, Comfortable Contractor)

However, there was also a sense in which their adoption was a consequence of dependence on government funding:

> [W]e only operate, almost only operate in [place]. If we fall out with [the] City Council, that's our main source of income ... So strategically we have had to roll over and go with the flow. (Interview 18, Compliant Contractor)

In adopting the values and practices required by government funders, these TSOs had moved further away not only from the core of the third sector, but also from any likeness to the informal sector that they may have previously had (see Figure 4). One Comfortable Contractor manager explained how the tendering process had influenced the establishment of his organisation through a de-merger from a housing association:

> it was about tendering, it was about winning business... it's become a market place really, and part of that as I said - to use that dreadful word - it's branding (Interview 6; Comfortable Contractor)

The same manager then explained how the organisation's priorities had also been shaped by government policy through performance monitoring requirements:

> rather than meeting client needs, you're looking at 'what are Supporting People needs?' and what they're measuring, and they <u>may</u> not always be the same as what clients want support with, help with, or care with. (Interview 6; Comfortable Contractor)

As such, government contracts and the requirements and processes associated with them seemed to be drivers of hybridisation, causing many contracted TSOs to adopt values and practices associated with the market and state sectors.

Importantly though, this hybridisation should not be constructed as intrinsically negative. Indeed, it had enabled the Compliant and Comfortable Contractors to overcome or avoid some of the limitations sometimes associated with the third sector (e.g. inconsistent standards, lack of external accountability), and the majority of contracted providers perceived that the quality of services had improved significantly due to these changes (although some reported that they were keen to measure and improve quality regardless of contractual requirements).

These findings to some extent correspond with broader debates about the bifurcation of the third sector and divergence between professionalised, corporatist TSOs and grassroots, voluntaristic TSOs (Knight, 1993; Fyfe and Milligan, 2003). However, as other studies have found (e.g. Milligan and Fyfe, 2005), some TSOs (mainly the Cautious Contractors) occupied a position between these two poles. These organisations were subject to considerable tensions as a result of having to reconcile the demands of government contracting with those of volunteers, donors and clients, as well as their own organisational values. Some of the Cautious Contractors were to an extent able to combine functions relating to the informal, market and state sectors. They were involved in government contracts and used structured support plans with some of their clients to help them move towards independent accommodation and employment, but they also displayed more of the 'voluntaristic' characteristics associated with the third sector, being driven primarily by their own values rather than those of government funders, and often involving volunteers or using donated income. These TSOs typically found it most difficult to implement the quality measurement processes and participate in tendering exercises, and it was questionable for how long they would be able to hold this 'middle ground'. Indeed, in the areas studied, a number of TSOs that would have been Cautious Contractors had been taken over by larger providers in recent years, partly due to their inability to meet the requirements of government contracts. However, some Cautious Contractors were better able to balance and satisfy these competing demands and the scale of an organisation and the level of donor and volunteer support it was able to leverage seemed to have a strong influence on its ability to do this. This in turn was influenced by the organisation's ability to articulate and communicate a strong vision and by the size of and resources held by the 'public' that was aligned to its cause and willing to contribute. For the Cautious Contractors studied here, links with faith communities (in these cases Christian churches) had been important in securing donated income, and in some instances this enabled them to provide additional services such as short term accommodation for individuals who were not eligible for government support.

It seemed that government contracts and the monitoring and tendering processes associated with them had encouraged a certain form of hybridisation, namely between TSOs and the state and market sectors. However, other forms of hybridity were being marginalised or squeezed out as a result of contracting. It was difficult for TSOs to combine characteristics associated with the informal sector with those required by government funders, but – and perhaps more significantly – there was pressure to relinquish values and practices most associated with the third sector in order to comply with

contractual requirements. This was contributing to a more pronounced division of labour between contracted and non-contracted TSOs, but posed particular challenges for the Cautious Contractors who were seeking to take perhaps the most holistic approach to meeting homeless people's needs.

Conclusions and policy implications

This paper has demonstrated that the increasing division of labour and hybridisation of homelessness TSOs associated with government contracting were complex and ambiguous. However, whilst these changes had in some respects contributed to improved standards amongst contracted TSOs, the potential 'hollowing out' of the homelessness third sector due to the pressures on Cautious Contractors and the changing values and practices of Compliant Contractors raises some significant concerns. The Cautious Contractors played an important part in providing services such as night shelters and day centres for the most vulnerable individuals, some of whom were not eligible for government-funded services. There was evidence that in some cases – where TSOs had achieved sufficient scale and could articulate and communicate a clear vision that was aligned with the values of a sufficiently large, willing and well-resourced public or community –providers were able to offer services that maintained the comparative advantages associated with their third sector status, whilst delivering services of a high and consistent standard. However, such conditions are by no means ubiquitous or easily created and in general these providers had the greatest difficulty in meeting the requirements of government contracts and seemed to be most 'at risk' at the time of the research. Whilst Comfortable and Compliant Contractors might be willing to take over the running of hostels, for which contractual government funding is available, the more marginal services are less likely to be acquired in this way, potentially leaving the most vulnerable clients underserved, and removing the 'bridge' that some of the Cautious Contractor TSOs provided between rough sleeping and state-funded homelessness services.

