

Voluntary Sector Working Paper

Partners or Instruments: can the Compact guard the independence and autonomy of voluntary organisations?

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Abstract

Government's use of voluntary organisations to deliver services, especially through the mechanisms of contracting and the welfare market, have raised concerns about the impact of government funding on the autonomy and special characteristics of voluntary organisations. This study investigates whether key actors from the voluntary and statutory sectors in two local authority areas perceive that the *Compact on Relations between the Government and the Voluntary and Community Sector in England* will be an effective guardian of voluntary organisations' independence. It focuses specifically on three key dimensions: first, voluntary organisations' ability to control who uses their service delivery programmes and how these programmes are run; second, organisational structures and stakeholder autonomy within voluntary organisations; and, third, the institutional and economic environment within which organisations seek funds. The study in fact finds little evidence of adverse impacts from government funding. There is some hope amongst voluntary sector respondents that local compacts will provide a general framework and philosophy to protect voluntary organisations' independence, but considerable scepticism about practical effect and appropriate implementation. Significantly, compacts are perceived by statutory officers to have little role in moderating the ecological and institutional environment of the welfare market.

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1. Introduction

The relationship with government dominates discourse about the future of the voluntary sector (Lewis 1999). In 1995 state funding was the UK voluntary sector's¹ single largest revenue source (Kendall with Almond 1998). Meanwhile government's use of voluntary organisations² to deliver services through the mechanisms of contracting and the welfare market raises concerns about the impact of such funding on the autonomy and special characteristics of voluntary organisations. For Salamon and Anheier (1996: 121), "Few issues are as crucial ... as... how to fashion cooperation with the state in a way that protects the nonprofit sector from surrendering its basic autonomy and thus allows it to function as a true partner with the state and not simply as an "agent" or "vendor"".

This study focuses on one response to this conundrum – the *Compact on Relations between the Government and the Voluntary and Community Sector in England*, published by the Home Office in 1998³. The Compact aims to create "a new approach to partnership between Government and the voluntary and community sector" (Straw and Stowe 1998); it seeks, among a series of principles and undertakings, to affirm the independence of voluntary organisations.

But there is a tension inherent in the Compact. It may create a space for genuine voluntary action - or it may institutionalise a structured relationship between service-providing voluntary organisations and the state, according to the principles of new public management. This study seeks to clarify the Compact's role in moderating the adverse effects of government funding in three key dimensions: first, organisations' ability to control who uses their services and how these services are run; second, organisational structures and stakeholder autonomy within organisations; and, third, the institutional and economic environment within which organisations seek funds. The study investigates whether, in two different local authorities in England, key actors at the frontline of voluntary sector and government interactions – from both the voluntary and statutory sectors – consider that the Compact process will be an effective guardian of voluntary organisations' independence in these dimensions⁴.

The study finds little evidence of adverse impacts from government funding. There is some hope that local compacts will provide a general framework to protect voluntary organisations' independence, but considerable scepticism about practical effect and appropriate implementation. Significantly, compacts are perceived by statutory officers to have little role in moderating the ecological and institutional environment of the welfare market.

The study begins with a theoretical exploration of government / voluntary sector relations and an overview of the Compact and its policy context: a number of central questions about the Compact's role are identified (section two). Section three outlines the methodology used to

investigate these questions among key frontline actors. Following a descriptive analysis of the study findings (section four), section five interprets the findings and considers the implications for the role of the Compact within government / voluntary sector relations.

2. Theoretical perspectives

Part I: The relationship between the government and the voluntary sector – a theoretical background

Interdependence

Salamon (1987) provides a useful account of how a funding relationship between government and voluntary organisations can be of mutual benefit. Because of a variety of advantages – including lower transaction costs and greater responsiveness – voluntary organisations precede government in the provision of public goods. But voluntary organisations have a number of failings – in particular, an inability to generate sufficient resources to finance their operations over the long-term. Government then steps in with funds. The growing momentum of third party government (Salamon 1987), through which external agencies are funded in order to fulfil government purposes, has created a fertile environment for this process.

There are benefits for both sides. For voluntary organisations, government may be the only source of funds for their programme (Grønbjerg 1998); the security of such funds can allow medium or long-term planning (Alcock et al. 1999). The government, meanwhile, exploits voluntary sector expertise and structures to fulfil its own purposes, and achieves diversity, competition in provision and, perhaps, lower transaction costs (Salamon 1987; Kramer 1994).

Tensions

The independence of voluntary organisations can potentially be jeopardised by funding from any source. Difficulties such as bureaucratisation, professionalisation or goal displacement through resource dependency can be associated with funds from foundations, from commercial activities or from government (Pfeffer and Salancik 1978; Powell and Friedkin 1987; Weisbrod 1998). But government funding brings particular pressures. Salamon (1987) warns of immediate tensions between the government's legitimate need to account for the use of public funds and the autonomy of voluntary organisations. Other authors have identified different but connected tensions. Smith and Lipsky (1993) contrast the government's demands for equity with voluntary organisations' desire to be responsive; Harris (1998) describes the different conceptual frameworks of voluntary organisation boards and government officials.

For some commentators, government and voluntary organisations should remain distinct with, preferably, no funding link at all. From a traditional liberal viewpoint, Dahrendorf (2001) argues that the separation of state and civil society is crucial for a free and democratic society: government funding can undermine this separation. Whelan (1999), from a neo-conservative perspective, argues for the complete withdrawal of government funding in certain areas to preserve the integrity of voluntary action.

Complements – or instruments?

In order to examine the tensions between government's needs and voluntary organisations' autonomy, it is helpful to adapt Young's (2000) typology of government / voluntary sector relationships. Young identifies three types of relationship - supplementary, adversarial, and complementary. The latter describes the kind of relationship identified by Salamon, through which government funds services and voluntary organisations provide them.

But there is a need to add a fourth category of *instrumentality* to Young's typology. The balance of power between voluntary organisations and government is inherently unequal (Kramer 1994). A relationship may favour government's interests at the expense of a voluntary organisation's autonomy to such an extent that, ultimately, the organisation becomes an "arm of government" (Plowden 2001: 47). For Dahrendorf (2000: 88) this is a threat not simply to individual voluntary organisations but to the concept of a voluntary and free civil society: the "creative chaos" of civil society must not be "turned into a controlled para-governmental area of activity."

Part II: The impact of government funding

A new environment

The balance between a complement and an instrument is a delicate one. Changes in the environment of government / voluntary sector relationships over the past twenty years have, perhaps, tilted that balance towards instrumentality.

In the 1980s and 1990s "massive reforms in the character of the state... had implications for its relationship with voluntary organizations" (Lewis 1999: 260). Central to this new public management was the use of the economic market as a model for political and administrative relationships (Kaboolian 1998). Market-style competition was encouraged between welfare providers (Stewart and Walsh 1992); efficiency and value for money were privileged over competing values (Ferlie et al. 1996; Kaboolian 1998); a tighter relationship was sought between resources and results (Lewis 1999).

These changes posed threats to voluntary organisations' independence and autonomy on two levels: the changed environment created institutional and ecological forces to which voluntary organisations had to respond; more specifically, contracts and accountability mechanisms brought the potential for increasing government control of voluntary organisations' programmes.

An "efficiency trap"?

