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Voluntary Sector Working Paper

Coming in from the cold? The impact of the contract culture on voluntary sector homelessness agencies in England

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Number 10

June 2008

General Introduction to Voluntary Sector Working Papers

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This new series of Voluntary Sector Working Papers has been made possible by a grant by the **Charities Aid Foundation**.

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Abstract

The voluntary and community sector (VCS) has experienced unprecedented growth over the past two decades, and has come to play a central role within the UK's welfare state. This growth has been driven predominantly by a sustained influx of statutory funding as part of the modern 'contract state' and 'quasi market' approach to public service delivery.

The growing dominance of statutory funding has lead a number of recent commentators (Dahrendorf cited in Brindle (2001); Centre for Social Justice, 2006; Seddon, 2007; Charity Commission, 2007) to argue that the VCS is being fundamentally changed through its closer relationship with government – that the independence, responsiveness and flexibility of organisations is under threat and that they are becoming para-statal or 'QUAGOs[1] - quasi-governmental organisations' (Dahrendorf quoted in Brindle 2001). This paper examines the impact of the contract culture from the perspective of the VCS through the experiences of eight charities working in the field of 'homelessness' over the past ten years and in particular the responses of their chief executives to the changing political and economic environment. While contracting has undoubtedly blurred the boundaries between sectors, and played a part in the professionalisation and formalisation of charities, the study finds little evidence for the more negative processes of what Kramer (1995) refers to as 'devoluntarisation' or loss of independence. It concludes with a discussion about the relationship between the mission, culture and strategy of organisations to statutory funding and the management of the quasi-market itself.

Definitional note and field of study

Throughout the paper I will use the terms voluntary organisation, charity, and non-profit organisation interchangeably, all to refer to a group of organisations falling within Anheier's structural operational definition[2] (Anheier 2003). I am primarily concerned with those agencies choosing to deliver services to the public which *could* be run directly by the state (as opposed, for example, to campaign groups). As such, I am focusing specifically on just one aspect of the third sector; service delivery, with questions about wider changes to the sector lying beyond the scope of this paper.

Acknowledgements

I would like to take this opportunity to thank:

- the participants in the study for granting me an hour of their time that they clearly did not have
- Dr Sarabajaya Kumar and Maff Potts for early support with developing the research project
- Sue Roebuck for her continuing support and flexibility
- Anna, and my son Elijah for his merciless disregard for a deadline or a due date.

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1. Introduction

In economic terms public service delivery has undoubtedly become central to the VCS in England and Wales. Government funding now accounts for 38% of total income for general charities[3], making it their largest contributor (NCVO, 2007: figure 1). The dramatic growth of the sector, with income nearly doubling between 1998 and 2005 (CAF, 2005), has been significantly driven by an influx of state funding, particularly through the development of a quasi-market in many areas of social services (Kendall, 2003; NCVO, 2007; Etherington, 2007). This is particularly clear within social care, where 62% of third sector income is now derived from statutory sources (IFF Research, 2007). Voluntary organisations deliver some two-thirds of services under the £1.7 billion Supporting People programme[4] (DCLG, 2007) and an estimated 80 per cent of the £350 million spent on homelessness. It is estimated that local authorities now spend around 11 per cent of their social care budgets through the third sector (IFF Research, 2007).

Figure 1 – Charity Income by funding source (NCVO 2007)
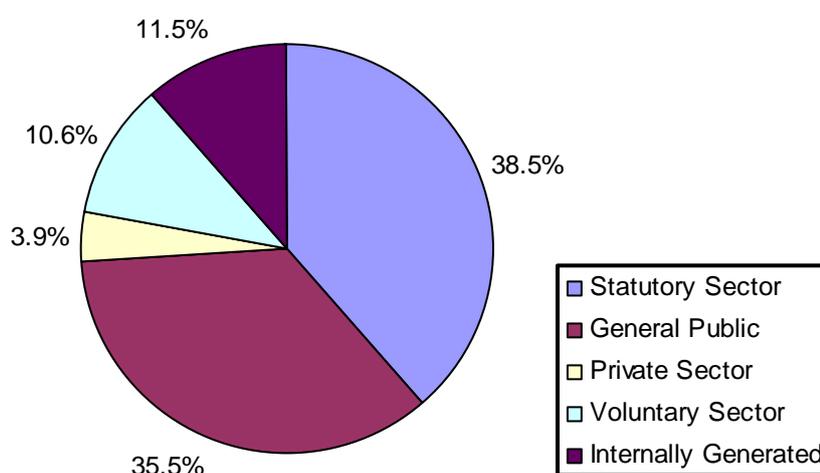
At the level of individual organisations, a number of charities now receive a majority, in some cases an overwhelming majority, of their income from government. For example, social care charities such as Fairbridge (65%), Barnardos (78%) and National Children's Homes (88%) are

all heavily reliant on statutory income. Overall, one-third of charities that deliver public services obtain 80 per cent or more of their income from government (Charity Commission, 2007).

This growing role within public service delivery has raised a number of questions and concerns from academics and from third sector leaders alike. For example, how does this dominance of statutory funding square with the essential (even definitional) independence of the voluntary sector? What impact does the focus on contracted performance targets and the requirement for qualified staff have on the third sector workforce (including both staff and volunteers)?

This paper attempts to pick apart some of the implications of the 'contract state' for the voluntary community sector, in the context of a particular field: homelessness. This is an area that has seen significant and rapid change in the level of engagement and funding from the state. It is also a field that has seen long-term involvement from the voluntary sector. Following a literature review which draws on evidence from social care, and particularly homelessness, from England and Wales and the US I will present findings based on analysis of documents and a series of interviews with the chief executives of English homelessness agencies.

2. Literature Review

The significance of contracting

The dominance of statutory funding may raise questions in and of itself. But the nature of that funding has also changed. Statutory funding first overtook private funding as the largest source of charities' income following the introduction of the NHS and Community Care Act 1990[5] (Kendall, 2003)[6], which championed the development of quasi markets in social care and the 'contracting out' of services. This change, driven partly by neo-liberal aims of scaling back direct public provision, happened over a far shorter period than in other countries and turned the welfare state from a 'convoy of huge oil tankers' to a 'flotilla of tiny dinghies and yachts' (Perri 6 and Kendall, 1997: 1), with much of the fleet contracted from the third sector. This process has continued over the past decade, until in 2003/04 contracts overtook grants as the main form of government funding for the third sector (NCVO, 2007). Today, 62 per cent of statutory funding is earned under contract (ibid.).

