



Public Administration Select Committee inquiry:
Commissioning Public Services from the Third Sector

Amicus is the UK's second largest trade union with 1.2 million members across the private and public sectors. Our members work in a range of industries including manufacturing, financial services, print, media, construction and not for profit sectors, local government, education and the health service.

As a trade union, Amicus is one of the few stakeholder organisations representing the needs of the workforce in the third sector. Our experience in other sectors, both public and private, puts us in a unique position to evaluate what works well in the sector, as well as to identify where there are gaps or scope for improvement.

Executive Summary

- Amicus is a major stakeholder in both the third sector and public sector.
- Amicus welcomes the new focus on supporting infrastructure in the third sector but thinks much more needs to be done.
- The third sector is a valuable partner to public services but this is what it should be - a partner not a replacement.
- Amicus is against the marketisation of public services and thinks that the project of involving the third sector in reform lacks clarity and an effective evidence base.

- It is important not to over-simplify the issue – the third sector covers vast numbers of different types of organisations and these roles should be properly audited.
- Third sector organisations have always had a role in public services but this should be about improving services and adding value to them not taking on their provision.
- Amicus is against the creation of new third sector organisations for the express aim of outsourcing public sector jobs - such as the NHS pathfinders.
- Commissioning is having a negative effect on many organisations in the third sector including on their independence, work-force and their ability to work collaboratively.
- Amicus members report that the “new atmosphere of competition” is damaging services and reducing workplace terms and conditions in both the third and public sectors.
- Amicus proposes a more measured and collaborative approach to public service reform based on our six public service values.

The Amicus case in detail

Amicus the Union

1. Amicus has over 30,000 members in the third sector and more than 150,000 public sector members in areas as diverse as local authorities, the health service, Royal Mail, education, prisons and the MOD. This makes Amicus a major stakeholder in both the third sector and public sector.

Commitment to the third sector

2. The Government has shown a welcome commitment to the third sector and Amicus acknowledges the work that the Office of the Third Sector is doing to tackle some of the biggest issues affecting the sector. However more needs to be done.

Employment in the third sector

3. The sector's infrastructure is woefully inadequate when compared to other sectors. Recent evidence shows that wages are 20% lower on average than the public and private sectors¹. Job insecurity caused by funding pressures and short-term contracts means that staff turnover in the sector is unnecessarily high. The People Count 2006 survey found that on average one fifth (21%) of all employees in the sector left their jobs last year – the national average for all jobs is 16%². As a result approximately 77% of voluntary and community sector organisations have experienced retention difficulties in the past year³.

4. In addition public and private sector spending on training and development is, on average, over 50% higher than the third sector⁴. This has a major impact on skills in the sector.

5. Amicus members also report that pension provision varies drastically between different organisations and high staff turnover means that many people have little or no meaningful pension provision. Poor pension provision disproportionately impacts on women especially as in the Third Sector there is very little pension portability.

6. The National Council of Voluntary Organisations (NCVO) claims that 38% of the voluntary sector workforce is employed on a part-time basis and an estimated 1.1 million full-time UK workers would be needed to replace formal volunteers at a cost of approximately £25.4 billion (based on the national average wage), well over twice the number of full-time equivalent paid employees in the voluntary sector⁵.

¹ Croner Reward 2007

² People Count Survey 2006

³ Ibid

⁴ Ibid

⁵ NCVO Almanac 2006

7. The sector is also predominantly staffed and managed by women⁶. Raising the employment standards in the sector would therefore have a significant impact on the historic gender pay gap and tacit discrimination against women in British employment structures.

Framework for the sector

8. In the light of this Amicus is arguing for a national framework to cover all working conditions including rights for volunteers, longer and better designed funding cycles, flexible working, a commitment to life-long learning through a 'university for the third sector' and a Sector Skills Council as well as a sector-wide pension system. These ideas are developed further in Amicus' response to the Third Sector Review.⁷

Public service reform and Amicus

9. Amicus recognises the importance of public service reform to meet the changing needs of service users and the modern world. Amicus further welcomes the increased levels of investment brought in by the Government over the last 10 years. The Government itself has acknowledged that the quality of peoples' experiences of public services depends upon the individuals who deliver them.⁸ It is therefore vital that any initiative to reform public services is done with the support and involvement of employees rather than at their expense.

