

# **Welcome**

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# **UK government embraces third sector - opportunities for Australia**

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# About the talk

**Defining the UK third sector/social economy**

**Context(s)**

**Key parts of government**

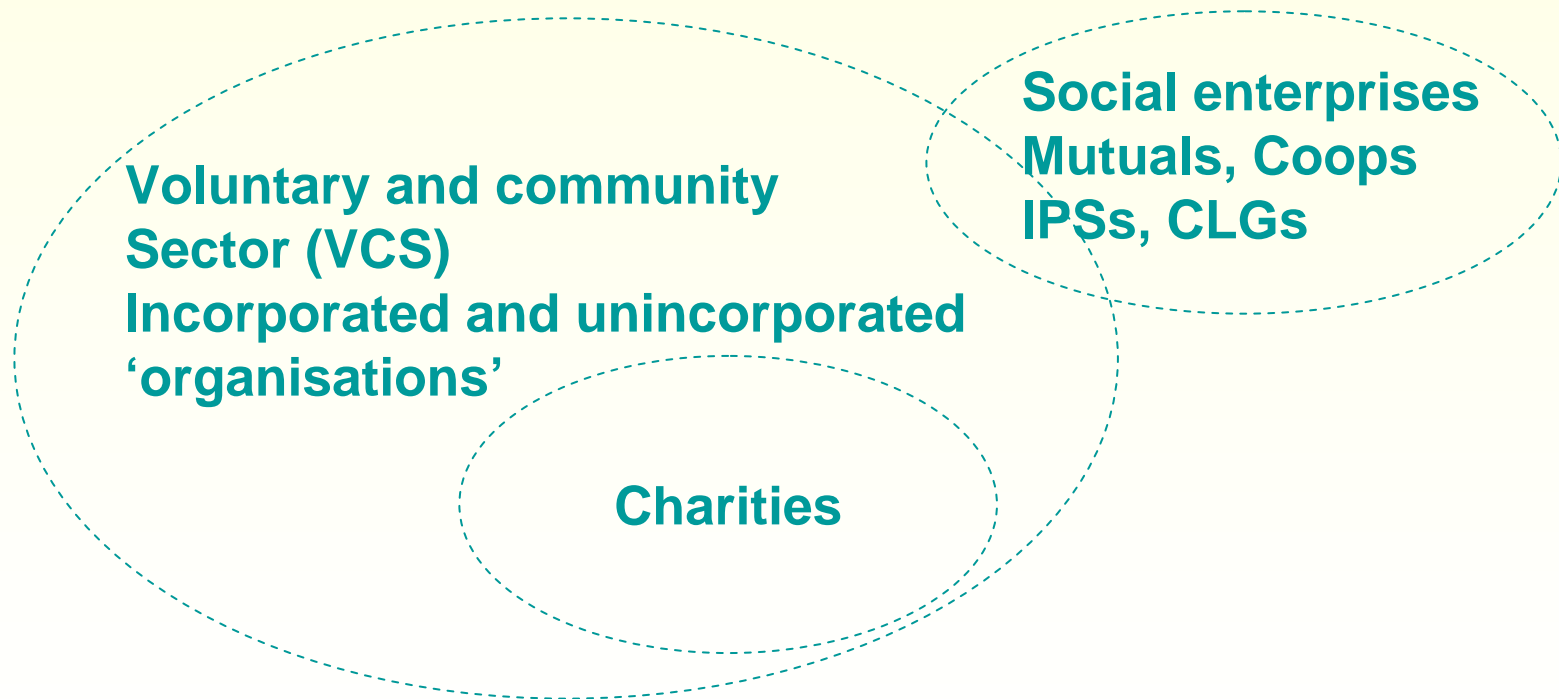
**Three development themes**

**Summarising the three themes**

**Conclusions**

**Concerns and impacts**

# Defining the UK Third Sector/Social Economy



# Context (1)

## Sector and government funding changes

### Social economy

employs almost 1.7 million people (around 6.5% of those in work, including self-employed people)

vast majority of staff employed by nonprofits

### Voluntary and community sector

grew on back of 'contracting out' of services, esp. social Services in 1990s

funding more than doubled to £7.7bn in 2002 (\$19bn) or 37% of voluntary sector's total funding  
shift from grant funding to contracts