While state and charity have a long history of collaboration (Perri 6 and Kendall, 1997), the rise of contracting has shifted this from grant giving to a purchasing relationship (Taylor and Lewis, 1997). Whatever the expectations of funders in the past, it is argued that contracting places a much tighter set of controls, legally enforceable, upon charities and the services they provide. Competitive tendering, where providers bid against each other to deliver pre-determined services, may remove a charity's ability to set the type and method of work they undertake. Put

simply, voluntarism may not be compatible with the 'vendorism' required by the quasi market (Kramer, 1981)

However, there are a number of reasons to question this thesis. First, early studies of the contracting process found that, in practice, the balance rested the other way, with just 11 service specifications written by funders compared to 155 produced by service providers (Richardson, 1995). Government was largely reliant on the knowledge and expertise of the delivery agency. Second, as Batsleer and Paton (1997) point out, contracts are developed through negotiation, informed by a range of organisational values, experiences and priorities rather than signed as a fait accompli.

Some have questioned whether contract funding does actually present such a huge change in state-voluntary relationships. Voluntary organisations are essentially dependent on funders, whether wealthy philanthropists or local government (Salamon, 1987; Powell and Friedkin, 1987; Weisbrod, 1998) leading Batsleer and Paton (1997) to argue that the idea of a 'golden age' of grant maintained organisations is specious. Grantmakers certainly enjoyed significant control over charitable providers:

"Voluntary organisations for their part [have] become increasingly adept in the fine art of grantsmanship . . . with all the dangers of incorporation into government purposes, political manipulation and the loss of real independence and critical faculty" (Brenton, 1985: 90).

However, while it is certainly right to question the notion that grants came free from constraint, contracting has introduced 'tighter, more explicit and more rigorous criteria for funding' (Kramer 1990: 8). This, combined with the massive growth in government financing of the sector, represents a significant shift. Throughout the rest of this paper I will therefore be primarily concerned with the overall effect of this 'contract culture': the growing dominance of statutory funding delivered through competitive contracts.

In addition to the recent explosion of interest in the issue[7] there were a number of research projects following the introduction of the 1990 Act, and a series of publications around the same time, which drew on the US experience of Purchase of Service Contracting (see Kramer (1994) for an overview). It is possible, with cautious reading, to draw a consistent set of concerns from across these three bodies of literature. These can be categorised as *threats to autonomy* covering the erosion of independence and *threats to identity* covering the organisational changes forced upon charities as they adapt to the new funding environment. The paper will now consider each of these in turn, using them to shape the empirical research described in section 3.

Threats to autonomy: a question of independence

The most common concern raised is that the independence of a voluntary organisation is put at risk through its reliance on state funding:

*"*A great deal of charitable activity is not - no longer, perhaps - independent of government. It not only needs government as a facilitator, but [it] is a partner and sometimes *an agent of government in the pursuit of public purposes*" (Dahrendorf in Brindle 2001, italics added).

Manser's Law, which states that "an agency's freedom and effectiveness in social action or advocacy are in inverse proportion to the amount of public money it receives" (Manser, 1974: 421) is echoed by Seddon's (2007: 146) argument that charities receiving more than 70 per cent of their income from statutory sources "are already *de facto* state agencies, or QUANGOs, or satellites" and should no longer be considered charities or receive the benefits of charitable status. Using the Charity Commission's statistics, this would apply to around one third of the charities which deliver public services.

The dominance of state funding is considered problematic because it is driven by specific government priorities and policy agendas in a way that public donations, motivated by a general desire 'to help', are not. The specificity that contracting has introduced tightens these concerns still further. In a survey conducted by the Charity Commission just 26 per cent of charities delivering public services reported they agreed with the statement that they are 'free to make decisions without pressure to conform to the wishes of funders', compared to 58 per cent of those *not* involved in public service delivery (Charity Commission, 2007: 16). However, this difference narrowed significantly by 16 percent to 69 per cent of charities delivering public services and 85 per cent of those not delivering public services who either 'agreed' or 'mostly agreed' with the same statement, suggesting that these are felt pressures, rather than being absolutely dominant.

There are also a number of ways in which this dependence can be offset. Voluntary organisations can, for example, mobilise significant political and community-level resources in disputes with government, leading Smith and Lipsky (1993) to highlight the essentially corporatist approach to negotiation and policy development. Powerful coalitions and representative bodies have been established to negotiate aspects of service delivery and influence national policy on behalf of voluntary providers (Bernstein, 1991; Smith and Lipsky, 1993). In the UK, this approach has been strengthened through the introduction of the voluntary sector compact which offers a framework to protect effective statutory-voluntary relationships (Roberts, 2007), although high profile attempts to test the efficacy of the compact have so far yielded mixed results.

Equally, charities may offer government particular expertise, links to local communities or the ability to engage with groups that have rejected statutory services. They also dominate some fields in terms of delivery capacity. In England and Wales some 150,000 people with drug or alcohol problems access treatment through the voluntary sector each year (Centre for Social Justice, 2006), from a total of 200,000 treatment places across all sectors (National Treatment Agency 2007). This dominance is particularly relevant where the costs of market entry are prohibitive. The leverage which government can bring to bear on charities will be lessened where it is offset by these resources. It is largely assumed within much of the recent literature that the heavy financial dependence of charity on state trumps other factors, but is this really the case?

In one of the few large-scale studies of voluntary sector dependence on state funding, Saidel (1991) attempts to address this question through a survey of 153 voluntary sector and statutory managers in New York State. The survey focused on the dependence of one organisation on another in relation to factors such as: revenues; service delivery capacity; information; political support; and legitimacy. These were all weighted according to importance, availability of alternative resources and the ability to compel provision of the resource. A series of questions about organisational behaviour, the relationship and perceived dependency was measured using a Likert scale.

Surprisingly, given the concerns outlined earlier, both government and non-profit organisations described 'a similar relationship of reciprocal dependence' (Saidel, 1991: 547) with aggregate perceived dependency reported as 'virtually identical' (ibid). Organisations in both sectors also perceived that they retained significant independence (each sector stating they were approximately 60 per cent dependent on the other). While both groups agreed that government was able to exert greater pressure on non-profit organisations, partly reflecting the contractual, legislative and regulatory controls discussed in this paper, this did not undermine the overall account of *interdependence.* This result is endorsed by a qualitative study examining the notion of accountability[8] within the voluntary sector by Kumar (1997). This found a similar account of interdependence, with managers speaking optimistically of 'mutual trust and respect' (ibid: viii) and an essentially two-way relationship. With striking echoes of Saidel's analysis the report argues that:

"Notwithstanding the fact that public sector purchasers hold the purse strings, they need what the voluntary sector has to offer" (Kumar, 1997: vii).

There may, of course, be an enormous discrepancy between *perceived* dependence and *actual* dependence on state resources. However, if what we are concerned about is the impact on VCS decision-making and behaviour, then *perceived* dependence is a legitimate measure.

Managers feel able to resist pressure to change, to negotiate and to challenge statutory funders. Overall, these studies suggest that voluntary organisations are in a stronger position than critics of contracting allow, and they are certainly far from directly dependent on the state.