10. Amicus values public services and believes that good public services are worth investing in. Any reforms must be well evidenced and piloted, sustainable and properly financed. In the light of this Amicus has launched a campaign focusing around six public services values that Amicus believes should underpin any further changes to public services - namely Valuing public service users and staff, Accountability, Long-term commitment, Universal Access, End to market madness and

⁶ People Count Survey 2006

⁷ Amicus response to the Third Sector Review, 2006
<http://www.epolitix.com/NR/rdonlyres/576DB637-9DD0-44A1-B04D-9131F1C4BEA8/0/AmicusresponsetotheThirdSectorReview.pdf>

⁸ HM Treasury, 'Cross Cutting Review of the Public Sector Labour Market', November 2002

Sustainability. These are explored further in a paper we have published on Valuing Public Services⁹.

11. Third sector organisations have always had a major role in public services. Organisations have often developed to fill the gaps and influence the development of our public services. They have been involved in improving the services through developing new innovative services that add value to those provided by the state. Amicus believes that this role should be supported and recognised more widely.

12. It is important not to over-simplify this. The term third sector covers a vast array of different types of organisations and their roles and actions need to be carefully evaluated if they are to have a positive impact on public services. Too often this debate is framed around the idea that the public sector is bureaucratic and inefficient whereas the third sector is a panacea to every problem. Amicus rejects this position as ideologically driven and lacking in evidence. Both the third sector and the public sector contain examples of good and bad practice and the reasons are often nothing to do with which sector they belong to.

13. Amicus calls for all services to be properly analysed and audited through the collaborative involvement of all stakeholders including trade unions.

14. Amicus' policy is clear - Amicus is "opposed to all forms of privatisation of public services... Public services must be provided on the basis of human need not the drive for profit".¹⁰

15. While Amicus' policies predominantly focus on the private rather than third sector it is difficult to separate the two sectors from the Government's rhetoric of public service reform. A major aim is "the introduction of greater

⁹ Amicus, 'Valuing Public Services,' 2007 <http://www.amicustheunion.org/PDF/Valuing-Public-Services.pdf>

¹⁰ Decisions of Amicus Policy Conference 2005
<http://www.amicustheunion.org/pdf/2005policydecisions.pdf>

competition and contestability in the provision of public services,”¹¹ or as PASC rightly described it, opening “markets for public services to new suppliers from the private and third sector.”¹² Not only is this policy completely opposed by Amicus members in the public sector but many Amicus members in the Community and Not for Profit sector are seeing that while their sector has much to offer public services it is increasingly being used as an outrider for the privatisation of public services.

16. Housing associations offer the clearest example of how the sector is being used to these ends. Amicus members in both housing associations and council housing have raised major concerns over recent press releases about housing associations considering flotation on the stock exchange¹³ and the recent recognition of a profit-making company as a “social landlord.”¹⁴ Amicus members see social housing as a vital public service and work for both the public sector and non-profit organisations because they value the services and the needs of service users above their own financial gain. They do not want housing associations to be used as a stepping stone to full privatisation¹⁵.

17. Many organisations are being forced by funding or cuts in state provision to take on delivering services wholesale. Sheila Brown, chief executive of BDF New Life, raised this issue when discussing the provision of equipment for disabled children: “We started off by supporting the state, and now we are replacing it... the Government talks about a partnership with the voluntary sector, but it’s not a partnership – it’s a replacement.”¹⁶ Amicus is against the marketisation of statutory public services and their

¹¹ Prime Minister’s Strategy Unit, ‘The UK Government’s Approach to Public Service Reform’, June 2006

¹² Public Administration Select Committee: Inquiry Commissioning Public Services from the Third Sector
http://www.parliament.uk/parliamentary_committees/public_administration_select_committee/pasccommissioning.cfm

¹³ Inside Housing, ‘Flotation considered by many of sector’s big hitters’, 26th January 2007

¹⁴ Housing Corporation press release, ‘First ever private housing manager wins Corporation accreditation’, 30 January 2007

¹⁵ Amicus response to the Cave review, February 2007
<http://www.amicustheunion.org/pdf/CaveReviewSubmission2007.pdf>

¹⁶ Quoted in Third Sector, 29 November 2006

transferral to the third sector. Amicus believes that one of the state's key roles is to guarantee a basic standard of life to all its citizens. It should not be down to charity alone to provide for the fundamental needs of people in the UK to have a reasonable quality of life.

