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A New Role for the Third Sector?

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Many protagonists looking to new models for the delivery of welfare services over the coming decade see third sector organizations as a potentially radical new alternative to both state welfare producers and commercial market enterprises. Third sector organizations are not-the-state and they are not-the-market. They could provide both values and capacities that these, supposedly more traditional providers, have not been able to deliver therefore. This chapter explores the potential for third sector organizations to play a new role in the delivery of welfare services. It explores both the opportunities for this within these organizations, and the challenges that such a developing role may produce both for organizations and for those seeking to plan policy around them. There are opportunities here, but not all organizations will be able, or willing, to respond to them.

A mixed economy of welfare

Those who are planning for the future delivery of welfare services in the UK recognize that these will come from a mixed economy of service providers. This is the view held by most academic analysts and policy practitioners concerned with the future of policy planning; and it is underpinned by a strong normative commitment to a welfare pluralism based upon combining the strengths of both the state and the market. There is also recognition that this is a more or less given social context as different providers currently dominate welfare delivery

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and this diversity is unlikely to decline. All major political parties also now embrace welfare pluralism. The new Labour governments had championed a 'third way' between (or within) the state and the market, most recently referred to as 'building a stronger civic society' (HM Treasury, 2009); and the new Conservatives have talked of a 're-imagination of the state' (Cameron, 2009) to operate alongside other welfare providers. The mixed economy of welfare is both given and desired.

While this welfare pluralism embraces both the state and the market, it also includes within the mixed economy third sector providers of welfare. Indeed the identification of, and celebration of, the third sector has been a key element of third way politics and policy planning. That a third sector of providers exists alongside the state and the market contributes to the pluralism that is at the centre of twenty-first-century welfare politics, and provides evidence that organizational structures exist that operate between the state and the market. The third sector is a concept that has currency internationally, for instance, in the major international research network the International Society for Third Sector Research (ISTR). But within the UK it is a term that had been largely created and promoted by the recent Labour governments. It is thus one that is not without its challenges and contradictions, as we shall discuss shortly – not the least the cry from some in the sector that 'relegating' it to third place is to deny its history and its broader social importance. The new coalition government have dropped the term from early policy discourse, seeming to prefer the term 'civil society'.

Despite this, however, there can be no doubt that the third sector is now a core feature of the planning and delivery of welfare policy, and that an examination of the future sources of welfare must pay particular attention to it. Indeed for some protagonists in the futures debates, it is to the third sector that we must look for new organizational forms for service delivery to take up the opportunities flowing from state and market failure. For instance, Blond's (2009) *Ownership State*, sees 'civic associations' replacing public bodies in a transfer of ownership of welfare services to an extended third sector, and argues that it is role of policy-makers to facilitate and support this re-mixing of welfare provision. In the work of the Office of the Third Sector, and now the Office for Civil Society, we can see significant government commitment to promoting and supporting third sector forms of service delivery. This is discussed below.

However, there is a danger in seeing within the current and future political embracement of the third sector something that is new and different to past welfare forms, and able because of this to rise above their limitations. A

longer-term critical perspective tells us that neither welfare pluralism nor third sector service delivery are new, and that concerns and contradictions that have challenged and constrained them in the past will continue to pose challenges to their place in future policy planning.

For a start, history tells us that the mixed economy of welfare is not just a late twentieth-century phenomenon. While the establishment of the 'welfare state' in the middle of the last century was a major achievement in the provision of comprehensive public services for all citizens, it never entirely displaced either market or voluntary provision of services and, as analysts have revealed, welfare pluralism has always been at the centre of social policy planning (Powell, 2007). Certainly third sector welfare delivery has a long history which can be traced back to the nineteenth century before the development of much public welfare support. Organizations like the National Society for the Prevention of Cruelty to Children (NSPCC) and Barnardo's were active then in developing new forms of social service and they remain important today despite the existence of state social service provision. In fact the history of relations between the third sector and the state is a long and complex one (see Lewis, 1999; Harris, 2010), with boundaries shifting and roles changing over time. Current and future manifestations must be seen within this broader context, and from that perspective look much more like particular kinds of adaptation and accommodation than revolutionary departure or innovation. However, from them flow some difficult questions about what is meant by the third sector and how policy-making might best engage with it.

