

Sustainability – Contracting and its  
employment implications for the voluntary  
sector in an era of austerity

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# Aims of the Study

- How (and why) have state – voluntary sector outsourcing relationships been changing over the past decade, including during the current era of public sector financial austerity?
- In what ways have voluntary organisations sought to adapt to the changes taking place? and
- What has been the impact of these changes on the terms and conditions of employment of those working in voluntary organisations?

# Method

- **Phase one (2002)** - Interviews in 24 voluntary organisations. Human resource (HR) staff (22 cases) or operational managers responsible for personnel issues (2 cases). Managers responsible for negotiations with local authorities were additionally undertaken (11 cases).
- **Phase two 2008/09** - Interviews within 18 of the original 24 organisations. HR respondents (17 cases) or managers with that responsibility (one case). Managers who were responsible for negotiating with local authorities (10 cases).
- **Phase 3 2011 – 14** – Interviews in several organisations with HR respondents.

# Changes to inter-organisational relations

- **Phase 1** relations between funders and voluntary sector providers varied in terms of how far they encompassed obligational dimensions.
- Variation in dependency on funding bodies and consequently their capability in resisting unfavourable demands from them.
- Voluntary sector – state relations not characterised by dichotomy of ‘partnership’ versus ‘control and subordination’, but along a continuum of ‘arms-length’ and obligational elements.
- Voluntary sector providers could at times utilise favourable market conditions, as well as long-established inter-personal relationships, to influence the nature of the contractual relationships.

**Table 2: Variability in vulnerability to NPM cost pressures**

Organisation Type	Pattern of resource dependency	Ability to enhance their market/funding positions
<b>Type 1 – Ten respondents</b>	Highly transactional relations – Reliant on one or two funding bodies; Narrow geographic region; Operating in adult services; Small to medium-sized organisations; One year contracts, renewal not guaranteed; few inflationary uplifts on income; subsidizing contracts from reserves.	Struggle to make use of any of identified strategy.
<b>Type 2 – Ten respondents</b>	Variable relations with funders; Greater diversity in funding sources across 32 local authorities; Larger providers in adult services or variety of service users. Inflationary increases from some funders.	Able to deploy one or two.
<b>Type 3 – Four respondents</b>	Variable relations with funders, but identified as niche providers on APLs by some local authorities. Close personal contacts with boundary spanning agents. Partnerships in designing & establishing new Services; healthy financial reserves.	Ability to make use of all of strategies.

# Changes to inter-organisational relations

- **Phase two** - Capacity among voluntary organisations to influence had markedly declined .
- Shift in the ‘negotiated order’ of inter-organisational relations in the social care market place (Truss, 2004).
  - Tougher financial and competitive climate.
  - Austerity reinforced tendency towards NPM inspired prescriptions and encouraged the pursuit of more ‘arms-length’, cost-based contracting.
  - Boundaries between organisations exhibiting varying degrees of obligational and ‘arms-length’ relations were becoming eroded.
- Mechanisms designed to forge collaborative relationships between purchasers and providers have tended to become subverted to meet objective of cost savings.
- Approved Providers Lists (APL) processes, previously designed to regulate quality standards and human resource policies and processes, now exert downward cost pressures.
- ‘Partnership’ and interpersonal relations dismantled through replacing them with more distant links with experts in finance and procurement.
- Local authority actions were of a similar nature suggesting horizontal learning

# Impact on Terms and Conditions of Employment

**Table 4: Changes to Terms and Conditions – Phase 2**

	Moved away from public sector conditions by phase 1								Retained public sector conditions in phase 1 but change in phase 2									
Organisations	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Changes to Pay and conditions – moving from local authority scales	√	√	√	√	√	√	√	√	A	A	√	√	√	√	A	A	√	√
Organisational Type	Type 1					Type 2										Type 3		

√ = Made change

A = Anticipating change

## Other Changes to terms and conditions

- Multiple tiers of pension entitlement
- Non-payment for travel and other expenses
- Undermining of supervision and appraisal
- Changes to sickness benefits.

# Conclusions to Phases 1 & 2

- Public service commissioners have leant towards price-based, short-term 'arms-length' contracting that is not easily challenged by 'soft' government prescription, particularly in a period of austerity.
- Much international and domestic evidence points towards how the competitive dynamics involved in the outsourcing of public services drives down workers' terms and conditions (Baines, 2004; Baines, 2011; McDonald and Charlesworth, 2011; Wills, 2009)

Questions?

Discussion of case