By drawing on organisational theory, it is possible to speculate that the emphasis on markets and efficiency changed the niche in which voluntary organisations were operating. Following Galaskiewicz and Bielefeld (2001), the niche can be examined in terms of both the ecological environment and the institutional environment. Ecological approaches prioritise the technical or task environment in which an organisation resides, and thus the effectiveness and efficiency of the organisation's task performance. Institutional frameworks, on the other hand, focus on the legitimacy or appropriateness of organisational behaviour, which may be entirely divorced from effective task performance. Organisational success in this case becomes the degree to which an organisation acquires or maintains socio-political legitimacy (Galaskiewicz and Bielefeld 2001). While these conceptual approaches are different, the anticipated effects for voluntary organisations appear similar. Using ecology we find a market-style task environment driven by efficiency and competition; using an institutional framework we find legitimacy invested in value for money and private sector working practices (Stewart and Walsh 1992).

In order to survive, organisations adapt or restructure to the new reality of their niche (Galaskiewicz and Bielefeld, 2001). It would therefore be predicted that voluntary organisations might introduce market-style efficiency tactics in order to compete in the ecological task environment; pressures of institutional isomorphism (DiMaggio and Powell 1983) and legitimacy indicate a movement towards private sector management and financial systems.

Such adaptation may be difficult or dangerous. Small organisations in particular may struggle to operate in an environment of formal contracts and market mechanisms (Walsh 1995). Moreover, voluntary organisations have traditionally established a niche by fostering trust (Oster 1995) and by emphasising the value-based quality of their services (Frumkin and Andre-Clark 2000). By introducing efficiency-based processes, voluntary organisations risk losing their "reputational advantage" (Oster 1995:22) ; for Frumkin and Andre-Clark (2000: 147), this is an "efficiency trap" which undermines the very existence of the nonprofit form.

Contract culture

The tangible manifestation of the new environment for voluntary organisations was the switch from grant aid to performance-based contracts (Lewis 1996; Harris 1998). For some commentators, the switch from grants to contracts was symbolic of a move from partnership to instrumentality (Taylor 1992; Young 2000).

Contracts enable government to specify objectives and processes: such specificity can be an obvious threat to an organisation's ability to control its own programmes (Lewis 1996; Kendall and Knapp 1997). Lewis (1996) finds, for instance, that government can restrict organisations' freedom to choose which clients to help; Smith and Lipsky (1993) warn that government can challenge long-standing norms of practice and thus undermine professional autonomy; Scott et al. (2000) find evidence that contracts can impose public sector procedures and mechanisms upon voluntary organisations.

Accountability mechanisms such as performance indicators and monitoring are often built into contracts and can similarly restrict organisations' freedom. Effectiveness can be judged differently by different stakeholders (Herman and Renz 1999), especially since the social welfare goods which voluntary organisations typically produce are inherently unmeasurable (Kanter and Summers 1987): performance indicators – in particular the quantitative indicators favoured by government – may privilege government's definition of effectiveness above that of voluntary organisations. Monitoring processes demand 'professional' systems – such as complex financial systems or formal standards of evaluation – which can be time-consuming (Lewis 1996) and which can move organisations "away from community norms and toward government norms and expectations" (Smith and Lipsky 1993: 79).

Wider implications - disempowering stakeholders and threatening the "creative chaos"

The implications of government funding – especially, but not exclusively through contracts – can extend beyond the specific programme to which it relates. Systems of monitoring and quality control can create conditions in which voluntary organisations become formalised or bureaucratised. Such bureaucratisation may disempower an organisation's stakeholders: professional staff may take over (Smith and Lipsky 1993); volunteers may be discouraged by performance standards and complexity of work (Billis and Harris 1992; Lewis 1996; Harris 1998); board members may be disillusioned by the decline in organisational autonomy and by greater pressures (Harris 1998); governance, therefore, may become less broad-based as volunteers leave and professionals take over (Lewis 1996).

Such bureaucratisation, for some, contradicts the essence of voluntary action. It may threaten the ambiguity of structure and of roles which gives voluntary organisations a

comparative advantage and enables their responsiveness at a local level (Billis and Glennerster 1998). Business-style processes can weaken the informal ties and non-hierarchical relationships which produce social capital (Putnam 1993; Backman and Smith 2000). Smaller agencies in particular may lose their grass-roots distinctiveness (Salamon and Anheier 1994) as they cross the boundary between the associational and bureaucratic worlds (Billis 1989). The voluntary agency, in this context, loses the very characteristics – innovation, voluntarism, ambiguity and informality - which make it successful and distinct (Kramer 1994; Billis and Glennerster 1998; Dahrendorf 2001).

Empirical evidence - a caveat

While much theoretical literature warns of the damaging effects to voluntary organisations of government funding and especially of contracts, empirical findings are ambivalent. Russell and Scott (1997), for instance, find the impact on volunteers to be mixed. While Lewis (1996) discovers clear negative effects from contracts, Kumar (1997), by contrast, in a study of two large national voluntary organisations, finds within the contracting relationship shared consensus, joint learning, and trust and respect. Kramer et al. (1993) consider the impact of government funding on bureaucratisation to be exaggerated, while Taylor (1998), moving away from her earlier stated views, suggests that predictions of instrumentality may have been pessimistic.

These ambivalent findings may in part be explained by the diversity of voluntary organisations. Variables such as age, size, complexity, purpose, location (national or local) and extent of bureaucratisation can mediate or mitigate the effects of government funding (Kramer et al. 1993); so too can the different networks and formal or informal systems in which organisations operate (Scott et al. 2000). Two variables deserve particular emphasis: first, an organisation which is already bureaucratised will be less affected by accountability systems or other formal mechanisms (Smith 1999); second, government funding may threaten organisations' autonomy more strongly if those organisations have a dependency on government resources.

Nor is diversity solely a feature of voluntary organisations. Kramer et al. (1993) point out that there are multiple sources of government funding. We can expect, therefore, varying approaches and varying effects from different funding sources.

Part III: From contract culture to compact culture?

Contexts

The New Labour government of 1997 promised a “new settlement between the Government and the Voluntary Sector” (Labour Party 1997: 1), based upon complementary policies of, first, communitarianism (Lewis 1999; Kendall 2000) and civic activism (Blair 1998), and, second, a move beyond contracting to collaborative partnership in service delivery (Blair 1998; Lewis 1999; Brown 2001). For Mulgan (2000), the terms of the relationship between voluntary organisations and the state were changing so that partnership became more equal; Stuart Etherington, chief executive of the National Council for Voluntary Organisations, describes “a greater keenness to engage voluntary organisations in partnership - and they do mean partnership” (Harris 2000: 320).

But reservations remain. There are concerns about the imbalance of power between the partners (Lewis 1999): for Plowden (2001: 34) public authorities remain “the custodians of the rules”; Pharaoh et al. (1998) find little evidence of voluntary organisations playing a meaningful part in the design, business management or finance of partnerships; Deakin (1998: viii) warns that the new communitarian approach is essentially paternalistic, and that it is still government that “will call the shots”.

Moreover the emphasis on efficiency and performance indicators still lingers. Government’s investment is to be “tied to targets and measured outcomes” (Blair 1998: 15) and to modernisation of the voluntary sector (Giddens 2000). Deakin (2001) warns that targets are still an obsession of government, while Plowden (2001) suggests that the “audit culture” continues and that voluntary organisations are under greater pressure than ever to deliver.

The Compact

The *Compact on Relations between the Government and the Voluntary and Community Sector in England* (Home Office 1998) is a core element of the Government’s “new settlement” with the voluntary sector - it “provides a framework which will help guide... the relationship at every level” (Blair 1998: 1). The Compact directly engages the issue of voluntary organisations’ autonomy. It explicitly recognises that, in the delivery of public services, government and the voluntary sector have “distinct but *complementary* roles” (section 8.3; italics added); it acknowledges too that Government and the voluntary sector have “different forms of accountability” and a “different range of stakeholders” (section 8.5). There is an affirmation of the independence of the sector (section 8.2), repeated in an undertaking by government to respect the voluntary sector’s right “to determine and manage its own affairs” (section 9.1). Principles and undertakings which relate to the funding of

services similarly offer the promise of more equal partnership: there should be “meaningful consultation” in the “design and delivery of services and programmes” (section 8.4), and funding should take into account the objectives of voluntary organisations (section 9.3).

