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Third sector boards in an era of austerity

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Abstract

TSOs are experiencing a turbulent period of rapid policy change. A multitude of challenges are arising from the contract culture and austerity policies that are resulting in unprecedented cuts to funding for TSOs whose 'resilience is being severely tested' as they face rising demand for their services from vulnerable groups directly affected by welfare reform and changes in public services (Jones et al., 2016).

This paper introduces an ongoing study into the experiences of volunteer board members of local third sector organisations (TSOs) in England. They have ultimate responsibility for governing organisations supporting some of society's most vulnerable communities/ groups, yet research has often overlooked them. Qualitative, semi-structured interviews were carried out in 2009/2010 to explore the board members' experiences. In 2017, follow-up interviews are being conducted to explore the issues for board members within the current context. This paper outlines the background context to the study and its methodology.

Introduction

This paper introduces an on-going qualitative study into the experiences of volunteer board members leading third sector organisations (TSOs) at local level. The study draws on data gathered from in-depth qualitative interviews conducted in 2009/10 with 25 board members, 10 senior staff and 11 representatives of stakeholder organisations (such as umbrella bodies and policymakers). This is being supplemented by data from a small scale follow-up study being conducted in 2017. At the time of writing, a small number of qualitative interviews are being conducted with board members, as a means to explore the impact of more recent policy developments. This paper aims to outline the context for the study and to explain its methodological approach, including some of the challenges of

introducing a longitudinal component. The conference presentation that follows will aim to indicate some emerging findings.

Board members are sometimes overlooked in third sector research despite their significant responsibilities as leaders of TSOs. This paper argues that the board role is an important one in understanding how third sector organisations operate, and this study therefore seeks to contribute to understandings of how the volunteers on third sector boards conceive of, and experience, their roles.

Policy change and the third sector

TSOs in England are operating in a complex environment shaped by rapid social policy change in recent years. Successive governments have encouraged an increasingly prominent role for TSOs in public service delivery, developments that can be traced back to Conservative governments between 1979 and 1997 that introduced a range of measures to reduce the size and scope of statutory functions and substantially increase the role of third sector (and private sector) organisations in welfare delivery. For example, the reconfiguration of social care provision (Griffiths, 1988) was emblematic of wider policy shifts during this period that introduced a purchaser-provider split and market-based principles to health, housing and education provision. New Labour governments between 1997 and 2010 continued to contract our public services and sought to harness what they viewed as the distinct characteristics and ethos of TSOs, emphasising their central role in both implementation of key social policy goals and front-line delivery of services. An emphasis on professionalisation and capacity-building (HM Treasury, 2002; Home Office, 2004), together with the introduction of a 'Compact' (Home Office, 1998) to govern the partnership between government and what they termed the "third sector" (Alcock, 2010) underpinned New Labour's specific approach to the promotion of TSOs as major providers of public services.

Since 2010 the emphasis on contracted-out public services has deepened as Coalition and Conservative governments have sought to 'open up' delivery of welfare, health, employment and criminal justice services to non-statutory providers (HM Government, 2011). Policy has reflected an ideology that seeks to limit government responsibility for welfare and promote the role of non-statutory services providers where *'expensive state provision has failed'* (HM Government, 2010: 3). The Work Programme in the employment field and the Transforming Rehabilitation agenda in criminal justice serve as examples of significant policy change with the aim of contracting-out even greater numbers of public services (Department of Work and Pensions, 2012, Ministry of Justice, 2013). Significantly, these developments have been accompanied by a withdrawal of much of the capacity-

building support funded by New Labour governments to facilitate the involvement of TSOs in contracting-out (Buckingham, 2012) and there is evidence that small and medium-sized TSOs are severely disadvantaged by commissioning processes (Lloyds Bank Foundation 2016b). New models of contracting have emerged, including the use of "payment by results" systems and a growing reliance on large-scale prime/sub-contractor arrangements (Rees, 2014).

A major area of policy implementation impacting on TSOs is the raft of measures associated with 'austerity' and welfare reform. TSOs have arguably experienced a 'double squeeze' as they cope with increased demand for services at the same time as government funding to the sector has reduced (Finnegan, 2016: 9). Major changes to benefits have been implemented since 2010 under the Conservative-led Coalition government and its Conservative successor. These include the introduction of Universal Credit, and substantial changes to benefits relating to housing, unemployment, disability support, incapacity, Child Benefit and Tax Credits. A range of benefits have also been capped or frozen (see Beatty and Fothergill, 2016). Austerity has been described as a "class project that disproportionately targets and affects working class households and communities, and in doing so, protects concentrations of elite wealth and power" (Cooper & Whyte, 2017: 11). They point to the range of harms imposed on people by the government's austerity cuts, arguing that those most affected are suffering physical and emotional illness, as well as death. Research by the National Council for Voluntary Organisations (NCVO) identifies some of the ways in which individuals that TSOs work with have been affected by these reforms, including evidence of hardship and poverty, stigma, anxiety and mental ill health (including suicidal thoughts) among service users. The study showed that, for the TSOs working to support vulnerable individuals, this has increased both the quantity and the complexity of cases they are dealing with, leading some to struggle to cope with the changing demands on their services. Furthermore, there was evidence of a growing pressure on staff in TSOs, with some reporting the distress they experienced in response to working with clients in crisis (Finnegan, 2016).