18. In particular Amicus is against the creation of new third sector organisations for the express aim of outsourcing public sector jobs - such as the NHS pathfinders. There is a big difference between bringing organisations with a long history of innovative work closer to public services and the government actively creating new organisations with no grassroots legitimacy as a vehicle to outsource public sector work and jobs.

19. Amicus is concerned that the aim of this policy seems to be to transfer risk and responsibility for public service delivery away from government and onto other organisations¹⁷. It also seems to be about cutting costs to compensate for budget deficits caused by expensive PFI contracts and consultancy fees. The result of this policy will be the fragmentation of vital public services such as the NHS and ultimately a poorer service for users¹⁸.

20. Amicus also has concerns about the levels of bureaucracy that opening markets will cause. This is especially true for the policy of 'double devolution' and bureaucracy which creates the extra cost of two tiers of commissioning drawing public money away from front line services. This process seems to work against the principles of the Gershon review.

¹⁷ Ann Blackmore NCVO, 'How voluntary sector organisations can help transform public services', June 2006 - http://www.ncvo-vol.org.uk/uploadedFiles/NCVO/Policy/Public_Services/Transform%20Report%20-%20Final.pdf

¹⁸ Amicus response to 'Health Reform in England: update and commissioning framework,' 2006
http://www.epolitix.com/NR/ronlyres/30AD076C-5B1F-408F-861B-DB4FE56A9C80/0/AmicusResponsetoHealthReforminEngland_updateandcommissioningframework2.pdf

User led services and collaborative reform

21. Amicus fully supports the idea of user led public services and users being involved in the performance assessment and improvement of their local services. Appropriate and effective mechanisms need to be developed for this to happen. As major stakeholders, user led third sector organisations should be involved with designing and reforming public services.

22. Amicus is concerned that badly designed user engagement schemes could increase bureaucracy with negligible benefits. Any scheme needs to be effectively tested before being rolled out.

Choice

23. Similarly Amicus rejects the idea that choice between pluralities of service deliverers is the best way to build user led services. The agenda undermines universality and increases long-term private sector involvement in the provision of our public services.¹⁹ Evidence from both the House of Commons Public Administration Select Committee²⁰ and the National Consumer Council²¹ found that people were more interested in choosing how and when to access services than choosing between service providers.

The involvement of staff

24. Amicus recognises that the experience of public service users depend on the staff delivering those services. User engagement with public services works best when partnered with the engagement of staff. It is not the case that the interests of users and staff are intrinsically opposed. In fact, empowered users require empowered workers. The benefits of bringing staff and service users together to improve services have also

¹⁹ Decisions of Amicus Policy Conference 2005

<http://www.amicustheunion.org/pdf/2005policydecisions.pdf>

²⁰ Choice, Voice and Public Services Fourth Report of Session 2004–05

²¹ 'Engaging the user – NCVO workshop', 15 November 2004 Philip Cullum, Deputy Chief Executive, National Consumer Council. Also in the House of Commons Public administration Select Committee Choice, Voice and Public Services Fourth Report of Session 2004–05

been explored by the National Consumer Council in its Shared Solutions project²².

25. Amicus recognises the positive work the Government is doing to support volunteering. Amicus is keen to see UK citizens being more involved in society and encouraging participation and volunteering as a way to support public services. However volunteers should never be used to replace the trained and skilled public service professionals that are needed to guarantee a good service to all.

26. Amicus strongly opposes policies that require public service job cuts and cuts to public sector worker pensions to finance government spending plans and believes our public services require more and better trained public servants not fewer.²³

Demand

27. Amicus is concerned that there is little or no evidence about the popularity and demand for the extension of voluntary sector organisations to deliver public services. Much of the vocal support for these policies comes from employer groups such as the Association of Chief Executives of Voluntary Organisations (Acevo) or the Confederation of British Industry (CBI). The campaign by the CBI to push for a system of competitive neutrality in public service contracts is a good example of this and is part of a campaign to bypass the third sector and privatise public services rather than constructively reform them.