Even where a voluntary organisation feels no direct interference from funders, however, the dominance of statutory funding can still be a threat. Government budget rounds essentially control the flow of funding into different areas of public services, and by extension into areas of charitable activity. Providing services under contract therefore inherently risks a charity's priorities being overtaken by state social policy goals, leading to what Dahrendorf calls the 'functionalisation of civil society' (Dahrendorf, 2005). For example, considerable investment in UK drug treatment services from 2001 was allied to the introduction of court-sanctioned compulsory attendance on treatment programmes for offenders, posing dilemmas for organisations previously committed to the essentially voluntary nature of recovery (Turning Point, 2003). Public-voluntary sector relationships where each side attempts to meet conflicting goals through similar means are co-optive, rather than co-operative and, it is claimed, are fundamentally unstable (Najam, 2000) – one side must ultimately revise their goals or exit the relationship. Examples from both sides of the Atlantic (Smith and Lipsky, 1993; Seddon, 2007) highlight organisations that have fundamentally changed their aims as government policy and funding streams have evolved.

However, the wider research evidence is equivocal. The Charity Commission found that organisations were almost equally likely to agree with the statement 'charitable activities are determined by our mission rather than funding opportunities' whether or not they were involved in delivering public services (Charity Commission, 2007: 17). Scott and Russell (2001: 60) found an overall picture including 'mission drift, if not shift' and this is highlighted as a concern in a range of studies (Smith and Lipsky, 1993; Taylor and Lewis, 1997; Lewis, 1999). However, large-scale studies by both Salamon (1987) and Kramer (1980) found little evidence[9], leading Kramer to conclude:

"Generally, agencies did what they always wanted to do, but for which they previously lacked the resources" (Kramer, 1980: 163).

Where charities are unable to agree on a shared approach with funders they will be forced to 'take it or leave it'. Theoretically, because they are mission-driven, rather than profit-driven, charities should exit from funding relationships which undermine, or conflict with, their own aims, prioritising these over income:

"They couldn't afford to have a contract that provided the number of services that we provide cancel. . . I would have cancelled the contract, and then I would have written a press release about why the contract was cancelled" VCS Director in Bernstein (1991: 101).

It is, though, unclear how common this willingness to exit from contracts is, particularly for those organisations heavily reliant on government funding (Taylor and Lewis, 1997) and where this may result in withdrawal of a service to the organisation's clients, the closure of projects and significant redundancies. To put it another way, while there is no 'iron law' that compels charities to take government money (Billis, 1993) it may be difficult for charities already receiving state funding for large parts of their work to walk away, particularly given increasing competition for a limited pool of voluntary donations (Taylor and Lewis, 1997; CAF, 2005; NCVO, 2007).

Organisational responses to these pressures, their confidence in negotiating with funders and their willingness to withdraw from funding relationships that conflict with their aims or take them 'off mission' all appear key to maintaining independence, and will provide a focus for the research study in section three. First, however, the paper will turn to the other category of threats outlined within the literature.

Threats to identity: devoluntarisation

Intertwined with the debate about independence is a set of arguments about the organisational impacts of the contract culture. A range of authors have highlighted the institutional changes brought about by contracting (Grönjberg, 1993; Perri 6 and Kendall, 1997; Scott and Russell, 2001; Centre for Social Justice, 2007; Seddon, 2007). Prosaically termed the 'Tescoisation'[10] of charity (Duncan Smith, 2005) the most detailed academic account appears in Smith and Lipsky (1993) where a complex process of increasing bureaucracy, professionalisation and formalisation is driven by the 'contract regime'. This 'devoluntarisation'[11] is a gradual process, but one that can completely transform an organisation.

Devoluntarisation is self-reinforcing. Commissioners of services prefer to work with agencies that can demonstrate their effectiveness at contract delivery, and the ability to meet the demands of bidding for, winning, and reporting against contracts. This introduces the risk of institutional isomorphism which sees charities take on the core characteristics of the funding agencies either through direct imposition, mimickery of successful organisations or developing a shared set of values or rules for participation in the contract regime (DiMaggio and Powell, 1991; discussion in Taylor and Lewis; 1997). Put more emphatically, Blake et al. (2006: 11) identify an 'Animal Farm syndrome' where "voluntary organisations grow and change to look more and more like the statutory departments whose function they hope to inherit."

This process involves a number of interrelated strands which are described in the next sections.

Bureaucratisation

First, in order to comply with contract reporting requirements, charities may be forced to invest resources in administrative capacity. Evidencing performance against a contract, maintaining detailed financial records, and even ensuring that computer systems are compatible with funding bodies may all place greater administrative demands on voluntary organisations. Similarly, the detailed nature of some contracts and the complexities of producing them take up considerable resources. Scott and Russell (2001) found up to 40 per cent of individual staff hours were spent reporting against existing contracts or bidding for new ones. Similarly, Taylor and Lewis (1997) found evidence of increased demands for formal management systems, statistical information and standards for service delivery, with one director reporting that contract management took up 75 per cent of her time. This administrative strain can be particularly acute where organisations hold multiple contracts with multiple reporting requirements.

This growing bureaucracy arguably reduces the traditional responsiveness of charities to their clients through the introduction of formal processes of assessment, treatment and particularly referral. Statutory services are essentially dominated by concerns of equity (Smith and Lipsky, 1993) while voluntary organisations may be more comfortable serving particular groups on a 'first-come, first-served' basis. For government, where resources are scarce they must be allocated according to equitable and explicitly defined rules. Therefore, as charities become more involved in the contract culture they may find that criteria for client referral become more tightly controlled:

"Government administrators strive, through regulation, negotiation, and coercion to make the services and clients of non-profit agencies . . . compatible with the government's goal of targeting for equity and effectiveness" (Smith and Lipsky, 1993: 141).

As with arguments that relate to dependence, however, the evidence is varied. In one example from Taylor and Lewis's (1997) study as many as 60 per cent of clients were referred through the funding agency, while Common and Flynn (1992) found that purchasers did not dictate who accessed services. Voluntary managers in Bernstein (1991) maintained a clear commitment to their clients with managers negotiating with funders to allow technically ineligible clients to access support and, if that failed, telling staff to "just go out and do what we're going to do whether he's on our list or not" (Bernstein, 1991: 125). Overall, bureaucratic referral criteria were a clear point of tension in a number of studies and a powerful form of funder control, again raising questions of independence.

Professionalisation

The growing professionalisation of charities can be seen both through the marginalisation of volunteers, and the drive towards professional qualifications amongst staff. Statutory commissioners can be dismissive of volunteers. Hedley and Davis Smith (1994) found that just one in five service contracts made explicit reference to volunteers. Those that do are unlikely to commit the funds to meet costs associated with necessary training and support (Scott and Russell, 2001). The increasing formalisation of service management can force volunteers into administrative and support roles rather than more traditional direct work with clients (Taylor and Lewis, 1997). In the UK, the rapid growth of the voluntary sector paid workforce (14.9 per cent between 2000 and 2005) has been primarily driven by the growth of public service delivery, with the workforce now growing at a faster rate than the public sector itself (NCVO, 2007). Such growth is accompanied by an increased expectation for qualified, specialist, staff. One organisation studied by Smith and Lipsky (1993) saw the percentage of its workforce who were qualified social workers move, over 25 years, from 23 per cent to 55 per cent as statutory funding became its major source of income. Within the UK's drug treatment field, large increases in state funding were accompanied by the Drug and Alcohol National Occupational Standards (DANOS), a complete framework for professional qualifications, raising questions about the role of volunteer-lead programmes such as Alcoholics Anonymous (Centre for Social Justice, 2006).