The increased workload of TSOs arising from welfare reforms has been experienced at the same time as unprecedented public spending cuts as part of government 'austerity' measures and substantial reductions in the amount of government funding to the sector. It is clear that government funding to the sector is not evenly distributed, and that cuts in public spending impact differentially on TSOs in different geographical areas. Work by Clifford et al. (2013) showed that TSOs in deprived neighbourhoods and working with the more socially disadvantaged were more likely to be dependent on public funding. They argued that if government funding were reduced across the board, TSOs working in disadvantaged communities would be disproportionately impacted due to them receiving a higher proportion of government funding than other organisations. In Liverpool - the fieldwork site

for the study discussed in this paper – the Council's funding will have been cut by 68% by 2020 compared to 2010 (Liverpool City Council, 2017). Jones et al. (2016: 2076) observe that Liverpool City Council has "*tried to protect the [Voluntary and Community Sector] from the full budgetary cuts that they have faced*" but despite this they estimate that funding to TSOs from the council will have decreased by 48% between 2010/11 and 2016/7. As well as geographical variations in the impact of funding cuts, there is evidence that smaller and medium-sized TSOs are disproportionately affected. Research commissioned by Lloyds Bank Foundation indicated that income from government sources fell by up to 44% for TSOs with an income between £25,000 and £1m (Lloyds Bank Foundation, 2016a). The report argues that this is particularly troubling given that small and medium-sized organisations work to address disadvantage in a way that larger organisations cannot.

Challenges for board members

The policy environment in its broadest sense presents a range of challenges for those charged with leading third sector organisations. The contracting environment, combined with public sector funding cuts and welfare reform mean that financial security is a major concern to many TSOs. Bidding for contracts is a time-consuming and burdensome process, and there is evidence that smaller and medium-sized TSOs are disadvantaged (Lloyds Bank Foundation, 2016b). Contracts for funding tend to be very short-term, making it difficult for TSOs to plan longer term and increasing the likelihood of staff redundancies and service discontinuity. The competitive funding climate means that TSOs may be dis-incentivised from collaborating with other TSOs with similar aims, who are increasingly positioned as their 'competitors' (Buckingham, 2009). Concerns have been voiced that TSOs may succumb to 'mission drift' and be distracted from their core charitable aims in the pursuit of funding opportunities (Independence Panel, 2015). Those who do secure funding may be subject to onerous monitoring requirements imposed by funders, and need to guard against the risk that funders may impede their organisational independence. TSOs are under pressure to become more 'business-like' and, driven by, New Public Management (NPM) principles, a culture of performance management, audit, quality management and impact measurement has become the norm (Rees, 2014; Harlock and Metcalf, 2016).

More widely, the political environment can be understood as an intensifying "cold climate" for TSOs (Milbourne & Murray, 2017). They point to the Civil Society Minister's call for TSOs to "*stick to their knitting and stay out of politics*" (Mason, 2015 cited in Milbourne & Murray, 2017: 7) as well as new legislation to restrict the ability of TSOs to express government-opposed views or lobby. This echoes

the warning of the Independence Panel (2015) that highlighted the growing threat to the independence of TSOs arising from the Lobbying Act, gagging clauses in public sector contracts and the problem of self-censorship among TSOs out of fear they will lose funding if they speak out.

The increasingly complex and challenging external environment in which TSOs operate necessitates strong leadership both within individual organisations and across the sector as a whole. There is a need for research that understands the experiences and perspectives of TSO board members, a group that remains relatively under-researched in the UK academic literature. The board members charged with leading TSOs are charity trustees bound by charity law and the requirements of the Charity Commission. Their responsibilities include ensuring that the charity complies with the law and the charity governing document, making sure the charity carries out its purpose for the public benefit and managing the charity's resources. They are the people with "*ultimate control of a charity*" (Charity Commission, 2015: 39). Furthermore, board members can be understood as occupying a unique kind of volunteering role. Despite debates about whether or not they should be remunerated (Metcalf, 2013), they remain as almost always unpaid volunteers who – unlike many other types of volunteer - tend to be outside the remit of volunteer management and support mechanisms. In fact, in organisations with paid staff, it is the responsibility of the board members to recruit, appoint, manage and appraise the Chief Executive Officer and in smaller organisations, other key members of staff. The turbulent period of policy change outlined above and the raft of challenges facing TSOs brings the role of board members into sharp focus. This study aims to contribute to an understanding of how these volunteers experience their role and fulfil their leadership, decision-making and governance responsibilities within this context.