## **Context (2): New Labour**

**‘Third Way’**

**‘New Mutualism’**

**European Union structural funding**

**Community economic development**

**Growing hostility towards demutualisation**

**Third sector reform and renewal**

**Deakin Commission**

**Co-operative Commission**

**Social Investment Task Force**

## **Context (3): The social economy**

### **Third sector reform and renewal**

**Deakin Commission**

**Co-operative Commission**

**Social Investment Task Force**

## Key Parts of Government

**Home Office:** responsible for the VCS (has PSA)

**Treasury:** responsible for fiscal and monetary policy

**Department for Trade and Industry (DTi):** responsible for leading government strategy on stimulating business

**Cabinet Office:** in essence the PM's 'department'

**Therefore outside of big-spending human services departments**

# Three development themes

## Voluntary and community sector

**Compact and Codes of Practice:** framework for sector/govt rels

**Home Office Public Service Agreement:** 'To increase voluntary and community sector activity, including increasing community participation, by 5% by 2006' [from 2003]

### Two key reviews

Role of VCS in service delivery - a new £125m fund called *Futurebuilders* to build the capacity of the VCS to deliver public services. *Non-profit law and regulation* - forthcoming Charities Bill will consolidate, e.g. broadening of charitable activities, improving regulation, providing frameworks for charity mergers.

**Increased funding:** £188m for Home Office unit that supports the sector from 2002-2006 (not all new)

# Three development themes

## Philanthropy

**Budget measures** to simplify existing giving methods, increase ways of giving tax-efficiently. 'Trust-based' system

**Flagship volunteering programmes:** 16-24 year olds (more than 60,000 new volunteers) and over 50s (links with over 1,000 organisations and projects)

**Building confidence in fundraising:** £2.9 million in Guidestar UK, self-regulation (but government will reserve powers in upcoming Charities Bill)

# Three development themes

## Social enterprise

**Social Enterprise Unit in DTi:** new funds to support small social enterprises and social entrepreneurs, especially those working in communities facing multiple disadvantage

**New finance:** biggest is UnLtd a £100m endowment for social entrepreneurs, plus BoE research and analysis

**Updates to existing legislation:** (coops and IPSs) aimed at ensuring assets remain in members' ownership

**New form of incorporation** (the community interest company) that will use profits and assets for the public good

# Three development themes

## Summary

**Simplifying/broadening** existing behaviour (tax-effective philanthropy, gifts of shares, donations from pre-tax corporate profits)

**Revamping** existing organisations (charities, IPSs, co-ops; regulators such as the Charity Commission, FSA)

Proposing **new forms of incorporation** (e.g. CIC)

Focussing on some **specific activities** (service delivery, tackling social exclusion, fundraising)

**Building capacity** (new sector funds, better use of existing services, e.g. the Small Business Service, more resources in government)

Fostering **culture changes** ('culture of giving', shifting funding from grants to loans, enterprise for social ends)

# Conclusions

Unprecedented programme in UK (and possibly globally)

Four main government drivers, but note key positive role of Treasury (and of Chancellor Brown)

Three major themes can be distilled

Crucial role of the third sector in providing intellectual basis:

Deakin Commission, Co-operative Commission, Social Investment Task Force

Commitment to programme of institutional reform and renewal

Government generally supported / further stimulated

## **Concerns?**

**‘Co-option’ of the sector by government**

**Erosion of independence**

**Social enterprise happens in VCSs too**

**Not radical enough**

## Benefits?

**Recognition of the social and economic contributions of the social economy, and of its independence**

**Broader view of the social economy**

**New finances and support for activities**

**Investment in organisations and organisational capacity (not just payments for service delivery)**

**More giving becoming tax-effective**

## Two quotes from Tony

These quotes from Tony Blair summarise two important aspects of the UK initiatives just described:

*voluntary and community activity is fundamental to the development of a democratic, socially inclusive society. Voluntary and community groups as independent, not for-profit organisations, bring distinctive value to society and fulfill a role that is distinct from both the state and the market. They enable individuals to contribute to public life and the development of their communities by providing the opportunity for voluntary action. In doing so, they engage the skills, interests, beliefs and values of individuals and groups (Forward to Compact, 1998)*

**i.e. Government at the highest level publicly recognises the contribution of the social economy**

## Two quotes from Tony (*cont*)

*Our vision is bold: social enterprises offer radical new ways of operating for public benefit. By combining strong public service with business acumen, we can open up the possibility of entrepreneurial organisations – highly responsive to customers and with the freedom of the private sector – but which are driven by a commitment to public benefit rather than purely maximising profits to shareholders (Forward to Social Enterprise White Paper, 2002)*

**i.e. Initiatives are part of an important search for new institutional forms that will address pressing problems: through this recognition and a range of other policies, the UK government is creating space and providing resources to encourage innovation within the social economy**

In Australia's past, the social economy has been the source of significant social innovation.