But there are also demands of the voluntary sector, including high standards of governance and conduct (section 10.1), reporting and accountability obligations (section 10.1) and quality standards (section 10.3).

Reaction to the Compact

Many commentators have welcomed the Compact as supportive of voluntary organisations’ autonomy. It identifies voluntary organisations as partners, not agents (Lewis 1999; Young 2000); it favours voluntary organisations’ contribution to community life above simple economic efficiency (Lewis 1999). Ross and Osborne (1999) argue that local compacts can enable effective community governance by providing a new and consistent framework for relations between government and the voluntary sector. For Deakin (1999) recognition of the independence of the voluntary sector is a key strength. He suggests too that the process of negotiating a local compact may itself be inherently valuable (Deakin 2000a). Craig et al. (1999) report that enthusiasm is generally high among voluntary organisations for some kind of local compact or agreement.

There is, however, caution about how effective and practical the Compact will be. Plowden (2001: 45) warns that it may become a “well-meant dead letter”; Craig et al. (1999) report scepticism within local voluntary organisations about the value of a piece of paper. Craig et al. (1999) also raise the issue of compliance: what will happen if commitments described in a compact are not met? They propose consideration of sanctions of some kind – a controversial suggestion, given that at present compacts are not legally binding.

More fundamentally, for Dahrendorf the Compact is a symptom of organisations which have become too close to government. The Compact is an acknowledgment of two distinct sectors: a neo-corporatist “Compact sector” which benefits from a structured relationship with government, and a “non-Compact sector” where reside “free voluntary and charitable activities” (Dahrendorf 2001). The Compact cannot be justifiable for “truly voluntary initiatives in civil society” (Dahrendorf 2000: 88); this “mutual embrace” between the voluntary sector and government remains a threat to the “weaker partner” (Dahrendorf 2001).

Part IV: Key questions

There is a tension inherent in the Compact. It may create a space for genuine voluntary action - or it may institutionalise the structured relationship between service-providing

voluntary organisations and the state, according to the principles of new public management. Key questions remain to be answered. Will the Compact have a practical force in preventing government interference in organisations' ability to control their services? Can it protect voluntary organisations from the process of bureaucratisation – a process which can alienate stakeholders and divorce organisations from the associational roots of voluntary action (Billis 1989)? Finally, can it support a new discourse within government's relationship with the voluntary sector – a discourse which moves away from new public management's emphasis on competition, market values and efficiency, and which legitimises instead the value-based quality, informality and energy of civil society and voluntary action?

3. Methodology

While more than a third of local authorities in England had created compacts by the end of 2001 (Sykes and Clinton 2000), these compacts, at the time this empirical study took place in 2002, were at an early stage of development and implementation. Local authority policy-makers were reluctant to comment on the impact of such a young policy. Thus this study investigates instead the *expectations* of key frontline actors in order to understand their perceptions of the nature and boundaries of the Compact's role.

Selection

Local level

The Compact is likely to have its most important impact at the local level (Deakin 2000b), for this is the arena in which many voluntary organisations experience most of their interactions with government (Craig et al. 2002). It is especially within these interactions that adverse effects of government funding may be apparent.

This study focuses on two local authorities – one county and one district - where a local compact was under consideration, and where, therefore, local actors were predicted to have expectations of the effects of a compact. With reference to Kramer et al.'s (1993) recognition of the diverse and multi-layered nature of government, the two areas were selected in order to offer perspectives from local authorities of different sizes and with differing funding responsibilities and arrangements. Direct comparison was not appropriate: key variables were not consistent, such as the fields funded by each authority and the funding mechanisms (predominantly grant-based in the district authority and contract-based in the county). In addition the local compact process was at different stages of development in the two areas.

Key local actors – voluntary organisations

It is voluntary organisations which experience the reality of government interference in control of services, of bureaucratisation and of the legitimisation of competition and market-style efficiency. A central focus of the study, therefore, was how far local voluntary organisations expect a compact to protect against such effects. In order to reduce the number of variables at work, organisations were selected from one field only. In the county authority, the social care field was chosen since it was the dominant recipient of statutory funds. The district authority, by contrast, did not have a social services department: a more amorphous field of social welfare was selected.

As already noted, government funding may have different effects on organisations of different sizes or different levels of bureaucratisation (Kramer et al. 1993). To allow for this effect, voluntary organisations of various sizes were selected to take part in the study. As far as possible, differences in levels of dependency on government funding were also sought. Five organisations were selected in the county authority and four in the district authority.

Within each organisation, information was sought from the chief executive or equivalent post-holder. The chief executive is well placed to comment on the effects of government funding on the organisation's independence; he or she is also likely to be aware of and have expectations of the local compact. Chief executives were interviewed in seven of the nine organisations; of the remaining two one respondent was a deputy director with experience as acting director, and one was a chair.

Key local actors – voluntary sector umbrella groups

For an overview of the voluntary sector's relationship with government, for views of the institutional and economic environment and for background on the compact process, information was sought from voluntary sector umbrella groups in the respective authorities. Again, chief executives were interviewed.

Key local actors – local authority representatives

As Plowden (2001: 34) suggests, public authorities remain "custodians of the rules": the interpretation of the Compact by local authority officers is fundamental to its implementation and breadth of effect. Would statutory sector officers, for instance, perceive the Compact as a moderating force on new public management values? Would they share the expectations of the voluntary sector? In the district authority, an interview was conducted with the single officer responsible for voluntary sector support, for production of the local compact and for the distribution of grants. Contacts with the voluntary sector were more diffuse in the county

authority: interviews were therefore conducted both with a policy officer with knowledge of the local compact and with a commissioning officer with responsibility for purchasing social care services.

An opportunity arose in the county authority to interview a councillor with a special interest in the voluntary sector. It should be noted, however, that this councillor was not the portfolio holder with responsibility for the sector, but rather a 'voluntary sector champion'.

Data collection

The effect of government funding on organisational control, autonomy, and institutional and ecological pressures, and the potential impact of local compacts to protect organisations' independence in these areas, are multi-dimensional qualitative issues. Structured interviews were used to enable full exploration of the inherent complexities.

Each interview comprised a two-part inquiry. First, participants were asked whether government funding had an adverse effect on their voluntary organisations across a number of dimensions: this series of questions set the context within which expectations of local compacts could be specifically considered and conceptualised, and it offered a baseline against which expectations of change could be measured. Second, participants were asked whether a local compact could guard organisations' independence in these dimensions.

Background information was sought in relation to a number of independent variables: for instance, the income of voluntary organisations, the proportion of their funding which came from government sources, their degree of formality and the number of staff and volunteers. Another important variable – the extent to which organisations are close to government, or even, to use Dahrendorf's terminology, part of the "Compact Sector" (Dahrendorf 2001) – was investigated through questions which explored the longevity of funding relationships and the current nature of the organisations' relationship with government. While these questions were by no means an infallible guide to the degree of closeness to government, they offered useful insights.

Representatives of umbrella groups and of the local authorities were asked contextual questions about the relationship between the voluntary sector and the local authority and the status of the local compact. All participants were asked about their knowledge of the proposed local compacts.