The Third Sector

The concept of a third sector implies of course that it exists in relationship to another two (or more) sectors. These are the state and the market, although which of these comes first is perhaps debateable. The third sector is thus not the state or the market and other conceptualizations of the sector have similarly distinguished it relatively. It is also referred to as the non-profit sector (especially in the USA), or the non-statutory sector (more common in Europe), or the non-government sector (often used for international agencies). These are all of course negative definitions. They tell us what the sector is not, but not what it is.

More sophisticated academic approaches to definition have sought to explore this relational approach and to locate the sector in terms of its relations with the state and the market, suggesting that in practice third sector activity exists in

between these sectors (and in some an informal sector too), and yet in places overlapping with them, where organizational forms are hybrids between the different sectors (see Evers and Laville, 2004). These definitional boundaries are explored in more detail in Alcock (2010a), where these exogenous approaches to definition are contrasted with attempts to identify core features of third sector organization. The conclusion of this, however, is that, even when viewed internally, the third sector can only ever be a strategic unity between different organizational forms and activities.

In other words the third sector is not a single, still less a simple, entity but rather an aggregation of diverse forms and different fields and subsectors, that may or may not act collaboratively in the delivery of services or other areas of social and economic activity. This was recognized by the department created by the Labour government in 2006 to provide policy co-ordination and support for the sector, the Office of the Third Sector (OTS). Their website explained that:

The third sector is a diverse, active and passionate sector. Organizations in the sector share common characteristics: non-governmental, value-driven, principally reinvest any financial surpluses to further social, environmental or cultural objectives. The term encompasses voluntary and community organizations, charities, social enterprises, cooperatives and mutuals both large and small.

In practice there are different subsectors (charities or social enterprises), operating in different fields (housing or health and social care), and pursuing different goals (service delivery or community advocacy). The new government have sought to capture this diversity by reference to these as elements within civil society. This is in part a terminological, rather than a conceptual change, as the breadth and depth of differences are still included within this new policy frame. However, it raises some broader questions within academic debate where civil society is often seen as a site for social relations (outside the state and the market), rather than an organizational sector (see, Evers and Laville, 2004: Ch. 1).

Nevertheless, both concepts embrace diversity, and this is not a problem for the sector in itself – indeed arguably it is its greatest strength. But it is a challenge to policy-makers who see in the third sector or civil society an alternative to state and market failure in the delivery of welfare services, and may wish to promote the sector as a unified policy space for this. What is more, as argued above, this is not new. Policy-makers must recognize this, and policy planning for alternative future sources of welfare must pay attention to the lessons that flow from it.

The policy environment

The identification and recognition of the third sector in the most recent manifestations of state and sector relations has resulted in a much higher profile for the sector, and its constituent parts, at the beginning of the new century than was the case for much of the latter half of the last one. In a review of recent changes in this policy environment Kendall (2009) described the early twenty-first-century phase as one of 'hyperactive mainstreaming'. By this he meant that there were a greater range of policy initiatives directed at the sector, with a general aim of bringing it into the centre of policy planning. This can be seen most clearly in the creation of the OTS, with its Cabinet Office location in 2006. OTS replaced previous smaller units focused on the voluntary and community sector (in the Home Office) and social enterprise (in the then Department of Trade and Industry); but its brief is wider and its resource base more extensive, and this has been retained in the new Office for Civil Society (OCS). It was also responsible for a wide range of new forms of support for sector organizations, including Futurebuilders (now the Social Investment Business) and ChangeUp (delivered by Capacitybuilders). Kendall (2003) referred to these as *horizontal* support for organizations across the sector, contrasted with the *vertical* support provided to those operating in particular fields such as health and social care. The latter are longer standing but still important, and indeed were also expanded – for instance in the Department of Health Social Enterprise Investment Fund.

The overall picture has thus been one of greater political interest in the third sector, backed up by greater policy support and public resource, all geared to consolidating the role of sector organizations within policy planning (see HM Treasury and Cabinet Office, 2007), although since 2010 most of the major horizontal investment programmes have been discontinued by the coalition. Central to this role is the involvement of third sector organizations in the development and delivery of public welfare services. An expanded role for the sector in the mixed economy of welfare is already at the centre of policy planning therefore. This is likely to expand further if, as suggested below, policy planning moves further towards a concern with service outcomes rather than provider forms. What is more, this is a role which is embraced by some leading voices within the sector itself, not the least the Association of Chief Executives of Voluntary Organisations (ACEVO) which with an ever louder voice has for a number of years been championing the sector as an innovative and efficient alternative to state and market welfare (ACEVO, 2004, 2008).