- affordable health care for low and middle income families (via friendly societies)
- affordable housing finance (via terminating and then permanent building societies)
- aged accommodation (self care units and hostels)
- community care
- services for people with disabilities

In all but the first mentioned government provided important backing

But it killed the first initiative and, arguably has stifled innovation via its exploitative funding policies and endorsement of a two sector model of the economy

## So to today's questions:

- Why has Australia not followed UK in recognising a three sector model of the economy and acknowledging the important economic, social and political role of social economy organisations?

and:

- Should something be done?

and, if so:

- What can be done, and by whom?

## Australia has taken few initiatives resembling those of the Blair government

- Some tax policies to encourage giving mainly by high income/wealth people (e.g. pretax for payroll giving; Private Prescribed Funds (PPFs))
- Encouragement of business to partner with social economy organisations in arts and community services/development
- (State government “compact” initiatives resemble UK compact only in name)

## Why not more from Australia?

- Australia has a broadly similar political and legal system and faces many similar social and economic problems to the UK
- Australia has a marginally larger and more diversified social economy than the UK – despite almost no privatisation of human services here;
- Australia embraced neo-liberalism as enthusiastically as the UK;
- Australia experienced a significant wave of de-mutualisation.

## But differences:

- Neo-liberalism (a.k.a. economic rationalism) still dominant ideology in public service, and media commentary.
- Australian Labor still accommodates both those that favour state solutions and those who believe in markets and the efficiencies and innovative potential of investor owned firms within markets. No enthusiasm for a third way.
- Policy debate still around state or market solutions (with market still winning)
- No think tanks seeking a third way and new institutions
- No strong public backlash against demutualisation (here, demutualisation was encouraged by the Labor government)
- No strong leadership within the social economy – e.g. drawing together social economy organisations from many fields as NCVO did.
- No sustained interest in and sustained attempts to practice community **economic** development

## These are self-reinforcing patterns:

- Media commentary only ever deals with bits of a dismembered social economy
- Governments “see” only those parts of the social economy that they fund, and then only through program or portfolio “glasses” – tend to focus on small organisations and to adopt a paternalistic view. Mostly they miss the potential.

## But does it matter? Need anything be done? .... *YES*

- The social economy is the product of collective action.
- It is a product of and is informed by one or both of two powerful organising logics: mutualism and altruism.
- Both of these have been important sources of social innovation in the past.
- UK Labour is right to seek ways to reinvigorate these forces to address many of the difficult social problems that we face as a nation: e.g. new forms of aged accommodation; greater self management in health care; affordable housing; water scarcity; overstretched or inadequate public transport; mental illness; accommodation and services for people with disabilities and so on.
- Governments should seek to encourage individuals and groups animated by mutualism or altruism to invent solutions – and not just look to public servants, or the market, for ideas

# What can be done, and by whom, to create an environment that encourages innovation from the social economy?

- **Leadership from within the social economy** to bring it together at state and national level
- the National Roundtable of Nonprofit Organisations (NRNO) is a start, but it needs financial support from within the social economy - from trusts and foundations (maybe one or two of the new PPFs)

NRNO has identified two lead initiatives:

- radical reform and simplification of legal and regulatory framework;
- a long term public awareness/education campaign designed to create greater understanding of the social economy

## In addition, governments could look to:

- Creation of an Office of Social Economy – to keep in touch with developments in social economy and to ensure the different parts of government that deal with it are aware of the full picture. Office should be located within a central agency or an industry department – **not** a funding department.
- Creation of Funds to encourage innovation and to build a capacity for innovation with in the social economy (like the UK Futurebuilders). Funds might be grants or loans. The objectives of such funds will need careful drafting to ensure it only funds innovations or builds capacity for innovation. (SVA has had some experience). It should be established so it is independent of any minister, or at least any funding minister – e.g. as a charitable trust, or given a guaranteed income stream (WA Lotteries Commission is an example)

# Q & A, and where to from here?

**Facilitators –**

**Dr Judy Johnston, Co-director, and  
Paul Fitzgerald, Deputy Director,  
ACCORD**