Methodology

To examine the experiences of volunteer board members of TSOs, qualitative research was conducted in 2009/10. This study was based on in-depth qualitative interviews with 25 board members and 10 senior staff members (Chief Executive or equivalent) of TSOs operating in Merseyside. In addition, 11 other key stakeholders (policymakers and representatives of third sector umbrella bodies) were interviewed. The 2009/10 study is being extended by a follow-up study in 2017 consisting of qualitative interviews with a small number of board members. Participant recruitment and data collection is ongoing at the current time of writing, and as result the final make-up of the sample cannot be specified here. However, participants include a small number of individuals from the original study, as well as board members from the same organisations as those in the original study

and some from different organisations in Merseyside with similar characteristics to those in the original study.

The aim is to introduce a longitudinal component to the research, by conducting follow-up fieldwork that builds upon the original cross-sectional study. Definitions of what constitutes qualitative longitudinal research vary (Corden and Millar, 2007; Thomson et al., 2003) but in simple terms, it can be understood as "*qualitative enquiry that is conducted through or in relation to time*" (Neale, 2012: 2). Macmillan (2011: 8) notes the relative lack of longitudinal research involving third sector organisations, despite its potential for revealing aspects of continuity and change over time, and insights into "*what happens in practice over time in third sector organisations (and why)*". In particular, qualitative longitudinal studies can be valuable in examining the ways in which organisations and individuals adapt to shifting policy contexts (Corden and Millar, 2007). The goal in the study here, then, is to facilitate an examination of external policy changes that impact on board members and their organisations, and the ways in which their experiences change (or do not) over time.

Incorporating a longitudinal element to qualitative research is not without its challenges, however. For example, attrition is a common difficulty in longitudinal studies. This study is of a retrospective nature, the longitudinal element not having been built into the original study. As such, it has been necessary to try to trace original participants via internet searches (Miller, 2015) to invite them to take part in follow-up interviews. In some cases original participants could not be contacted or in, one case, declined to take part in the follow-up study. Additional participants were therefore recruited, either from the same organisations included in the first study or from similar organisations in the same geographical area.

The original study took a semi-structured approach to interviewing that asked questions about participants' experiences of being a board member, including their motivations, how they were recruited and how they perceived their role and responsibilities. They were asked about the external environment (government policy, contracting, funders and so on) and its implications for their organisations and for the board.

The follow-up study is being conducted at the time of writing this paper, during the summer of 2017. The fieldwork adopts the same interview guide, with additional questions about change over time and a focus on continuity and change in the external environment. For example, a question about the implications of 'austerity' measures was added to the interview guide. Interviews are being recorded

(with the consent of participants) and transcribed. The data is being managed with the use of NVivo software to facilitate identification and coding of themes emerging from the participants' responses.

Summary

Since 2015 the Conservative government's attitude towards the third sector has been characterised as significantly less supportive, indicating a "*more troubling future*" for the sector (Rees and Mullins, 2016: 1). Austerity policies are resulting in unprecedented and uneven cuts to funding for TSOs whose 'resilience is being severely tested' as they face rising demand for their services from vulnerable and marginalised groups directly affected by welfare reform and changes in public services (Jones et al., 2016: 2064). More broadly, the shifting policy landscape is presenting further challenges such as limits to third sector independence and campaigning, payment by results (PbR) funding models, increasingly complex contractual relationships with private providers and concerns that smaller organisations are being 'squeezed out' of the marketplace.

An understanding of the experiences and perspectives of the volunteers who fulfil roles on the boards of TSOs is highly relevant to those working in the sector, commissioners and policymakers. Board members have ultimate responsibility for the effective governance and leadership of their organisations. They play a key, yet often over-looked, governance and leadership function in TSOs providing services to some of society's most vulnerable groups. They are accountable for decisions that directly impact on how services are staffed, resourced and governed. Within a context in which TSOs are increasingly providers of contracted-out public services, board members face increasing responsibilities, risks and challenges. Board members play a pivotal role in ensuring the very survival of organisations and their ability to respond to the needs of service users. These are significant issues for policymakers and commissioners concerned with the success of public service delivery.

Furthermore, an insight into the perspectives of board members is critical in the sense of their role as third sector leaders in a much broader sense. As Milbourne and Murray (2017) highlight, TSOs are faced with many dilemmas arising from increasingly punitive approaches to welfare policy, marketised models of public service delivery and the suppression of the third sector's critical voice. These dilemmas include the choice of whether to 'comply or resist' (Milbourne and Murray, 2017: 8) within this policy context, and raise fundamental questions about the third sector's relationship with the state, and its role in upholding social justice. The goal of the small-scale study outlined in this paper is to reveal the voices of volunteers serving on third sector boards and to contribute to an

understanding of the ways in which they conceive of their leadership role in the context of these bigger questions arising from the policy climate.

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