The framework of questions was consistent for every interview, with minor adaptations being made to enable the collection of contextual information. Chief executives of voluntary organisations were invited to comment on the effect of government funding on their own

organisations; representatives of local authorities and umbrella groups were asked to comment more generally on an authority-wide basis.

Areas of investigation

The ability of the Compact to moderate the impact of government funding on voluntary organisations was investigated in three dimensions, each of which operationalised a different group of theoretical questions and concerns (sample interview questions are included in the Appendix).

The first dimension – ‘Control’ - examined whether the Compact could have a practical force in preventing government interference in organisations’ control of service delivery. Participants were asked for their expectations with regard to five measures, all based upon theoretical and empirical concerns identified by commentators and described in section two. Could the Compact protect an organisation’s *choice of user group*? Could it protect its control over *methods of service delivery*? Could it ensure that *performance indicators* were appropriate to the organisation and its mission? Were *monitoring procedures* relevant and proportionate? Participants, finally, were asked whether government funding hindered or helped three characteristics - *innovation, flexibility and responsiveness* - traditionally associated with voluntary organisations: could the Compact support these characteristics?

The second dimension - ‘Autonomy’ - investigated the role of the Compact in protecting organisations from more indirect effects, such as bureaucratisation and the disempowerment of stakeholders. Four specific areas of investigation were drawn from commentators’ concerns. Did government funding create a need for more *formal procedures* or more paid staff, thus bureaucratising the organisation – if so, could the Compact moderate these bureaucratising pressures? Could the Compact help to insulate *volunteers* who might be discouraged by more formal working processes imposed by government funding? If pressures and constraints of government funding caused an increased turnover in *board membership*, could the Compact reduce these pressures? Finally, under the force of government funds, hierarchical formality could replace associational ambiguity, thus changing an organisation’s *relationship with its users*. Could the Compact mediate this process?

A third dimension - ‘Environment’ - examined the ecological and institutional environment created by government funding and the welfare market, and explored whether the Compact could divorce legitimacy from market-style efficiency tactics and invest it instead in more traditional voluntary sector attributes. Participants were asked whether there was competition for government funding and what qualities were needed to win government funds and to have such funds renewed.

4. Findings

The research findings are described in three sections: contextual information, effects of government funding and expectations of compacts.

Contextual information

The county authority

The county authority served a population of over one million people. According to a Best Value Review⁵ of the authority's relationship with the voluntary sector (2002), there were over 3,600 voluntary organisations in the area. Financial links with the voluntary sector amounted to £77m per year - approximately one tenth of the authority's budget. £68m of this sum was paid through contracts for services, predominately in the social care field. True grants amounted to less than 1% of spending on the voluntary sector.

The relationship between the authority and the voluntary sector was tense. The Best Value Review, drawing from an informal independent report, suggested that the voluntary sector did not view the authority as a true partner: the authority was perceived to undervalue the contribution of the voluntary sector and regarded it as a cheap option. The present study found similar, perhaps stronger, perspectives. The local umbrella group reported a lack of trust: following a controversial decision regarding an inflation uplift award to voluntary organisations, it was now "crunch time"; the sector had received "a blow too many". Within the authority there were a range of views: one participant acknowledged a "barrier of trust" and a patchy relationship, while another considered the relationship to be "pretty good".

The district authority

The district authority served around 160,000 people; an independent report in 2000 estimated that there were 1,400 voluntary organisations in its area⁶. The voluntary sector annually received £1m in funds from the authority; these were paid through grants and service level agreements (SLAs), not through contracts. 60% of the funds were awarded to eight key organisations.

The relationship between the authority and the voluntary sector was perceived to be good by both parties. The local umbrella group reported a "historically excellent relationship", and the authority officer described trust on both sides. Such trust was attributed in part to generous funding of the sector. A recent authority decision about inflation uplift had, however, caused concern, and there were fears that a tighter financial regime might cause a decline in trust.

Voluntary organisations

The selection of voluntary organisations was diverse (see tables 1 and 2). In the county authority selection, differences in size were most notable: two organisations reported incomes of less than £150,000, two of £500,000 to £1m, and one of above £1m. The proportion of organisational income taken from the authority showed less variety: between one quarter and one third for three organisations, and less than 4% for one. One other organisation received 45% from government funding: how much of this was county authority resources was not clear, as the authority acted as “paymaster” for other government funds. The district authority organisations, all drawn from the group of eight key organisations, showed more consistency in size, but different levels of dependency on authority resources: two organisations received 85% to 90% of their income from the authority, and two received a third or less.

All of the organisations in the district authority received funds through SLAs. In the county authority funding mechanisms were a mixture of grants, contracts and SLAs.

All organisations reported a formal managerial hierarchy, and all used considerable numbers of volunteers. In each organisation some or all volunteers were involved in direct service delivery. Five organisations were part of a wider national organisation or federation.

As discussed within the methodology section above, two questions investigated organisations’ closeness to the statutory authorities. All of the organisations had received funds from the authorities for at least four years: six organisations estimated that they had received funds for more than ten years. Five organisations reported good relationships; for the remainder the relationship was mixed or improving. Four organisations had both received funds for more than ten years and had a good relationship with their local authority. But the relationships tended to be more complex than such simple characterisations allow.

Status of local compacts

The Best Value Review and its associated report recommended a local compact to the county authority. But the process had stalled. The local authority hoped to re-start the process with the aim of producing a document by the end of 2002.

The process of creating a local Compact was more advanced in the district authority. A draft document had been circulated to voluntary organisations. This draft followed closely the concepts and words of the national Compact. Undertakings by the district authority include recognition of the independence of the voluntary sector and “common, transparent arrangements for agreeing and evaluating objectives, performance indicators and their associated targets”.

Table 1: summary of organisations from the county authority

	Organisation 1	Organisation 2	Organisation 3	Organisation 4	Organisation 5
Income	£500,000	£750,000	£143,000	£1.25 million	£114,000
Proportion of resources from local authority	25%	45%, including some funds from central government and health authority	33%	25% from local authority plus 25% from health authority	4% from county authority; other income from district authorities
Type of funding	SLA, contracts, grants	SLA	Contract	Contracts	SLA
Formal management hierarchy	Yes	Yes	Yes	Yes	Yes
Number of staff / volunteers	22 / 50	30 / 180	6 / 18	50 / 100	4 / 12
Branch of national group or federation?	No	Yes	Yes	No	No
Years of funding from authority	Grants for "long time". Contracts for last six years.	10 years (estimate)	5 years	15 years	4 years
Relationship with authority	Mixed	Mixed	Good	Good	Improving

Table 2: summary of organisations from the district authority

	Organisation 1	Organisation 2	Organisation 3	Organisation 4
Income	£40,000	£100,000	£155,000	£220,000
Proportion of resources from local authority	85% from district authority; also 12% from county authority for special project	33%	25%	90%
Type of funding	SLA	SLA	SLA	SLA
Formal management hierarchy	Yes	Yes	Yes	Yes
Number of staff / volunteers	1.5 / 17	2.5 / 30	8 / 170	8 / 50
Branch of national group or federation?	Yes (local)	Yes	Yes	Yes
Years of funding from authority	Since start up five years previously	20 years (estimate)	Probably from the start – 17 years	35 years
Relationship with authority	Mixed	Good	Very good	Good

All participants in the study had heard of the proposed local compacts in their area. Voluntary organisation chief executives in the county authority were unaware of the authority's intention to re-start the compact process.

Effects of government funding

The effects of government funding on voluntary organisations are reported in three sections corresponding to the dimensions of 'Control', 'Autonomy' and 'Environment' which were described above.

Control

Few adverse effects were discovered in relation to any of the five measures of organisational control of service delivery.