Managerialism, knights and knaves

Of course, this shift towards professionalisation can be viewed as a positive development. Harris (1997) found that the change in required skill sets could have positive impacts on the overall effectiveness of the trustee board; Kramer (1989) suggests that such a change may be necessary for producing higher quality services. Why then, are these changes largely perceived as damaging to the sector by critics of the contract culture?

Implicit in this debate is the notion that professionalisation erodes the 'spirit' of the voluntary sector, and that the charitable ethos of serving a community will be lost. To use Le Grand's (2003) terminology it replaces knights with knaves. This is echoed by criticism of salaries paid to some chief executives of voluntary organisations. 80 per cent of the public felt £60,000 per annum to be excessive, irrespective of the size of the organisation or the comparable salaries for public or private sector directors (Seddon, 2007).

But it is far from clear that paid, professional staff cannot also be committed to charitable aims or the client group they support. There is evidence from both the UK and the US that voluntary sector wages tend to lag behind the public sector even across similar roles. Smith and Lipsky

(1993) found disparities of 12 – 29 per cent for direct care positions, findings echoed by Frank (1996). Rose-Ackerman (1986) also argues that charity staff, particularly directors or founders, are primarily motivated by something other than money. Voluntary sector managers interviewed by Kendall (2001) were more likely than private sector managers to list a commitment to the client group they were working with as their main motivation. Their behaviour also reflected a motivation other than profit-maximisation, with smaller mark ups on services than those provided by for-profit providers (Forder, 2000).

However, within individual organisations, there is a danger that the increasing importance of contract management and financial skills introduce a form of 'managerialism' eroding the sort of commitment found in Kendall's study. Herzlinger and Krasker (1987) found tentative evidence for such a shift in priorities, and as voluntary organisations increasingly focus on 'full cost recovery' and financial management (ACEVO, 2005) staff may be expected to prioritise growth and stability of income over direct client care. At the same time, other aspects of devoluntarisation further test the focus on clients.

The relationship with clients

Billis and Glennerster (1998) contend that ambiguity between stakeholders is a key characteristic of voluntary organisations and that this lends a comparative advantage in working with highly excluded groups. Within Alcoholics Anonymous or other self-help groups for example, the organisation's clients can also be managers, fundraisers and directors. Even within more formal services, paid staff, volunteers and board members may be drawn from amongst the organisation's former client group and the relationships between these groups can be closer and more fluid. The claimed comparative advantage comes directly from this ambiguity, and from their relatively small size. Bernstein (1991) similarly argues that voluntary agencies are able to provide higher quality services because staff have a personal commitment to and knowledge about the clients. She quotes a voluntary organisation manager as stating:

"[Our Director] and I can know about a bigger percentage of clients who are doing well . . . and clients who are not benefiting. [She] and I know all of the one hundred employees so if they're doing a good job or if they're screwing up, we know about it. If you work with the city, there's no way" (Bernstein, 1991: 178).

Such comparative advantage is, however, threatened as roles become more formalised and separate, as financial stability becomes a priority, or simply as an organisation grows beyond the point where such personal knowledge and sensitive relationships can obtain (Billis and Glennerster, 1998).

There has certainly been fairly rapid growth amongst those charities delivering public services. Over 70 per cent of total voluntary sector income is now generated by just two per cent of organisations (NCVO, 2007). This distribution has changed dramatically since 1991 with 'supercharities' with incomes of £10 million plus increasing their share of funding from 25 per cent to 39 per cent (Centre for Social Justice, 2006). Such large organisations are considered the exemplars of the devoluntarisation process and essentially less responsive and less flexible to the needs of clients or local communities (Seddon, 2007).

Credible threats?

While there is fairly clear evidence of the growth of voluntary organisations, increasing administrative demands and professionalisation, this has not been shown to necessarily translate into the loss of flexibility, responsiveness to clients or 'knavishness' that is associated with these trends. The research therefore focuses on evidence of these latter characteristics and the 'crunch points' of referral criteria, the role of service users within the organisation, and the demands of managerialism.

Similarly, from the analysis of independence there are some clear focal points: the ability of organisations to negotiate with funders (driven by their own resources and the availability of alternatives) and the willingness to withdraw from funding relationships which clash with organisational priorities or take them 'off-mission'. Again, these focal points guide the empirical phase which is discussed in the next section.

3. Research Project

Research question

Drawing on Smith and Lipsky's 'devoluntarisation' thesis, the following research questions were identified: 'How have homelessness charities changed as the level of public funding to the sector has increased? How do Chief Executives view these changes and how have they responded to them?'

Research strategy

A multiple case study approach was selected because of the flexibility this offers and the exploratory approach it enables (Bryman, 2001). Yin (1994) points to the usefulness of case studies in exploring a phenomenon within a specific context. A single organisational case study was initially considered, allowing the researcher to collect data from various 'levels' within the

charity, including for example volunteers and service users. However, this was rejected for two reasons. First, the selection of a single organisation would necessarily limit the data to that of a single organisational culture and approach to statutory funding. Since the aim of the research was to evaluate the impact across a range of organisations a wider selection was required. Second, in order to obtain an overview of the impacts of the contract culture and the strategic response of charities, chief executives or directors, rather than actors at other organisational levels, were deemed to provide the most useful perspective. As Smith and Lipsky (1993: 165) suggest:

"If we keep in mind that people, not organisations make the critical decisions, we should look at the actual behaviour and testimony of NPO Directors".

Selection

Organisational responses to government funding and service delivery vary enormously according to their age, history and purpose. A purposive selection strategy was used, which was guided by Smith and Lipsky's (1993: 37ff) tri-partite typology of nonprofit organisations which may be particularly affected by contracting. In order to focus the research study on the changes driven by the contract culture all the organisations selected fell into Smith and Lipsky's categories of traditional agencies or new community-based agencies. The third category - organisations formed deliberately in response to government funding streams – was excluded, since these organisations would, by definition, be likely to have been heavily involved in the contract culture from their creation. In fact, all but one of the selected organisations were founded within a ten-year period (1962 – 1972) when public concern about homelessness reached its height and when government activity was minimal. All were founded in response to public concern, with a number driven by a particular religious ethos. The final organisation was founded in the early 1990s, again as a public response to homelessness. As with the other organisations this charity was established by a charismatic social entrepreneur responding to local need. This organisation was considered to be a potentially interesting research site, since the founder was still chief executive.