Those concerned to achieve service outcomes should be expected to be

agnostic about provider forms, and new models of commissioning are likely to challenge any assumptions about the desirability of publicly provided welfare. In 2010 ACEVO challenged what had been the Labour government's plans to install NHS agencies as preferred providers of commissioned health care services. Much of the motivation for this was driven by a desire to protect employment in public health services, but, as ACEVO pointed out, it ran counter to the principles of independent commissioning based on quality of service. The government were forced to back track and alter procurement guidance to make it clear that commissioners should not favour or discriminate against providers from any one sector.

So those championing the third sector as an integral part of new future sources of welfare are pushing at a door that is already open, and indeed is already opening more widely. It is the balance of welfare provision by the sector that may change in the next decade; but not the principles behind it, nor the policy support for it. If this balance is to change then it is the existing strengths of the sector that are likely to be the key drivers of this, and the existing problems and limitations that are likely to be the key challenges to it.

Before going on to consider these opportunities and challenges however, it is worth reflecting briefly on another feature of the policy environment that has developed significantly in the last decade and is likely to become more important in the next. This is the devolution of politics and policy-making to the separate administrations in Scotland, Wales and Northern Ireland. Since devolution was established in 2000 the UK has ostensibly become a less united nation, with significant areas of welfare policy devolved to the new administrations in Scotland, Wales and Northern Ireland, including third sector policy. There are now separate agencies delivering independent policies for the sector across these three nations.

This is in itself a major policy change and has led to new challenges for sector organizations to engage with their new policy agents, but it has also led to potentially divergent policy goals and priorities. In practice, however, policy development has not thus far been significantly divergent across the new devolved administrations within the UK (Alcock, 2012). This may in part be a product of the fact that until recently political control within all had been dominated by Labour. This political hegemony was fractured in Scotland with the advent of the SNP administration, and has now diverged completely with the Conservative and Liberal Democrat coalition government in power at Westminster since 2010, and quite different parties in control in all the devolved administrations since 2011. Political change therefore will likely fragment politics further across the four nations that now make up the UK and

this will likely lead to further policy divergence, with support for public welfare remaining stronger in all of the devolved administrations than seems to be the case in England. We should be wary therefore of assuming that the prospects for a new mixed economy of welfare in England will be shared in the same way by our relatively independent neighbour nations.

Third Sector opportunities

Third sector organizations have been involved in the delivery of welfare services for over a century because the users of these services value them and because both volunteers and funders are committed to providing them. If the availability of comprehensive public welfare services were to displace third sector activity here, then this would have resulted in the decline or demise of these organizations in particular during the post-war welfare state era. But this did not happen. Public welfare has not displaced voluntary, community and mutual action. Some organizations such as the voluntary hospitals and friendly societies were incorporated into public provision; but others developed to provide supplements to new state services (such as hospices) or even to campaign to improve or challenge them (such as Citizen's Advice Bureaux).

Figure 8.1 Growth in Charity Registrations from 1945–2000

Across the developed world there is no evidence that public welfare has crowded out voluntary action, and there is no evidence of a decline in the numbers of voluntary organizations in the UK after 1945. Indeed analysis from the Third Sector Research Centre suggests a more or less continual process of growth over the latter half of the twentieth century, albeit that changes in registration criteria complicate the picture after 1990 (see Figure 8.1).

This must be because the third sector is offering something distinctive and valuable.

There is of course much debate about the core features and values of third sector service delivery, and the extent to which they are indeed distinctive. However most protagonists agree on various combinations of core elements which are shared by most organizations. Most important of all perhaps is *independence*. Third sector organizations are not part of the public sector and are not therefore part of the state. They are not bound by statutory and regulatory frameworks, nor are they directly accountable to civil servants and politicians. They are thus free to act as they think fit in the interests of their members and their users. This independence can have negative as well as positive consequences, as we shall return to discuss below. It is also rather more relative than some might think as regulation and accountability extend to some extent to all those delivering public services, as we shall see. But it is undoubtedly a core attraction for those who see in many public services monopoly providers and unresponsive bureaucracies.