None of the nine organisations reported that local authority funding was affecting their *choice of user group*. There were some issues: for instance, a stipulation that users should live in an authority's geographical area, and a condition of start-up funding for a new service that the client group should extend beyond the organisation's traditional users. But both these requirements were considered reasonable. One organisation in the district authority reported an attempt by the local county authority to refer clients beyond the organisation's area of expertise – but that attempt was successfully rejected. The county umbrella group acknowledged the danger of adverse effects on organisations' choice of client group - but this danger was perceived to be manageable.

On the second measure – organisations' control of *methods of service delivery* – umbrella groups in both authorities reported few difficulties; the county umbrella group expressed concern about inappropriate levels of detail in contracts, but there was little direct effect on ways of working. Only two instances of interference were reported, both by organisations in the district authority, and in both cases difficulties had been resolved: an authority's imposition of an inappropriate service delivery mechanism was reversed after negotiation; and an attempt to influence ways of working had been successfully rejected. Several organisations reported that central government legislation or regulation was more demanding than local requirements, mentioning standards for childcare and Ofsted inspections.

The preference of both authorities for quantitative *performance indicators* as definitions of effectiveness was not a difficulty: all organisations reported that indicators were either fixed by negotiation or were sufficiently loose or non-prescriptive so that they did not interfere with organisational priorities.

None of the voluntary organisations considered *monitoring procedures* to be excessive or disproportionate. Six of the nine organisations reported that the required data was generated for internal purposes, and therefore created no extra burden. The umbrella group in the district authority characterised monitoring as “very loose”. Some concern, however, was expressed by the county umbrella group about the effect of monitoring on small groups with limited capacity: while the frequency of monitoring was appropriate, often the documentation was perceived to be excessive.

The effect of government funding on voluntary organisations’ perceived characteristics of *innovation, flexibility and responsiveness* brought more diverse responses, perhaps in part because the issues were more general. Only one organisation considered local authority funding to be unequivocally enabling; other organisations mostly took a neutral position. A number of difficulties were described: funding for specific projects was potentially restrictive; infrastructure funding, while essential, did not allow flexibility; and annual funding was seen to discourage innovation and flexibility.

There was some concern at the extent to which the county authority was prepared to finance innovatory projects or groups. One organisation suggested that the authority tended to fund “concrete services” rather than innovatory ones; linked to this, the county umbrella organisation reported barriers to funding for small groups.

Autonomy

Again, few adverse effects of government funding on organisational structures or stakeholders were identified. *Formal procedures* such as accountability lines or quality control were perceived by all participants to be consequences of growth and characteristics of a healthy organisation, not functions of government funding. All organisations had in place quality control systems created either by themselves, by professional bodies or by national federations of which they were members. One organisation raised the issue of the district authority’s requirement of business plans. This requirement, however, extended only to organisations in receipt of large grants.

Similarly, no evidence was put forward that either *board members* or *volunteers* were discouraged because an organisation received government funds. Board members were indeed becoming more skilled and professional – but this again was a necessary consequence of organisational growth. There was a general consensus that government funding *supported* volunteers by enabling better structures and stronger management support. Most of the organisations argued that volunteers’ roles should be formally defined.

Although the practice is not unusual, some disquiet was expressed at the presence of local authority representatives on organisations' boards. For one organisation this was a "real problem" - it was seen to interfere with the organisation's autonomy and created a conflict of interests. The county umbrella group shared this concern. But for other organisations it was an important mechanism for conveying messages from the community to the local authority. Six out of nine organisations reported authority representatives as observers or board members.

One example of a clear effect of government funding on an organisation's *relationship with users* was reported: because social services charged users a fee to attend an organisation's service, the relationship between organisation and users became more consumerist. Two respondents reported a small decline in trust because users perceived organisations not to be independent of government. Apart from these instances no effects were reported.

While organisations reported few difficulties, some concerns were raised at possible effects on smaller groups. The county umbrella group cited the "burden of bureaucracy"; another participant suggested that, while volunteers at his medium-sized organisation were shielded by the organisational infrastructure, volunteers in smaller groups might not be similarly protected.

Environment

There was little evidence that organisations in either authority were changing behaviour because of environmental or competitive market pressures. Only one organisation reported pressures to be efficient at the expense of quality; none had implemented cost-cutting or efficiency tactics. Success in attaining government funds in both areas was attributed to achieving a fit with the authority's objectives, to the uniqueness of the respective services, and to the perceived service quality.

In the district authority, where funds were distributed through grants and not through a tendering process or through contracts, there were predictably the conditions of political bartering and exchange rather than those of the economic market. But in the county authority too several organisations, including two who received payment through contracts, described a contest based upon political legitimacy rather than economic efficiency. Different local authority services – and different groups of clients within those services - were competing for scarce resources. Voluntary organisations, therefore, had to show the needs and legitimacy of their own client group.

In addition, organisations in the county authority were protected from market forces by the uniqueness of their services. Four out of five organisations described a non-competitive niche; this was also true of one of the services supplied by the fifth organisation.

The local umbrella group, however, while acknowledging that there was little competition, warned that the authority was valuing efficiency above effectiveness. The failure to award an appropriate inflation uplift was an example; rather than cutting quality voluntary organisations were subsidising government funded-services from other income.

Effects of government funding - the local authority view

The district authority officer reported little effect from government grants on voluntary organisations. There were, however, some interesting observations from county officers. It was, for instance, “a given” that, when buying in a service, the authority would prescribe the type of user: the authority had a duty under law to select the users for whom it paid, and that responsibility could not be delegated. While it was hoped that infrastructure funding would prevent organisations from changing client groups in order to access money, examples of vendorism did take place.

Organisations’ delivery techniques were also inevitably “bent and directed” towards the county authority’s approach. Authority funding demanded more formal procedures; dependence on such funding caused organisations ultimately to become “clones of each other”, because funding was purchaser-led, not demand-led. Thus, in this instance, isomorphic forces were created as much by government funding stipulations as by more generalised economic or institutional legitimacies within the social welfare market.

County authority officers did, however, acknowledge that there was not a vigorous welfare market. There was a shortage of suppliers and therefore little supply-side competition.

Expectations of compacts as guardians of voluntary organisations’ independence

Participant organisations perceived few adverse effects from local authority funding. Examination of the role of the local compact in protecting organisations from such effects was therefore undertaken through hypothetical scenarios: participants were asked to consider whether the local compact would make a difference in each area *if there was a problem*.

The effect of a compact upon the general relationship between voluntary organisations and local authorities dominated most responses. For most participants – from both the voluntary and statutory sectors - the compact was likely to affect dimensions such as the control of service delivery not by making reference to specific issues or areas, but by creating a

framework for negotiation and understanding. A tight service specification, for instance, which interfered with an organisation's ability to control its own programmes, implied a lack of trust within the relationship. If mutual understanding could be achieved, then the benefits would flow into many of the specific areas of interaction investigated here. These themes are expanded below.

Compacts and the general relationship between voluntary organisations and local authorities

Voluntary sector participants conceptualised the potential role of a local compact in a number of complementary ways. It could outline a "basic philosophy" or provide a "framework", "ground rules" or "structure" for the relationship; it could enhance dialogue and enable issues to be shared and problems raised. Potential outcomes included "mutual understanding", "real partnership", "reasonable behaviour" and the creation of a "soft interface" between the voluntary and statutory sectors. More conservatively a compact was also conceived as a "fall-back" – "a protection for when people don't behave".

There were, however, considerable doubts about practical effectiveness. Two of the four voluntary organisations in the district authority were unequivocally positive about a compact's practical effect – but only one out of the five organisations in the county authority. Particular reservations were expressed about trust dynamics, about the effectiveness of implementation, and about the capacity of voluntary organisations.