Within these criteria, organisations were selected to ensure a cross-section of size and geographical location (based on publicly available information and a discussion with policymakers in a government homelessness agency and voluntary sector umbrella group). A summary of the organisations and their key characteristics is provided below. Size bands rather than actual figures have been used to preserve the anonymity of participants. The proportion of income derived from statutory sources is also listed for ease of reference in the subsequent discussions, though the details of these were not known prior to conducting the interviews.

	Size band	Proportion of income from statutory sources
Org A	Up to £4.9 million	0 - 5%
Org B	Up to £4.9 million	66%
Org C	Up to £4.9 million	75%
Org D	£5m – £9.9m	15%
Org E	£5m – £9.9m	80%
Org F	£15m – £19.9m	70%
Org G	£30m plus	90%
Org H	£30m plus	95%+

Data collection

The core data was gathered through a series of semi-structured, or respondent-led (Robson 1993) interviews in accordance with an interview guide which covered the key research areas of dependence and devoluntarisation. All interviews were conducted face to face by a single researcher and lasted between 45 and 75 minutes. Interviews were recorded and transcribed before analysis.

Because of the risk of the 'halo effect' (where interviewees say what they think the researcher wants to hear or what will present them in a good light) and the influence the researcher could have on interviewee responses, additional evidence was gathered for comparative purposes. This included organisations' financial data, published business plans, external reviews or assessments, media reports and client surveys. However, there was considerably more data available on those organisations heavily engaged in public service delivery than on those which were not. This made direct comparison across organisations challenging.

In addition, a final interview was carried out with an umbrella body representing homelessness organisations to provide an additional perspective on changes within the sector and to put discussions with individual organisations into an overall context.

Analysis

Data was coded from transcripts, in line with Coffey and Atkinson's (1996) second-level coding, emphasising the language and concepts used by the interviewee.

4. Research findings

Growth and funding patterns

All charities with the exception of Organisation A reported significant growth over the previous 10 years. All, except Organisations A and D, reported an increase in the proportion of their funding coming from statutory sources over the same period.

For Organisations B, C and E these were clearly related. Growth had accelerated following an increase in the proportion of government funding they received over the last three to - five years. For the larger organisations, with very high proportions of statutory funding, growth had been significant but largely consistent over the decade.

Organisations largely reported that *voluntary* income (from fundraising, events and donations from corporations, foundations and individuals) had remained constant in real terms, although it had fallen as a proportion of overall income for most organisations. There was considerable scepticism about the capacity for voluntary income to sustain large pieces of work, and particularly individual donations from the general public:

> *'We can't rely on money from the public. The public would give to animals or children but to street drinkers? If we were fundraising and an animal charity turned up at the other end of the street we may as well give up and go home'* Organisation F.

Even organisation A, which was entirely dependent on voluntary income, was concerned about the sustainability of this funding:

> *'The pressure is on us to find the money. There's only so much to go around and it is very, very difficult. I just don't see how an organisation like us can continue into the future'* Organisation A.

Only Organisation D was confident about maintaining large amounts of voluntary income.

Independence

None of the organisations engaged in public service delivery regarded 'dependence on government' as a serious threat to the organisation. It was largely viewed as an intellectual issue, with many even dismissive of the debate:

> *'We were not set up to be independent, but to provide services'* Organisation G.

> *'We campaigned for government to invest more in homelessness, to take on responsibility for funding services that charities were running. To now turn round and say we don't want that is ridiculous'* Organisation F.

Real concerns about independence did arise, however, in relation to individual funding streams. Organisations B,C, E and F all stressed the importance of a 'funding mix', with this consisting predominantly of different statutory programmes and authorities, plus limited income from voluntary sources. This diversity of funding was considered important for the stability of the organisation and to prevent reliance on individual relationships:

> *'Three years ago we were 62 per cent reliant on* [a single Supporting People contract]. *It was a major risk for us. Now it is probably 32 per cent. Other funding comes from a variety of different sources – drugs strategy, grants, charitable foundations. We must be funded through about 15 different groups now'* Organisation C.

Organisations G and H also mentioned this, although their size and the sheer number of contracts they held made it a less pressing concern. These two organisations were the most dismissive of the overall threat to independence, while organisations A and D, who had only minimal state funding, viewed it as a live issue and stated a desire to remain independent as part of the motivation for their funding strategy.

Relationships with funders

Organisations' confidence in their autonomy also derived from their relationships with funding agencies. They reported that they had considerable flexibility and autonomy where they had built the relationship with a funder over time, and where they had proven that the work they did was effective:

> '*I have no problems with government money whatsoever, that's a true statement. But we have always fulfilled what we said we would do.'*
> *'It is very difficult to dismiss what we do now because we have a proven track record. We have had to work pretty hard'* Organisation B.

> *'At the minute they're letting us do what I want. Because we've hit every target for them. We have a lot of freedom. If you talked to us three years ago I might have had a different spiel.'*
> *'I think partnership is built on trust'* Organisation C.

> *'I can honestly say there is nothing that we as an organisation have been stopped from doing because of our statutory funding. I do think you have to have enormous credit in the bank in terms of your reputation, your delivery.'*
> *'If you have that you can be in a much more equal position with commissioners and much more assertive'* Organisation E.

This 'reputation' appeared to be the major asset that charities possessed when carrying out negotiations with funders. Four of the service-providing charities mentioned the importance of trust and the fact that, ultimately, if the charity 'didn't deliver' this would cause problems for the funder.

The physical assets owned by the charities also helped ensure negotiations were balanced. One provider owned a number of hostels, which were essential to any local provision for homeless people, while a number of others had invested significant amounts of capital in day centres or similar projects that were highly valued by local authorities and provided an advantage in securing further revenue funding.

Who decides on the work?

Charities all perceived that the development of local authority contracting (particularly the Supporting People programme) had introduced a tighter set of constraints on the work of homeless agencies. However, this was almost universally welcomed as driving up the quality of support that homeless people received (even organisation A, which had never accepted government funding, was positive about the programme). While there was a subsequent increase in bureaucracy this was felt to be manageable.

Service delivery organisations were unanimous in stating that the quality of commissioning was the most important factor for them in being able to play a part in developing programmes. On the one hand interviewees were critical of commissioning overall:

> *'The quality of commissioners is poor. The idea that some clerk in a Supporting People office can* [design services for homeless people] *is a joke'* Organisation G.

On the other hand, there was confidence that through their relationships with local agencies they could improve services, and there was evidence of a wider influence over the local approach to homelessness:

> *'Very often now they* [the local authority] *will say 'what are we going to do about this?' or 'we've struggled with this.'*

> *'We have tried to influence them and had a really good impact'* Organisation E.

> *'We're very keen to fit into the* [local authority] *homeless strategy. To work against it would be ludicrous because we helped put it together'* Organisation B.