Third sector organizations also enjoy independence from the market. Because they are not required to deliver dividends to shareholders, they are not under pressure to follow only profitable activities and can make decisions about priorities for development for other reasons. Independence from the market is also relative, however. Third sector organizations may not be driven by the profit motive, but they must remain financially viable and will need to plan and perhaps adjust their business to ensure this – or collapse, as inevitably some do.

Most of the distinctive features of the third sector are, in practice, relative rather than absolute opportunities for alternative welfare provision. For instance, the need to survive in competitive markets and the growing importance of public funding for third sector organizations mean that fortunes of much of the sector are closely aligned to developments in the state and the market. In 2010 just under £14 billion, around 38 per cent, of total income for charities in England and Wales came from statutory sources (Clark *et al.*, 2012: 42) and trends in government funding have been recognized to be of critical importance

for sector planning by the National Council for Voluntary Organisations (NCVO, see Clark *et al.*, 2009).

What is more, though flexibility may be a feature of third sector activity – as organizations are free to adapt and change both their mission and their practice without recourse to public regulation or account – members, donors and users will all expect some consistency too in organizational structure and action. Organizations can be conservative as well as innovative. Linked to this is the mission focus of voluntary, community and mutual action. Third sector organizations have generally been set up for a purpose, and it is that purpose which drives organizational development and action. This is a key strength; it is critical in underpinning the voluntary ethos and added value of third sector action; but it can also be a constraint on flexibility and innovation more generally when missions are no longer relevant, or organizational forms no longer the most appropriate means of meeting them.

Mission focus does draw volunteers into third sector action. The altruism that underpins volunteering is generally guided by the desire to achieve some particular social improvement through social action; and the same is largely true of the indirect support provided through philanthropy and giving. It is because we care about the missions of third sector organizations that we are willing to support them. And as a consequence of this these organizations are able to deliver added value to their users.

Third sector organizations can add value through the provision of services by those motivated to further the mission of the organization. To some extent therefore third sector action can overcome the classic principal/agent dilemma; volunteers are motivated to deliver the aims of the organization and so do not need to be managed or incentivized to meet organizational goals. It is argued that this applies to those working in the sector too, who may have taken a deliberate decision to seek employment within third sector organizations with defined missions. That said, robust evidence on the extent to which employment patterns and practices within the sector do reflect such distinctions is hard to find.

There may be debates about the motivations of volunteers and donors but voluntary activity and charitable donations do provide added value to the fees users pay for third sector services or the funds contractors provide, as a result of the additional resources that flow from these. Again there is no robust evidence quantifying the extent of this additional contribution but the measures which some third sector organizations use to evaluate their contribution to service provision (such as social return on investment (SROI)) do offer some

mechanisms for doing this at the organizational level (Cabinet Office, 2009; Nicholls, 2009). For the most part these do demonstrate the wider value provided (Then and Kehl, 2009).

In sum, third sector organizations can offer independence, flexibility, mission focus and added value to the delivery of public services. What is more they have been doing this for over a century. The model of voluntary, community and mutual action is not a new one. It is tried and trusted, and the trust that users, and citizens more generally, place in third sector organizations because of their independence from the state and the market is an essential, if unquantifiable, feature of the sector. This could be central to the future delivery of welfare services.

Third Sector challenges

The values that third sector organizations bring to the delivery of public services are not necessarily exclusive ones. People may trust the mission focus of the third sector but they also trust the service orientation and professionalism of public services like the NHS, even if this has been challenged by recent managerial reforms (Taylor Gooby and Wallace, 2009). As suggested above, most of the supposedly core values of third sector policy delivery are neither absolute nor exclusive. Avoidance of public regulation and financial accountability can only partially be achieved where organizations are delivering services paid for by taxpayers or users and defined and regulated by public agencies. Flexibility, mission focus and motivated workers can be found within public and private sector provision too.

More generally, ascribing values and even characteristics to third sector organizations collectively is problematic. We may regard the sector as an entity, and indeed through public support develop policies to support and promote it. But in practice the third sector is really little more than an aggregation of widely diverse organizations, who themselves are more likely to associate with subsectors – such as advice agencies, medical charities or housing associations – than any over-arching, generic and homogeneous entity. Within this diversity there are many, indeed probably most, organizations that have no involvement in the delivery of welfare services, and probably no interest in developing this. Some third sector organizations are excluded from service delivery by the requirements imposed by procurement and commissioning. Others have no intention of entering such a competitive market, and may have mission

commitments to challenge service providers rather than joining them. From sports and leisure clubs to campaigning and advocacy groups there is diversity in mission, scale and structure.