The importance of trust

For many of the voluntary organisations in the study, relationships with the local authority were conceived as relationships with people. This was the level at which a compact had to act. Fundamental to these relationships was trust: trust could enable the authority to create loose contracts; it could give organisations confidence to raise issues with the authority. But the relationship between a compact and trust was complex. As one participant stated: "Do we need a compact to make people reasonable? And if they're not reasonable, will a compact make a difference?" For this participant, informal negotiation was the best way forward – one more document could achieve little.

Neither of the two umbrella groups expected a compact to make an effective difference, but for very different reasons. In the district authority trust was perceived to be high between voluntary and statutory sectors – a compact would simply codify existing ways of working. In the county authority, where the relationship between the sectors was lacking trust, the umbrella group believed that the Best Value Review placed too much emphasis on a compact as a means of taking the relationship forward. It was necessary first for the authority to show

good faith by addressing fundamental issues which were adversely affecting the voluntary sector.

This appeared to be a “chicken-and-egg” conundrum. The umbrella group sought trust before the compact process began; a county officer, by contrast, suggested that the compact process could “start the ball rolling” in improving the relationship between the sectors.

Implementation

Organisations in both authorities expressed reservations about the implementation of a compact. There was concern that it might be a paper exercise or piece of “committee work” with little practical effect. There were particular concerns amongst some of the organisations in the county authority because of the authority’s perceived failure in the past to follow its own procedures: why would a compact be different?

For the county umbrella group it was vital that the authority showed commitment to the compact by supporting its implementation with resources and appropriate policing and supervision. The compact should become part of the authority’s induction programme; incentives encouraging adherence to the compact should be built into working processes.

Capacity of voluntary organisations

There was some hope that a compact might support small groups. It might raise awareness of rights among organisations not already plugged into the system, and enable the articulation of those rights. But there remained the difficulty of capacity – organisations still had to negotiate with their authority about funds; small groups were often lost in “statutory sector-speak”. There was therefore a strong proposal by the county umbrella group for increased statutory funding of voluntary sector infrastructure and capacity-building; for one voluntary organisation representative – who also had a role in a local umbrella group - such infrastructure investment was essential to the success of a compact.

Compacts and the specific dimensions of control, autonomy, and environment

As well as comments on the general effect of a compact, there were also responses relating to the specific dimensions of organisational control, autonomy and environment.

Compacts and control

Three organisations stated that the local compact had no role to play in protecting their *choice of user group*. The management board of each organisation was responsible for deciding

whether to “chase” government funding: if the client group was inappropriate, the organisation would refuse authority funds. For one of these organisations the choice of user group was an aspect of a contractual relationship with the local authority to which a compact could not apply. The district authority umbrella group shared these views: if a voluntary organisation wanted to receive funds from an authority, it must follow the authority’s aims.

Most organisations saw a general role for a compact in supporting control of *methods of service delivery*. Organisations might point to the statement of voluntary sector independence in the compact, or become aware of their rights through a compact. One organisation again believed that it was the responsibility of an organisation and its board to fight off government interference, and that therefore a compact had no relevance.

There were specific suggestions concerning a compact’s paragraphs on *performance indicators*. For one organisation performance indicators were a “key interface” between voluntary organisations and the local authority – a compact should acknowledge the diverse agendas of each party. Another organisation suggested a stipulation in a compact that all quality measures should be set by users, thus removing conflict between organisations and local authorities; the county umbrella group suggested that a compact should set down a requirement for negotiation. Once again one organisation considered it to be the responsibility of each organisation to set appropriate indicators, and that therefore a compact was irrelevant. Another argued that conflicts over indicators were caused by shortages of resources, and that a compact would make little difference in such a context.

On two measures - *monitoring procedures* and support of *innovation, flexibility and responsiveness* – no specific comments were offered. It was again suggested that, if a compact improved the general relationship between organisations and local authorities, then organisations’ independence and control in these specific areas would benefit.

Compacts and autonomy

Most participants again predicted that a compact’s effect upon the relationship between the sectors would trickle down to this dimension, enabling mutual understanding and discussion of difficulties in an open forum. For instance, where users were suspicious of the partnership between an organisation and the authority, the two bodies might work together in the spirit of the compact philosophy to allay such fears.

One participant, however, did not foresee a role for a compact in this area. The formalisation of procedures was an internal matter for an organisation. If government funding interfered with organisational structures, other funders would be sought. This organisation currently receives just under half its funds from government sources.

Two specific proposals focused on a compact's statement of the independence of voluntary organisations. One participant wondered whether this statement could be quoted in opposition to an imposed business plan. It was also suggested that the presence of local authority representatives on organisations' boards might be similarly challenged.

There was no strong feeling that the compact would protect volunteers from formal roles – especially as organisations in this study supported such roles.

Compacts and the environment

In the context of the economic or market-based environment, a compact was primarily seen as a vehicle for dialogue. It might enable communication about cost-cutting initiatives or efficiency pressures so that a local authority might understand the voluntary sector's viewpoint - and one organisation pointed out that the national Compact and its supporting documents emphasised quality. Alternatively, in the context of political exchange, a compact might support discussion of political objectives and their fit with organisational priorities.

Attitudes and organisational characteristics

Correlations were not obvious between organisational variables and attitudes towards the role or effectiveness of a compact. Organisations with similar resource dependencies expressed different views; both the most positive and most negative views of compacts were expressed by two of the smaller organisations in the study. Two observations are interesting, but not compelling: the most positive organisation had a low dependency on local authority funds; the most negative organisation was the smallest in the current study to receive funds through contracts (amounting to a third of annual income).

The most obvious disagreement among voluntary sector participants concerned the role of a compact in protecting organisations' choice of user group. But again there was no obvious correlation between organisational characteristics and opinion. Of the three organisations which denied a role for a compact, one was small and one large; one had almost total resource dependency on the local authority, whereas two had multiple funding sources.

Compacts - the local authority view

Local authority representatives shared the view that compacts could strengthen voluntary organisations' control of service delivery and autonomy by improving the relationship with the statutory sector. A compact could enable dialogue, proper partnership, and sharing of experiences and difficulties. It could be a "mission statement" which could improve communication and raise confidence, or a framework setting the ground rules.

But local authority representatives were circumspect about the effectiveness of a compact. The district officer, mirroring the local umbrella group's response, predicted that, because a good rapport existed already between the sectors, a compact would have little practical effect. A county officer hoped that a compact might frame the authority's ways of working within all departments, thus enabling welcome consistency - but warned that, without political support at the highest level, the statutory and voluntary sectors would "get bogged down in the old relationships". Another county officer foresaw little practical effectiveness at all.

In common with several voluntary organisations, local authority officers could see no role for a compact in protecting the integrity of organisations' client groups. One local authority participant did, however, predict that a compact would remind authorities that they must take into account organisations' aims and objectives. On the issue of monitoring there were mixed views: if monitoring became too heavy, a compact might create a context for negotiation; on the other hand there was also a hope that there would be a clear statement that monitoring was an appropriate *quid pro quo* when organisations receive local authority funds.

In the context of the welfare market and competition, county officers significantly saw no role for a compact. Pressures for efficiency were imposed externally by the market; a compact could have little impact on issues of finance and competition.

5. Discussion

Is there a threat to voluntary organisations' independence and autonomy?

This study sought to investigate whether local compacts can protect voluntary organisations' independence and autonomy when they receive funds from government. But the findings suggest that, at least within the group of organisations studied here, warnings of instrumentality or vendorism may be exaggerated.