Accountability

28. Amicus is concerned about any loss of accountability that could be associated with third sector organisations delivering public services. Under state delivery there are clear avenues for holding services to account through the election of public representatives. Amicus recognises that

²² <http://www.ncc.org.uk/publicservices/index.htm>

²³ Decisions of Amicus Policy Conference 2005
<http://www.amicustheunion.org/pdf/2005policydecisions.pdf>

some third sector organisations do have a high level of services accountability through their links with different community groups and users as well as public auditors. These are valuable additions to the traditional structures of public accountability but should not be used to replace them.

Sustainability

29. Amicus believes that part of the problem of facing public services is the Government's "permanent revolution" in public service reform and the constant political battle over the amount of money available to public services. Public service reform needs to be based on a long term commitment to funding and a sustainable approach to reform.

Quality

30. There seems little evidence to suggest that opening up services to different suppliers is leading to better quality services. In fact, the experience of Amicus members is that much of the Government's reform agenda is ideologically driven and actually leading to the deterioration of service quality (see below). One major concern is the fragmentation of services caused by commissioning and subcontracting. This reduces the ability of the various services to plan and cooperate effectively.²⁴

Impact of commissioning on the third sector

31. The experience of Amicus' members is that commissioning and contestable tendering is having a negative effect on many organisations in the third sector. The move away from grant funding to service delivery contracts is leading to a reduction of the independence of many organisations removing much of their ability to innovate and advocate on behalf of service users. A recent online poll carried out by the Directory of Social Change showed that more than 72% of respondents agreed that increased voluntary sector involvement in public service delivery was

²⁴ Amicus response to 'Health Reform in England: update and commissioning framework,' 2006, http://www.epolitix.com/NR/rdonlyres/30AD076C-5B1F-408F-861B-DB4FE56A9C80/0/AmicusResponsetoHealthReforminEngland_updateandcommissioningframework2.pdf

changing the spirit of the sector by moving it away from its voluntary routes and tying it down with contractual relationships. Government cost-cutting and the erosion of charity independence were also major concerns.²⁵ Similarly the recent charity commission survey showed that “only 26% of charities delivering public services felt they were free to make decisions without pressure to conform to their funders' wishes.”²⁶

32. These concerns seem to agree with the experience of many in the Australian voluntary sector where these policies were originally developed. The Australian Institute has highlighted that the advocacy role of organisations has been curbed by the need for government funding. They report “implicit pressure to censor themselves.” 90% of respondents believed that dissenting organisations risked having their funding cut. Three-quarters (74%) believed that NGOs were being pressured to make their public statements conform with government policy.²⁷ Several Australian newspapers have also reported that “organisations that have been critical of the Government, such as the Australian Council of Social Service and the Brotherhood of St Laurence, have been frozen out of debates”²⁸.

Funding

33. Amicus members report that contestability is damaging services and leading to a race to the bottom in workplace terms and conditions in both the third and public sectors. To win bids organisations are cutting wages, training and pension provision. Although the Government claims that bids

²⁵ Graham Leigh, ‘All change’ Society Guardian, 23 November 2006
<http://society.guardian.co.uk/voluntary/comment/0,,1955275,00.html>

²⁶ Charity Commission, ‘Stand and Deliver: the future for charities delivering public services’, February 2007

²⁷ The Australian Institute, ‘Government Gags Community Voice’, 2 June 2004
<http://www.tai.org.au/documents/downloads/MR171.pdf>

²⁸ Sarah Maddison and Clive Hamilton, ‘The repression of the bleeding hearts,’ Sydney Morning Herald, 27 January 2007 <http://www.smh.com.au/news/national/the-repression-of-the-bleeding-hearts/2007/01/26/1169788693380.html>

‘Silencing the Critics,’ The Age, 27 January 2007.
<http://www.theage.com.au/news/opinion/silencing-the-critics/2007/01/26/1169788690664.html>

Patrick Allington ‘Silencing Dissent: How the Australian Government is Controlling Public Opinion and Stifling Debate,’ The Australian, 3 February 2007

<http://www.theaustralian.news.com.au/story/0,20867,21142636-5003900,00.html> and

are based on “value for money,” in practice “best value” often means “cheapest price”.