In a number of examples, charities had proposed a particular approach to local authorities that was subsequently funded. However, it was also common for agencies to tender to run 'pre-defined' services, with limited flexibility to change. Here, organisations adopted a number of strategies from attempting to influence the design phase pre-tender to 'trialling' the service with the aim of adapting it once they had established a relationship with the funder:

> *'We tend to hold on to the belief, sometimes a little naively, that if we get in with a funder . . . we can bend them to our priorities and our way of thinking'* Organisation G.

Control of client group

While contracts did come with limitations in relation to the clients who could be supported, these were reported as being very broad and consistent with the charity's aims (often simply stating that clients must be homeless or at risk of homelessness). Where funders did apply further constraints (such as x per cent of clients from the funding borough), these were seen as manageable and organisations could always find a way of working with individuals, echoing some of the 'game-playing' identified by Bernstein (1991):

> *'Referral routes are set by the city council, but one of my managers sits on the steering group'* Organisation C.

> *'One hostel used to be able to accept people from across* [the city]. *Now 50 per cent of referrals are specific to local funders. You wouldn't want that to increase to 100 per cent but that is never going to happen.'*
> *'We work with local authorities to identify criteria. In one new project we have started with a reduced caseload with the ability for the local community to refer people directly to us'* Organisation F.

Organisations were confident that they were able to 'help those who needed it' and that referral criteria did not preclude them from carrying out their work. There was, however, one exception. Currently, certain groups of asylum seekers are ineligible for state support. Not only are charities unable to provide support through statutory funded projects, but Housing Benefit, which contributes a significant portion to most of the case study organisations' income, is also unavailable:

> *'It grieves me that we are in a difficult position to help these groups. People look at us and think "a homelessness charity and you can't help?" That doesn't feel right'* Organisation E.

> *'That client group of asylum seekers or refugees – you literally can't work with them if you take government funding; you can't claim benefits for them. You have to find a nightshelter where it has completely separate funding'* Director, Homeless Agency Representative Group.

Only Organisations A and D stated that they were supporting this group as part of their mainstream work[12].

Walking away from funding

Five of the organisations were able to provide clear examples from over the past two years where they had cancelled contracts or pulled out of funding relationships (in addition to organisation A, which had never engaged in the contracting process). All were able to specify the criteria against which they judged opportunities:

> *'We were not going to run those places any more and it was with great pleasure that I handed the* [government funding body] *a million pounds back'* Organisation D.

> *'We said we could only do that [hit specific targets] if we worked with an 'easier' client group and we're not willing to do so. We ended the relationship and used reserves to provide transitional funding'* Organisation F.

Interestingly, in at least three of the examples given, it was considered that the decision to cancel the contract would have been much harder if the charity had not received so much statutory funding. The relative stability that this funding provided was reported as allowing them to accommodate the loss of income.

The reasons for rejecting funding included 'a clash with our aims' - particularly opportunities to work with different client groups or in different areas which were perceived to be inconsistent with the organisation's mission:

> *'We had the opportunity to get involved in some of the work moving people off incapacity benefit and back into work. But it was too mainstream for us. Too many of the clients were not, and never had been, homeless'* Organisation F.

Directors also identified a need to stay focused on a particular client group or area of work:

> *'There are lots of siren voices that can lead you off in different directions but you have to have a real discipline about what you do'* Organisation F.

> *'We had got to a point where we were chasing money, whether it made sense of not. We revisited a lot of services'* Organisation E.

> *'Prevention work for example can mean anything. Now hang on, it's got to be prevention of street homelessness or it is not us'* Organisation G.

Fears of mission drift were somewhat offset because it was homelessness organisations themselves (including a number of the case studies) who had originally forced government to prioritise their current areas of work and, in some cases, fund existing work being undertaken.

> *'A lot of things we were doing, there was a feeling that they ought to be funded by statutory agencies and there was money there – 'hang on, we're picking up all these bits* [of work] *and they* [government] *are paying nothing'* Organisation E.

> *'The whole of the sector was focused around someone that government and local authorities didn't care about. The moral outrage of 'we're doing something and you're not'* Director, Homeless Agency Representative Group.

Knights or knaves?

Across almost all of the service-delivery organisations there was a clear focus on financial stability, growth and 'full cost recovery'. All of them made a surplus in the last financial year (some considerable), and most business plans included ambitious growth targets. This financial managerialism was accompanied by mixed opinions on 'the spirit of the voluntary sector':

> *'People are here because of the passion to change people's lives. It may be driven by faith or it may not be'* Organisation B.

> *'We have a lot of committed staff but we definitely get people who work for us and it is just a job. That is absolutely fine. I don't want people with passion. It is one of the words I can't stand. It is so vacuous. Football supporters have passion'* Organisation G.

A slightly different aspect to these questions of motivation arose from the target-driven aspect of many contracts. Not only was the continuity of contracts dependent on achieving certain outcomes, but some contracts were structured so that payment was matched to these achievements. There were some concerns that poorly-thought out targets could clash with the work of charities, or fail to really help clients, but charities had also developed a range of strategies to avoid this:

> *'We don't explain to our staff the* [funding body] *targets. The moment you tell them . . . you could actually change the whole dynamics of it* [the work]. *By just saying to them work with the person as an individual, achievement naturally happens. Targets are for us* [the management team] *to worry about'* Organisation B.

> *'Some organisations are still shouting about the fact they have 99.9 per cent occupancy rates*[13]. *And? So what? Better to focus on how long clients have been stuck in that hostel or what you are doing to help them tackle their problems and move out on their own'* Organisation C.

In terms of the motivation of employees, six of the organisations placed a formal emphasis (in business plans, or formal organisational programmes) on improving the pay levels, benefits and support offered to staff. This was both seen as a way of improving services to clients and as important in its own right:

> *'We are not an organisation that has one beneficiary group. We also employ 800 staff and we have legal and ethical responsibilities to them. That doesn't mean that the clients always come first in everything'* Organisation G.

Only organisations A and B did not include staff training or reward as part of their formal published plans.

Professionalisation

There was a broad consensus on the need for professionally competent staff, although this did not mean *qualified* staff. This requirement was felt to arise from changes in the client group rather than any external requirements from contracting or funding arrangements. This change amongst clients was mentioned by every organisation, and was viewed as a major shift:

> *'A lot of the people who come through the doors* [have] *really complex issues. Substance misuse is one of the big issues. That is one thing that has changed enormously.' 'I think training is vital today'* Organisation A.

> *'They are much more chaotic. We have some hostels where 90 per cent of residents are injecting drug users'* Organisation G.

None of the organisations specified a minimum level of professional qualification, referring instead to competencies or levels of experience. However, most emphasised the importance of training. Volunteers, as predicted, played more marginal roles in the larger, publicly funded organisations.

One of the organisations that did make extensive use of volunteers was currently involved in a detailed internal debate about the future approach to its work. Some within the charity felt that it was no longer possible to continue to operate completely separately from government, and without paid staff. The reason for this discussion was the high level of need amongst homeless people and the risks to volunteers:

> *'Substance misuse, mental health, this is where the sector has changed . . . I think sometimes volunteers, with the best will in the world, are not always equipped to deal with that. It can be dangerous, with one incident a volunteer was nearly killed. It can't continue like that, it wouldn't be right'* Organisation A.