Organisations, in fact, reported few adverse effects from government funding on any of the dimensions proposed by commentators. Organisations' control of service delivery was not compromised; nor was it perceived that organisational structures or stakeholders were affected. Formal structures were attributed to organisational growth and good practice, not to government funding. Contrary to the predictions of some commentators which were described in the first section, no effect on the motivation of volunteers was perceived – indeed government funding was seen as a potential enabling force, offering organisations the opportunity to support volunteers more effectively. There were some small impacts on organisations' relationships with users – but only three organisations identified such effects,

and none were considered to be serious. There was, finally, no significant evidence of either an ecological or an institutional emphasis on efficiency or market-style behaviour.

Conversely, two noteworthy effects of government funding were encountered which are not often described by commentators. First, the presence of local authority representatives on organisations' management boards provoked differing responses. For some organisations this may compromise autonomy and create a conflict of interest, while for others it can enable useful communication. It is an issue which deserves further study. Second, some organisations identified the primary source of government interference in organisational process not as the contract, but as central government legislation, regulation or inspection. This confirms a difficulty identified by the Performance and Innovation Unit (PIU) in its review of the regulation of the voluntary sector: "A concern with good practice might be interpreted as the state undermining the independence of the sector by meddling in operational matters" (PIU 2001: principle 5). Given the emphasis on internally generated quality control shown by organisations in this study, the PIU's suggested focus on self-regulation and self-assessment would seem a way forward.

Two caveats must be raised about the absence of effects. First, it may reflect the selection of authorities and organisations. In neither of the local authorities was there a strongly competitive welfare market: this may moderate the effects of government funding. More importantly, while the voluntary organisations in this study did show some diversity in size and resource dependency, significant shared characteristics must be acknowledged. All the organisations with the exception of one had an annual income of over £100,000; all were at ease with formal processes and quality control; and most of the organisations possessed a source of strength which enabled them to stand up to government – whether strong structures, membership of national federations, multiple funding sources, a niche service on which government was itself dependent or powerful personalities and capabilities in the management team. In addition the majority had long-standing relationships with government.

Second, some evidence was uncovered of adverse effects outside the organisations under study. This was especially apparent in the county authority. Several voluntary sector participants warned of specific problems faced by small or weak groups. The responses of county authority officers suggested too that vendorism and isomorphism were occurring because of government funding.

Nevertheless, across two local authorities with different funding arrangements, a diverse group of voluntary organisations experienced few adverse effects from government funding on their independence or autonomy. On the few occasions when local authorities made inappropriate demands, organisations were sufficiently strong to resist or negotiation was possible. The evidence here does suggest, contrary to the predictions of some commentators

but in common with a number of other empirical studies, that government funding does not inevitably cause voluntary organisations to become instruments of the state.

Compacts as guardians of voluntary organisations' independence and autonomy

Because none of the organisations had experienced strong adverse effects from government funding, expectations of compacts were considered through the prism of a hypothetical situation: if there were adverse effects in the future, would a compact make a difference? Such a construction is not ideal. But a number of valuable insights were offered.

Will the Compact have practical force in preventing government interference in organisations' control of service delivery?

Both voluntary and statutory sector participants perceived a compact's potential impact upon issues of control of service delivery and autonomy to be primarily general rather than specific. By creating a philosophy and framework to underpin interactions, a compact could enable dialogue and mutual understanding: these in turn could be the basis of real partnership. Such dialogue would enable sharing and resolution of problems around control of service delivery.

Two specific issues were raised. First, a minority of organisations and all statutory sector officers believed that the definition of user group was a contractual or negotiable issue beyond the reach of a compact. Issues of vendorism, then, may not be resolved by a compact: as some organisations suggested, strong boards and executives will continue to be the strongest defence against vendorism – along with, of course, multiple funding sources to prevent a dependency on government funds. Second, there were two useful suggestions for the compact content, both regarding performance indicators: there should be a promise that all indicators are set after negotiation; and service outcomes should be set by users. The latter suggestion both neatly sidesteps disagreements between organisations and local authorities, and empowers users – but it may prove too radical for both local authorities and some voluntary organisations.

Concerns were raised by a majority of the voluntary sector participants about the practical effectiveness and implementation of a compact's general framework. These concerns can be grouped into three categories - trust, implementation and voluntary sector capacity.

Trust

According to one participant, interference by a local authority in organisations' control of service delivery indicates a lack of trust in the relationship. By strengthening trust between

the voluntary and statutory sectors, it can be inferred that a compact may help to protect organisations from unnecessarily prescriptive contracts or agreements.

But the extent to which a compact can strengthen trust is problematic. Where there is already a high-trust relationship between the statutory and voluntary sectors – as was perceived to be the case in the district authority in this study – then the compact may strengthen or codify already good channels of communication. But in the county authority, where the relationship between the sectors was difficult, the local umbrella group questioned whether in the first instance the compact process was the appropriate mechanism for taking the relationship forward. Further, there was doubt whether, in the absence of trust, a compact could be effective: as another participant suggested, it is unlikely that a non-binding document can curb unreasonable behaviour.

Such findings confirm the analysis of Craig et al. (2002) that the compact process must take careful account of the history of the local voluntary sector and of the existing relationship between the sector and the local authority. As they suggest the compact process may be as important as the product, because the negotiations themselves can build trust and understanding. But there is a complexity – the compact process both needs trust and can create trust. It may be the case that in certain circumstances, as suggested by an umbrella group in this study, fundamental issues of difficulty between the two sectors will have to be resolved before the compact process begins in order to establish the foundations for successful compact negotiations.

Implementation

Concerns amongst voluntary sector participants that compacts will be just “pieces of paper”, which bring no substantive change, mirror previous research findings (for instance, Craig et al. 1999). It is notable that these concerns are not simply restricted to the county authority, but also extend to the district authority where the relationship between the statutory and voluntary sectors is perceived as good. Nevertheless, it is in the county authority that these concerns are strongest, fuelled by the tense history of previous interactions between the sectors.

The suggestion of a county officer that commitment at a high level is needed for a compact to succeed seems plausible – especially if relations between the sectors have been historically difficult. But, as numerous participants commented, voluntary organisations’ contact with local authorities comprises of a series of interactions with a network of different local authority individuals. Thus it is imperative that these individuals too have some understanding of and commitment to a compact’s principles: a different form of capacity building is required, one which focuses on the individuals who represent the more powerful partner in the relationship

(Mayo and Taylor 2001). If a compact is to succeed, it is therefore likely that commitment must be organisational as well as political, and that, as Craig et al. (2002) propose, the compact should be built into induction, training and supervision within local authorities.

Voluntary sector capacity

For several participants in this study, the most effective defence against government interference was the organisation's own strength to stand up to government. But some participants also acknowledged that some voluntary organisations – particularly smaller groups – may lack the necessary skills or organisational confidence to negotiate with government. A compact may itself build capacity by, as one participant suggested, raising awareness of the rights of the voluntary sector. But in order that weaker organisations can exploit the opportunities which a compact may provide, it may be necessary to build their capacity. Such a conclusion, however, can only be tentative, given that no such organisations or groups were present in the current study.

Two participants, both of whom had roles in local umbrella groups, viewed increased resources for voluntary sector infrastructure groups as a *sine qua non* for the success of a compact. Certainly the local voluntary sector infrastructure will require the capability to contribute fully to the compact process and subsequent implementation.

Can the Compact protect voluntary organisations' structures and stakeholders?

Again, most of the voluntary sector participants perceived a compact to have a general role in protecting organisational structures and the autonomy of stakeholders: significant impositions by government could be remedied through dialogue and partnership according to a compact's philosophy.