One of the challenges facing those, such as OCS, with a policy brief for the third sector is the difficulty inherent in developing and delivering support and guidance for such a diverse community. In practice it is just about impossible for policy-makers to meet the needs of all. Within diversity there is competition and conflict, and inevitably policies that benefit some are likely to be criticized by others who feel excluded or ignored.

One important conclusion that flows from this is the need for caution and sensitivity in any expectation that there may be a sector of would-be providers just waiting to play an enhanced role in the future delivery of UK welfare services. There may be organizations that could willingly expand their service provision, and would be happy to do that in partnership with state and market providers in a new mixed economy of welfare. But in practice many such organizations are already engaged in just such partnership action, and foreseeable change may look rather like more of the same than something completely different. The prospects for extending welfare provision across the wider and diverse third sector that might appear in some statistical measures of its scale will flounder because of the diversity of mission and form that these disguise.

There are other challenges to an expanded role for third sector organizations in public service delivery. The diversity, independence and mission focus of the sector are weaknesses as well as strengths. Third sector organizations can provide excellent, even unparalleled, examples of service provision; but their unique features are just that. There is no guarantee that these can be found in other organizations or at all times and places where these services might be needed. Third sector activity is not universal, comprehensive or in any sense formally accountable, yet in many cases welfare services have traditionally needed to be all of these things.

In practice this means that there may be problems with the distribution, accessibility and inclusiveness of third sector welfare services. There may be excellent organizations in some service fields or local areas, but in others this may not be the case. The services that particular organizations provide may be highly valued and widely understood by those who use them but there is no guarantee that all potential users will be able to find them, or find information about them – in particular where potential users might be on the margins of the organizational mission. Third sector organizations may have a mission to meet the needs of particular communities, and may even target services exclusively

upon these. But for those outside of these groups, such targeting could amount to exclusion, a particular problem perhaps from some marginal groups such as refugees or asylum seekers.

Underlying these problems of accessibility and exclusion is the lack of a public mandate for third sector welfare provision. There is no formal public requirement on third sector organizations to provide, and no requirement on government to ensure that they do. This is no doubt as it should be for an independent sector of provision; but it cannot be the basis for comprehensive welfare planning. Indeed, it was in part because of the uneven nature of voluntary and mutual provision that comprehensive state welfare services were introduced in the middle of the last century. The planning and delivery of these state welfare services may now be more critically questioned but the public mandate that underpins them must not be forgotten or eroded.

One of the most important policy questions that flows from this, is the extent to which public policy planning and intervention can overcome some of the challenges to third sector service delivery by introducing regulation and accountability into the delivery of services by the sector, and ensuring, through partnership with public agencies, that comprehensive service provision can be guaranteed. As we shall see this is perhaps the central challenge for those looking to develop third sector provision as an alternative source of welfare in the future. Current policy does address some of the implications of this and as a result is already posing other challenges to third sector action.

The implications of policy planning

Public policy planning for third sector welfare action requires intervention to support, direct, control and monitor service provision. Such intervention inevitably undermines the independence of the sector, in particular where this means that public management measures of target setting and evaluation are imposed on organizations through contracts for public service delivery. The regulatory frameworks that accompany management and accountability may also stifle the innovation, flexibility and mission focus of third sector action. Indeed there is the ever present danger that, when those who thought they were working or volunteering in mission focused independent organizations encounter regulatory control, their commitment and motivation may wane – leading to a return of the principal/agent dilemma.

There are serious contradictions at the heart of the principle of public control

of third sector action. But there are major practical problems too. Contracting to deliver public services means that third sector organizations must undergo elaborate procedures for procurement and commissioning, and must satisfy the accompanying legal requirements. These can impose significant burdens on the organizations involved, requiring the capacity and the skills to deal with these technical processes. Once awarded, public service contracts generally also come with procedural requirements for the monitoring and evaluation of service delivery. Public resources must be accounted for and the effectiveness of services assured.