Relationship with service users

Every one of the organisations stated that charities were able to offer a different form of support to their clients than the statutory sector. This was highlighted as the defining characteristic of the sector, ahead of the motivation of staff:

> *'For years we have had people with mental illness who are in flight from treatment. They will stay with* [us] *but they won't see a doctor. There is something about the way the staff relate to them which they value'* Organisation G.

This relationship was also evidenced in the role that service users played. There was no difference in the *extent* of service user involvement as organisations got bigger or more heavily funded by government, but the *nature* of that involvement changed, becoming more formal. Organisations A, B and D tended to rely on unstructured ways of enabling service users to influence the charity.

> *'It is very much about the sharing, about the community ethos really'* Organisation A.

> *'There was always a very informal and flat structure within the organisation; a lot of fluidity between clients, volunteers and staff'* Organisation D.

Larger organisations (C, E, F, G, H) had clear policies and structures setting out the way in which clients could play 'other roles' within the organisation:

> *'One in four of our workforce are ex service users. It was difficult, there were perceptions that it wouldn't work. I have a target to get service users on the management group in six months and the board of directors in twelve'* Organisation C.

> *'We have consulted service users in the design of new hostels, involved them in staff recruitment, we have a trainee programme'* Organisation G.

Interestingly, such policies were often required by and assessed as part of statutory funding arrangements and a rise in service user involvement was identified by the umbrella body as one of the significant changes that had developed over the past ten years.

5. Analysis

The clearest message to emerge from the interviews is that the multiplicity of contracts that most interviewees held offered considerable protection against the dominance of funders. Maintaining a mixed portfolio of funding was a key issue for all of those organisations delivering public services, but having achieved this they felt significant confidence in their relationships with individual funding bodies, and their ability to deal with them on equal terms. Their perception of the relationship with funders chimed with both Saidel's (1991) and Kumar's (1997) accounts of interdependence, with one chief executive using this exact word.

The focus on multiple, local funding streams is significant. 70 per cent of third sector interaction with government is at the local level (NCVO, 2006). Charities face a range of localised, specific aims and requirements rather than a centralised attempt at co-optation. Seddon (2007: 30) proposes that 'he who pays the piper calls the tune'. If so, the reality of charitable service delivery can be described as an orchestra with almost as many conductors as performers (which may bring its own problems). In quasi-market terms, the diversity of purchasers, driven by the decentralisation of commissioning arrangements, undermines the apparent monopoly of 'government' overall. This also suggests a somewhat surprising conclusion. Large service-providing charities, which have been branded QUANGOS, may actually be better-placed to resist pressure from funders than small organisations reliant on a single authority for large proportions of their income. This accords with the dismissive response to the independence question from the two very large agencies in the study. Of course, it is perfectly possible to find smaller organisations with multiple funding streams and these appear to both benefit from the protection of multiple contracts and (potentially) avoid the formalisation of larger agencies.

The issue of working with asylum seekers denied recourse to public funds is, however, a powerful exception to this analysis. Here, government policy was able to cut across funding streams and local priorities to effectively tie the hands of those charities delivering public services. In terms of economic theory underpinning the sector, it is questionable who then meets those needs which have been overlooked because the state responds only to the preferences of the 'median voter' (Weisbrod, 1977).

Effectively, within the contract state, needs are interpreted and sanctioned by the state itself (in the form of referral or funding criteria). At the local level, charities reported (and provided evidence that) they were able to both influence the development of these and sidestep them where necessary. However, where the criteria applied are strict enough, and apply across funding streams, this is no longer possible. Only the availability of voluntary funding enables charities to respond to these needs in such a context. Whether such funding is available is questionable given the concerns outlined by interviewees. Yet the findings in connection with asylum seekers suggest that the significance of such funding, in terms of the independence from constraint it offers, may grow as its proportional contribution to the sector falls.

There is also an interesting issue here about the use of surplus funds. A number of organisations used surpluses generated each year to fund new approaches or additional services. With no restraint on their use, it is possible that these surpluses, generated from state funds, could be used to work outside government criteria. Organisation H, in particular, adopted this approach and has used this to replace its traditional fundraising work because it felt surpluses provided more flexibility than even charitable income. Perversely, in such cases the financial managerialism which is perceived as a threat to charitable activity could be a method of bolstering charitable independence.

In terms of devoluntarisation, the findings were more ambiguous. Volunteers had largely been sidelined across the organisations delivering public services, while remaining central to those (A and D) still largely funded by voluntary income. However, there was not the anticipated shift towards highly-qualified staff. Staff were expected to have particular skills and experience, but this requirement was attributed to the changes within the client group, rather than to the funding environment.

This perceived change within the client group is echoed by wider research on the homeless population. It is estimated that 81 per cent of street homeless people have drug or alcohol dependencies, while between 30 and 50 per cent of rough sleepers have mental health problems (12 to 26 per cent have schizophrenia or another serious mental illness) (Crisis, 2007). In consequence there is a requirement for skilled staff that was mentioned even by those organisations still reliant on volunteers. It was this requirement, along with concerns about

the safety of its current approach, which was driving organisation A's discussions about a shift towards contracting.

However, while the changing requirements for staff were universally attributed to the changing needs amongst clients, levels of staffing and training were also inspected as part of the Supporting People programme, suggesting that statutory funding does play some contributory role in the process. It is plausible that, at the very least, funding requirements and the 'comparative advantage' that highly skilled staff may offer through their attractiveness to commissioners accelerate an existing process.

There was, at the same time, an undeniable move towards managerialism within most of the charities involved in public service delivery. This manifested both as a focus on financial performance (generating surpluses) and in the approach taken to commissioners and to engagement with the local authorities (tasks which were explicitly written into the job descriptions of service managers within a number of charities). This is, perhaps, unsurprising given the size of some of the funding arrangements involved[14] and the wider focus amongst charities on full cost recovery.

Despite the move towards managerialism clients arguably remained central to each of the organisations interviewed, and were demonstrably and meaningfully involved in the running of the organisation. However, the nature of this involvement varied considerably, becoming more and more formal from Organisation A to H. What is not clear, however, is whether it was the size of the organisation or the proportion of statutory funding which drove formalisation. Nor was it clear whether this more formal role for service users would still provide the sort of comparative advantage and responsiveness that Billis and Glennerster (1998) identified. Former service users were clearly present, and in large numbers, as staff and volunteers within a number of organisations, but part of that process involved a clear switch in roles, rather than an 'ambiguity'. If what we are concerned about is the ability for service users to influence the work of the charity, to identify new priorities and ways of working, the formal structures offered clear evidence of that and were even praised by those employing more 'fluid' models:

> *'The disadvantage of the informality is that we didn't put enough effort into formal structures* [for involving service users]. *If you look at some of the other organisations in the sector like* [Organisation F] *what they do is much more powerful'* Organisation D.