Importantly, the organisational division of labour described in this study is based on a 'snapshot' taken towards the end of the New Labour era when government spending on homelessness services, and efforts to monitor and regulate them, were at high levels relative to previous decades. Many of the TSOs that inhabited the marketised state zone relied heavily upon government contracts and housing benefit payments and the significant public spending cuts announced by the Conservative-Liberal Democrat Coalition government in 2010 will have major implications for these organisations. Providers may be unable to maintain the improvements in quality and capacity achieved thus far, and some may choose to opt out of providing homelessness services altogether, particularly (as in the case of many housing associations) where this is not the organisation's core business. Comfortable and Compliant Contractors may find it difficult to diversify their income streams by attracting voluntary income, as the Cautious Contractors were able to. They may be able to access new resources through social enterprise activity (Teasdale, 2009) although this would require new skills to be acquired (entailing further costs) and presupposes the existence of a market for whatever products or services the enterprises were to sell. Social enterprise can take many forms, but if it is widely adopted amongst homelessness TSOs it is likely to see providers adopting more of the features associated with the market sector, and relinquishing some of those associated with the state, particularly if their

dependence on contractual income were reduced. Whilst this may allow TSOs greater autonomy from the state, the need to make a surplus (albeit one that is re-invested in the organisation) will exert a different form of control over organisational values, practices and longer term strategies. Furthermore, as state control is reduced through income stream diversification, so too, the government's ability to redistribute resources equitably over space and to match provision to needs will be significantly reduced.

The welfare pyramid draws attention to the fact that although contracted TSOs have increasingly taken on characteristics associated with the state and market sectors, there remains a role to be played by organisations that more closely embody the third sector ideal type characteristics, or are third sector-informal sector hybrids. Indeed, the movement of contracted TSOs towards the marketised state zone may create a demand for more volunteer-based organisations (the Community-based Non-contractors) to provide for the needs of their clients that family and friends might ordinarily be expected to deal with, such as providing emotional support and company as well as meeting emergency needs for food and clothing. However, whilst these TSOs embodied the typical third sector characteristics more fully, they often (although not always) exhibited some of its comparative disadvantages to a greater extent too: their geographical distribution was rather patchy, and their limited resources constrained the amount of time for which services could be offered and the number of people they could cater for. Again, there may be potential for such TSOs to overcome these limitations if a large and well-resourced group of donors can be mobilised in support of their work, but in practice they often lacked the resources or expertise to provide more extensive, costly or specialised services such as accommodation or expert support for people suffering from mental health problems.

The fact that certain types of providers are better suited to meeting particular types of need underlines the need for communication and co-operation within the third sector in order to provide a holistic and cohesive response to single homelessness. TSO managers, leaders and board members also have some choice about how they respond to the policy and funding environments in which they find themselves operating. The welfare pyramid may have an applied function as a tool to help third sector practitioners reflect on their organisations' current position and – if necessary – develop strategies and responses that will enable them to move towards a position which corresponds more closely with their aims, values, resources and specific strengths. However, this paper also points to the need for a more nuanced political approach to the third sector. Government policies have tended to refer to the third sector as a whole, when in fact the organisations within it differ greatly in their characteristics and serve very different functions. The tendering and quality measurement processes seemed to favour more professionalised, formalised TSOs, which did not exhibit the distinctive characteristics upon which government support for the third sector was allegedly premised to a great extent. These providers may indeed be better suited to the provision of publicly funded services under contract, but this preference was not made explicit in New Labour's policy towards the sector. The Big Society discourse being promulgated by the new Conservative–Liberal Democrat Coalition government suggests that this administration will continue to look to the third sector for solutions to pressing social problems, and at present, seems to be promoting two contrasting areas of third sector

activity in particular: first the role of volunteers in public service provision, and second, that of social enterprise. However, thus far there seems to have been no explicit recognition of the different capacities and niche roles associated with different third sector (or civil society) actors: if public services are to be delivered effectively, and other policy objectives achieved, it will be essential for policy makers to identify and make transparent which actors they are seeking to involve for which purposes, and to ensure that these purposes are well matched to the capabilities of the actors in question.

Finally, this paper has highlighted the need for greater precision in academic debates about the third sector and for more carefully differentiated accounts of the impact of policy and funding changes on TSOs. The welfare pyramid provides a framework for reflecting on and exploring the influence of the reworking of state-third sector (and indeed other inter-sectoral) relationships on welfare provision. Although based on a limited evidence base, the model does correspond well with findings reported in other empirical research on the third sector (e.g. Milligan and Fyfe, 2005; Morris, 2000; Milbourne, 2009), but it would be interesting to further investigate its relevance and transferability to other geographical contexts or fields of service provision.

1 The term 'single homelessness' is a construct of the UK policy context and includes single people and couples without dependent children who lack adequate accommodation in which they are entitled to live.

2 Southampton is sometimes considered to be part of Hampshire, but they are separate administrative areas: in this paper, 'Southampton' is the area governed by Southampton City Council and 'Hampshire' is that governed by Hampshire County Council.

3 The representatives were typically CEOs, service managers or volunteer leaders. The study did not include interviews with volunteers, staff or service users but was informed by insights gained during the author's participation as a soup kitchen volunteer from 2006–2009, and from other studies involving service users and volunteers (e.g. Johnsen *et al.*, 2005a; 2005b). The organisations studied included all (15) TSOs then contracted by local government to provide single homelessness services.

4 For instance, two organisations departed significantly from the characteristics associated with their response types. These were large providers: one received state contracts and the other did not. Both were strongly driven by well-defined and articulated values and these seemed to explain why their responses differed from that which would be expected based on their other characteristics.

5 Although social housing is cast here as a state welfare service and is allocated primarily by local government, much social housing is now provided by housing associations, some of which have charitable status. The hybridity of these organisations is discussed by Mullins and Pawson (2010).

6 One might argue that responsibility for meeting such needs rightly lies with local communities (of which these TSOs could be considered a part) rather than with families or friends. Normative claims about how welfare responsibilities *should* be distributed are clearly important, but it is not the purpose of this paper to enter into such debates.

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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.

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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 for Civil Society 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'.

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