There are significant 'transactional costs' here for third sector organizations engaging with the policy environment of public service delivery – although it should not be forgotten that these are also imposed on those public agencies contracting with them too. Organizations now require managers, accountants and lawyers to pick their way through the regulatory frameworks within which they operate and they require the skills and capacity to engage with these. This has already been recognized by policy-makers and a range of measures were introduced by the Labour government to provide support for institutional capacity building to equip organizations for public service delivery, for example the Futurebuilders programme, delivered by the Social Investment Business (HM Treasury, 2003) – although, like most of the other horizontal support programmes, this has not been continued by the Coalition government.

Not only do these add to the burdens of third sector activity, they may also change the very nature of third sector organizations themselves. In contracting with and working within these frameworks, third sector organizations run the risk of becoming more and more like the public agencies they may have sought to displace, but with whom they now need to engage. Third sector commentators talk about these as the problems of *incorporation* and *isomorphism* – third sector organizations being in danger of take-over by public agencies, or becoming indistinguishable from them.

The practical problems, and the costs, of engagement with the public regulation of service delivery are now recognized as significant issues within the sector. They are challenges to be faced by third sector agencies but they are challenges that can, and should, be met directly. They are also not unique to the UK, and as those arguing for a positive approach to learning and development in third sector service delivery such as ACEVO point out, much can be learnt from the ways in which these challenges are identified and met in a range of analogous policy regimes (ACEVO, 2008). They are not the only challenges

that flow from a growing role for third sector service delivery within a mixed economy of welfare.

The commissioning of services from third sector organizations also places these organizations within a competitive contractual environment. Organizations must compete with private sector providers and, in some cases at least, with alternative public sector providers too. They must also compete with one another. Competition for service contracts is likely to be governed by efficiency and effectiveness of delivery, as well as mission focus. Just being committed to a particular service or user group may not be enough to secure contract funding, as was revealed in the contacting for the coalition's new Work Programme, where virtually all of the large prime contracts went to private providers who could provide the large initial investments needed. Competition may not be welcomed by some third sector organizations. It may exclude some organizations from service delivery, and may be reason why some will want to remain outside of this altogether.

For those who rise to meet the competitive challenge, however, it may also have organizational consequences. There may be pressures towards take-overs and mergers. In 2010 Age Concern and Help the Aged merged to form AgeUK, to equip them better to compete for and secure public service contracts. Alternatively organizations may seek partnerships with other providers – the Third Sector Consortium (3SC) now provides the leadership for a wide range of third sector and private sector operating in partnership to deliver employment services. Competition and regulation are therefore already re-shaping the third sector through its engagement with welfare service delivery.

Towards a new policy landscape

That engagement with welfare service delivery is re-shaping third sector organizations should not be a surprising development. Nor indeed is it a recent phenomenon, as historical analysis of the sector's role here tells us (Lewis, 1999; Harris, 2010). The challenges it creates for third sector organizations are not insurmountable and, even where they shift the character and structure of third sector action, they can still leave unique and innovative organizations delivering excellent services. The real question for policy-makers here is to ensure that the best of third sector delivery is maintained and nurtured, while the broader planning for welfare services continues to evolve.

The broader planning framework is evolving. Much has changed in the first decade of the new century and more will follow in the second. The shift

to consensus over a mixed economy of providers is now established. What is driving future change is a shift in the nature of the relationships between providers and users. This can be seen most clearly in the moves, albeit relatively tentative ones, towards the *personalization* of service commissioning – the transfer of the public resources for service delivery to the users of those services, through direct payments or personal budgets, so that individual packages of provision can be purchased directly from providers. Much discussion of this user shift has focused on health and social care services (see Glasby and Littlechild, 2009), but it has the potential to transform service commissioning in other areas too, such as education or employment.

Those with personal budgets to spend may well choose to purchase from alternative welfare providers in the third sector, although equally they may not. What will be likely to drive purchasing behaviour will be the quality and accessibility of services provided, rather than the location or character of the provider. This is perhaps as it should be; users determining the value of the services they need. But, leaving aside the practical difficulties that many users may face in operationalizing these new choices, the consequences for service providers will be significant as the certainty of public service contracts is replaced with the more open environment of an open market. Third sector organizations may welcome this competition and the abandonment of public monopolies implicit in it. It may lead to a wide range of forms of provision and providers – perhaps much smaller entities operating in niche markets. Third sector organizations may have much to offer here; but there is no guarantee that all will be able to respond effectively to it.