34. For example the Citizens Advice Bureau (CAB) in Manchester had to cut staff terms and training in order to win service bids. Amicus members in the Refugee Legal Service report a funding contract leading to a 3 year pay freeze for all staff. If they didn't accept this the contract would have gone elsewhere including possibly to the private sector. In three recent cases – involving Stonham Housing, Stoke CAB and NCH - this is exactly what has happened. These are all large not-for-profit organisations, but they were out bid by loss leading private companies.

Competition and collaborative working

35. Amicus members working in Save the Children, NCH, Children's Society, Bernardos and NSPCC report that competitive funding has led to a reduction in collaborative working amongst the major children's charities. Our workplace representatives report a new culture of fear that information sharing could lead to them losing funding to another organisation.

Equal pay and two tier workforce

36. The commissioning process has led to problems with equal pay and the two tier workforce. As was mentioned earlier voluntary sector staff are often paid less than their counterparts in the public sector. At the same time employees within the voluntary sector are often on variable terms due to the funding contracts that pay for their work. This raises major issues around equal pay as some projects are better funded and thus some staff have better terms than others.

Full cost recovery

37. Contracts that are given to the third sector need to be much better developed and funded. The Office for the Third Sector told Amicus that only 57% of all public funding for the third sector currently achieves Full Cost Recovery. Worse still the charity commission recently reported that only 12% of charities say they achieve full cost recovery for all public

services they deliver²⁹. For example a survey by RNIB and National Association of Local Societies for Visually Impaired People (2006) showed that of 108 contracts won by 32 visual impairment voluntary organisations half were under-funded by at least 10%, a quarter were under-funded by 25% and nearly a tenth were under funded by 75%. Amicus recognises the work that government is doing to improve funding contracts but much more needs to be done so that contracts meet the full costs incurred by the organisations that deliver them.

38. Despite the welcome commitments from government to extend the length of funding contracts, over two thirds of all funding agreements for public service delivery are still for only one year³⁰. Amicus' report 'Short term funding, short term thinking'³¹ illustrates the concerns that our members have about funding contracts. Funding systems need to be far less bureaucratic and labour intensive. The current system is excluding organisations that have not got the capacity to bid and further exacerbating the divide between large and small organisations. Contracts should cover all the costs associated with them including administration and the bidding process. Many contracts need to be much longer and there should be a much better system of contract renewal. Amicus suggests automatic renewal to successful organisations that are delivering well. These issues are also highlighted by ACEVO in its 'Surer Funding'³² survey and by the National Audit Office in its document 'Working with the Third Sector'³³.

39. Amicus members working for Peace and Reconciliation in Belfast have reported a positive approach to designing and implementing funding contracts for their work. Competitive funding in this environment is

²⁹ Charity Commission, 'Stand and Deliver: the future for charities delivering public services', February 2007

³⁰ Charity Commission, 'Stand and Deliver: the future for charities delivering public services', February 2007

³¹ Amicus, 'Short Term Funding – Short Term Thinking' 2006
<http://www.amicustheunion.org/pdf/Funding%20Survey.pdf>

³² ACEVO Commission of Inquiry Report, 'Surer Funding', November 2004

³³ National Audit Office, 'Working with the Third Sector', published June 2005

inappropriate as some voluntary sector organisations in the field could be perceived to be part of a specific community and thus funding one over another could lead to accusations of bias and sectarianism. Instead a system of collective bidding and cooperative funding has been developed whereby funders and bidding organisations get together to design the project and share the funding cooperatively between all concerned. Amicus sees this as a positive way forward to develop third sector funding.

A partner not a replacement

40. In conclusion, Amicus proposes a more measured and collaborative approach to public service reform based on our six public service values. The third sector is a valuable partner to public services but this is what it should be - a partner not a replacement.

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