Taken as a whole, these strands do represent a significant shift. However, the combination of increasing professionalism and financial management was not accompanied by the predicted bureaucratic constraints on who accesses help. Surprisingly, the 'isomorphism' occurring was arguably towards the private forprofit sector, rather than the public sector. In addition to the

surplus-generating approach to finances, a number of organisations placed a greater importance on business functions more associated with private agencies: staff reward strategies, training and development, marketing, new business and bid-writing.   The question is whether these changes matter. Surpluses are, ultimately, re-invested in meeting the charity's mission and these 'managerial' priorities sat alongside 'charitable' priorities as the focus of the organisation. It may be that this shift has an impact on the work of frontline staff, but this would require further research to assess. At the strategic level, however, it appears that 'commercial care' (Organisation H) – the balance of financial management and a commitment to a charitable mission - was the dominant model for those charities delivering public services. However, when these two aims came into sharp conflict there were a number of examples of mission trumping financial concerns. The reference back to a charitable mission often occurred unexpectedly, even in the course of discussing multi-million pound assets:

> *'Nobody is going to give planning consent for new hostels. They* [our hostels] *have got to be protected. I feel quite strongly a stewardship of a resource which goes way beyond us. They are important for* [the city]*'* Organisation G.

Finally, the emphasis placed on the commissioner-provider relationship was unsurprising, but particularly prominent. Funding relationships have been analysed in a number of studies (Scott and Russell, 2001; Bernstein, 1991) and vary from a straightforward purchasing / best value approach to a more consensual partnership (Taylor and Lewis, 1997). The latter reflects a greater level of trust and an open approach to service development, with commensurately fewer contractual constraints on the charity delivering the service. Such an approach was highly valued amongst the case study organisations and played an important part in their strategies for avoiding devoluntarisation. In terms of the quasi-market such a 'partnership' model could maximise the benefits of the non-profit form by reducing the level of information required by the commissioner (and the associated costs of obtaining this information). These costs are particularly high given the difficulty in agreeing on definitions of quality within social care services (Smith and Lipsky, 1993).

Similarly, this model reflects the 'corporatist' approach to local policy development suggested by Smith and Lipsky (1993) and largely confirmed through this study. Interviewees regarded themselves as stakeholders within local policymaking and often co-operated with local government in developing homelessness strategies and developing responses to emerging problems.

This raises some important issues for the operation of quasi-markets in social care. It has been noted that there may be efficiency gains where profit-maximisation is not the only motivation of providers (Le Grand and Bartlett, 1993), particularly where it is difficult to develop a fully

competitive market structure. Non-profit organisations may be less likely to exploit monopoly positions and less likely to take advantage of the information asymmetries around social service quality (Hansmann, 1987). A market, based on the partnership model, which minimises bureaucratic reporting requirements and tolerates monopoly or oligopoly positions, may benefit from improved allocative efficiency. This approach has been largely dismissed because of concerns that the lack of cost discipline within voluntary organisations might potentially outweigh other efficiency gains. However, evidence based on this research would appear to suggest that charities have developed an increased focus on financial management that should go some way to answering such charges. In economic terms, if charities are genuinely able to balance their dual motivations (financial stability and charitable mission) they would be ideal providers within such a market.

6. Conclusion

The aim of this research was to establish the extent to which charities within the homelessness field have become 'devoluntarised' and dependent on government through their involvement in public service delivery. While there is fairly robust evidence that growth, professionalisation and formalisation have developed along with the contract culture, charges of dependence, a distancing from service users and a lack of responsiveness appear unfounded.

Charities in this study dismissed dependence on government *per se* but were concerned about over-reliance on individual contracts. These concerns were mitigated by maintaining a number of funding agreements and by the reputation of the charity with local funders. In all but the most extreme of examples these strategies appeared to be successful at preventing government control of charitable activity. However, the single example where this was not possible - provision for asylum seekers - provides a strong case for ensuring that a significant proportion of charitable income is 'unrestricted' by contract or grant criteria, so that charities can use it to meet the needs of those overlooked or rejected by the state.

Service users continued to remain heavily involved in the organisations, despite predictions of marginalisation, and this should plausibly ensure that organisations continue to be responsive and focused on their needs. Similarly, while agencies had developed a more commercial and managerial aspect to their work, this did not appear to override commitment to their charitable mission, with concrete examples of 'walking away' from funding relationships – again contradicting some of the expectations of the devoluntarisation thesis.

These findings suggest that, at least amongst this selection of organisations researched in this field, the threats of dependence and devoluntarisation are not as pressing as the recent literature might suggest. Certainly, involvement with the contract culture has changed charities

significantly, but senior managers appear to have been able to navigate the new funding environment fairly successfully. The overall picture across the literature review and the research project was one of interdependence, rather than dependence, with public service contracting appearing to intensify and formalise this relationship.

The research also hinted at an alternative model of the quasi-market in social care. Rather than attempting to maximise competitiveness, the market could draw on the 'theory of second best' (Le Grand and Bartlett, 1993). This would be geared towards maximising the efficiency gains from the non-profit form; but it would also, as a consequence of reduced reporting requirements and the partnership model of commissioning, provide the conditions under which charities are best-protected from the negative effects of the contract state.

Notes

1. The omitted 'N' emphasises the closeness of the relationship to the state.

2. Organisations that are organised, private, self-governing, non-profit distributing, and involving volunteers – this also appears to be the definition used by government and by the major umbrella bodies in the UK.

3. A core set of charities registered with the Charity Commission.

4. Supporting People (SP) is a pooled budget for housing-related support. It is the main source of funding for the homelessness sector.

5. This key Act introduced the quasi-market in social care services, including a 'transition grant' 85% of which had to spent with the voluntary or private sector.

6. Kendall uses a slightly different, narrower definition of the voluntary sector than NCVO, one that is probably more focused on those agencies engaged in service delivery. Hence, his earlier date for the dominance of statutory funding may be more useful given our concerns.

7. Which has seen high-profile reports from Government, the opposition party, and from the voluntary sector bodies themselves.

8. A concept often contrasted with independence, but arguably best understood as a multiple set of accountabilities for different aspects of work and to different stakeholders (Kumar 1997).

9. These differences are not due to time periods as both conducted in US, some way ahead of UK in terms of the introduction of a contract culture.

10. A reference to the uniformity and dominance of large service providing charities, in the same way that supermarket chain Tescos has driven out smaller, local groceries or 'corner shops'.

11. It appears this term was first used by Kramer (1995) in his review of Smith and Lipsky. It is, nonetheless, a useful term, that could semantically also capture concerns about loss of independence.

12. Because this issue was raised in one of the later interviews it was not possible to ask each organisation whether they worked with this group. However, the umbrella body did identify it as a sector-wide issue.

13. This is a measure of the number of available beds taken up in hostels. It has been used to demonstrate that a service is needed, and can be linked to funding arrangements.

14. Some of the contracts exceeded £2 million.

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