Even where personalized budgeting is not directly implemented, future service policy planning is likely to see a shift towards a more ‘outcome focused’ commissioning process, perhaps with a more localized focus on delivery, as exemplified in the Total Place developments, and the new government’s localization agenda. Where users are not themselves specifying the terms of policy provision, public planners can do this by gearing funding and contracting towards expected service outcomes rather than specific provider inputs. This could take procurement and commissioning out of Departmental and service silos and encourage new provider forms. There are opportunities in this too for third sector organizations to expand their input to welfare services by operating across service boundaries and exploiting their knowledge of local niche markets. But here too success will be based on what they can offer, rather than what they are.

Another developing feature of the welfare policy landscape is the encouragement of the co-production of services by providers and users. To some extent co-production is a new term for an old concept: the notion that in

the delivery of all services the experience of provision is shaped by what both users and providers bring to the relationship of provision – observation of no-smoking rules in public buildings being an obvious, and successful, example. Where it is likely to provide new dimensions to the delivery of welfare services is in the expectations that policy-makers, and funders, will have of those delivering services that these be developed and delivered through direct engagement between frontline providers and individual users. Even where personal budgets and outcome focused commissioning are not operating directly, service providers are likely in the future to have to be more open in prioritizing and planning their engagement with the users of their services.

Future welfare service provision is therefore likely to see a shift towards greater user focus and user engagement in policy planning. Co-production and personalization may replace public management accountability and contractual procurement and they have been championed both by official government statements (HM Treasury, 2009) and independent policy campaigners (Blond, 2009). Both the former Labour government and the new coalition also see in these shifts enhanced opportunities for third sector providers, with talk of encouraging public sector providers to move out of the state and create instead John Lewis-style mutual social enterprises.

As discussed, however, the involvement of third sector organizations in the delivery of welfare services is not a new phenomenon. They have always offered an alternative to both state and market providers, and have always occupied an important position within the mixed economy of welfare provision. Third sector providers will continue to offer significant opportunities for future provision, though these are not all unique to this sector, whose independence will remain only a relative advantage. However, third sector public provision also creates major challenges for organizations and for policy planners. Many third sector organizations will continue to play no part in welfare service provision, and most of those that do will need to adapt significantly to meet its changing requirements.

It will be those organizations who can adapt to the changing priorities of policy and practice that are most likely to play a significant role as major providers of future welfare services. The independence and distinction of third sector providers have already been challenged by the regulation and competition of the current policy environment, with those who have adapted to this best emerging most strongly. The shift towards greater user and outcome focus will require further adaptation. There is no guarantee that all third sector providers

will able to accommodate such new challenges, but past evidence suggests that many will and that the sector will continue to play a major role within the new welfare mix. There will be a continuing role for the third sector as future source of welfare; but its scale and scope will depend upon the ability of those involved to continue adapting their organizational structures and practices to an evolving policy environment, rather than any unique or distinctive features within the sector itself.

Conclusion

The next decade or so is likely to see significant reform to public services, driven both by public sector reform and private market restructuring. Given the limitations of both public services and private markets that have been exposed over the last few years, there are some who see in this coming future a 'golden age' for third sector delivery of public services. Such rhetoric needs to be treated with some caution, however. For a start there is nothing new about voluntary action or social enterprise providing public services; these organizations have been a key element in the mixed economy of welfare that has in practice been operating in the UK across three centuries now. And over this time third sector organizations have adapted to earlier major shifts in the policy environment, not the least the reforms of the 'post war welfare state'. They will do so in the future too.

Third sector organizations will adapt and respond to the coming changes, and will continue to provide an alternative (and a partner) to public and commercial welfare providers. Some organizations will be well placed to offer distinctive and attractive service packages to user purchasers or outcome focused planners. Some organizations will need support to build capacity and acquire new skills to respond to these changing pressures. Some organizations will neither seize these opportunities nor welcome them, for their mission does not include service provision and there is no incentive for them to move into this field. Where third sector organizations do succeed in providing new and distinctive service forms, it will be because of what they do, not who they are. Policy planners must therefore understand the continuing diversity of the sector and work to support this appropriately. This will require engagement where appropriate, and respect for independence where needed. Policy-makers cannot just stand back and assume that the third sector is ready and waiting to step into all the places where others may in the future fear to tread.