But, significantly, it was improbable that a compact would have a strong function in this context - for all the organisations were, in fact, already at ease with formality and structures. All had strong, internally generated quality control systems; most believed that volunteers' roles should be formally defined. All were anxious too to achieve skilled, professional governance. Such formalisation appears, therefore, to reflect wider institutional forces and legitimacies. It seemed to be accepted by voluntary sector respondents that voluntary organisations which offer certain types of service – whether or not funded by the state - will have formal procedures and structures in place.

There is a resonance here of Dahrendorf's "Compact Sector" - formal service-providing organisations which benefit from a structured relationship with government. Whether, contrary to Dahrendorf's model, these organisations can also be the context for genuine

voluntary action is beyond the scope of this study – certainly they enabled considerable voluntary activity. Given the selection of organisations, it is not possible to comment on whether authentic associational characteristics within small organisations could be protected by a compact. But there is a sense here that bureaucratisation or professionalisation may be characteristic of organisations which take funds from government, whether or not it is those funds which are the cause.

Can the Compact enable a new discourse?

Can the Compact enable a move away from the new public management emphasis on competition, market values and efficiency? The evidence here is limited: there was no obvious welfare market in the district authority, and in the county authority supply-side competition was not strong. Only one organisation reported efficiency pressures – although the county umbrella group reported a characteristic dispute about efficiency and effectiveness.

It is significant, however, that for county officers a compact does not have a role in moderating competitive or efficiency pressures in the welfare market – these are external forces to which the authority must react, albeit in the context of Best Value. Thus a compact may have limited relevance in protecting voluntary organisations from market values or ecological pressures of efficiency – and, as Frumkin and Andre-Clark (2000) suggest, such environmental forces are a serious threat to voluntary organisations. A new discourse which embraces voluntary sector values within the funding relationship seems unlikely.

6. Conclusion

The Treasury's *Cross Cutting Review of the Role of the Voluntary Sector in Public Service Delivery* (HM Treasury 2002) asks, "How can we build on the Compact to encourage more effective partnership working between Government and the [voluntary] sector?". One answer to this is simple: a partnership will not be effective – at least not from voluntary organisations' points of view – if it compromises organisations' independence. According to a majority of frontline actors in this study, the Compact offers a framework and a philosophy which can potentially enable dialogue and discussion to protect organisations' control of service delivery. But for the framework to have practical impact, concentrated commitment is needed to build trust and ensure implementation across public bodies.

There are, however, significant reservations about the extent of the Compact's protection of the unique characteristics of voluntary organisations. It is unclear whether the Compact has any role to play in preserving associational characteristics from bureaucratisation; and there

are doubts whether it can moderate isomorphic and ecological pressures created by the welfare market and by government funding.

There is a further fundamental implication. Acknowledgement of the primacy of the welfare market is an implicit value judgement - an acceptance of the legitimacy of market values which are not necessarily or usually shared by voluntary organisations. For county officers, there is no role for the Compact within such debates. Anheier (2000), considering Third Way policies and partnerships, asks what happens if the values of voluntary organisations and government do not coincide. It appears likely that such essential conflicts will be beyond the power of the Compact mechanism to resolve.

The Compact's role, then, may be bounded, being essentially relevant to the mechanisms of the funding relationship rather than to fundamental institutional forces or ecological values. Knight (1993) doubts whether authentic voluntary action can exist within an organisation which acts as a sub-contractor to the state. This fundamental issue remains at the heart of the debate about the relationships between the state, the voluntary sector and civil society.

Notes

1. Following Salamon and Anheier (1997), “voluntary sector” describes organisations or associations which are private and self-governing, formal, and nonprofit, and which involve some meaningful degree of voluntary participation.
2. The term “voluntary organisations” is used throughout to describe the range of organisations and associations in the voluntary and community sector.
3. Similar, but not identical, Compacts have been published in Wales, Scotland and Northern Ireland. These are not considered here.
4. There is, of course, an essential further dimension – the extent to which voluntary organisations in receipt of state funding feel able to campaign against state policies. This dimension was beyond the scope of the present study.
5. The Best Value Review and its associated report are not referenced in order to preserve the anonymity of the authority.
6. The methodology used to count voluntary organisations in both areas is uncertain, and therefore comparisons are not possible.

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Appendix

Sample interview – chief executives of voluntary organisations

Section 1 – About the organisation

- In what field does your organisation work? What is the role of the organisation? Is it part of a national organisation or federation?
- How old is the organisation?
- What is the organisation's annual income?
- How many full-time equivalent paid staff do you have?
- How many volunteers? Are they directly involved in service delivery?
- Is there a clear managerial hierarchy?

Section 2 - The organisation and government

What proportion of your total funds come from local authority sources?

- Do you have programmes which are specifically funded by the authority?
Are funds provided through contract or grant or both?
 - If so, how much of each?

Over how many years has the organisation received funds from the local authority?

- Start-up?

How would you characterise your relationship with the local authority?

- (adversarial? cooperative?)

Section 3 – The Compact

Have you heard of the proposed Local Compact?

How would you describe the aims of the Compact?

Do you think the Compact will make a difference?

Are you involved in the process of setting the Compact up?

- Has this been a positive or negative experience?

Section 4 – Expectations of the Compact

A. Control

Has local authority funding affected your choice of your client or user group?

- Thinking of your mission, would this be your chosen client group?
Does the Compact have the potential to make a difference in this area?

Does the local authority expect or specify that the organisation should use certain techniques or processes in its service delivery, in the way it cares for its clients? I'm thinking here of the actual delivery of services, rather than financial or evaluation systems.

- Thinking of your mission, would you deliver services in this way if free from external considerations?
- Does the Compact have the potential to make a difference in this area?

Moving on to performance indicators: who chooses the definition of effectiveness of your service– the outcomes?

- Do these indicators fit with the outcomes you would like to aim for?
- Does the Compact have the potential to make a difference in this area?

Connected with performance indicators is the process of monitoring.

- Does the grant or contract specify monitoring? What do you think about it?
- Is it in proportion to the service you are delivering or the size of the grant?
- Does the Compact have the potential to make a difference in this area?

Three qualities which are often associated with voluntary organisations are innovation, flexibility and responsiveness. I'd like to think about each of those qualities in turn: still thinking of your service delivery programme, does funding from the local authority help or hinder the organisation's ability to innovate / be flexible / respond to needs?

- Does the Compact have the potential to make a difference in this area?

B. Autonomy (indirect impacts – structures and people)

Does the local authority funding create a need for formal procedures within the organisation? (such as financial accountability or monitoring)

- Are there more professional workers?
- Is the managerial hierarchy more formal?
- Does the Compact have the potential to make a difference in this area?

Has local authority funding had an effect on the role of volunteers?

- Roles formalised? Volunteers discouraged?
- Does the Compact have the potential to make a difference in this area?

Has local authority funding affected board membership? (pressures, turnover)

- Does the Compact have the potential to make a difference in this area?

Has local authority funding affected the organisation's relationship with its users?

- More formal / more informal? Trust? Accountability?
- Does the Compact have the potential to make a difference in this area?

C. Environment

18. What are the most important qualities an organisation has to show to win a contract or grant from the local authority?

- Does the Compact have the potential to make a difference in this area?

What are the most important qualities an organisation has to show to get the contract renewed?

- Does the Compact have the potential to make a difference in this area?

Is there competition for grants and contracts?

- Is it just voluntary organisations which are competing - or forprofit companies and public agencies as well?
- Does the Compact have the potential to make a difference in this area?

Section 5 – Conclusion

21. Is there anything else you would like to say about the way the Compact is likely to work?