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From crisis to mixed picture to phoney war: tracing third sector discourse in the 2008/9 recession

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Abstract

The recession of 2008/09 threatened a crisis for the third sector and its beneficiaries. Amidst mounting concern for the sector's future, national and horizontal infrastructure and government worked together to minimise potential impacts. This research report, based on media scoping, literature review and key informant interviews, seeks to explore the evolving third sector policy environment and the discourses and relationships that animated it during this period. It outlines the shift from the initial rhetoric of crisis to a 'mixed picture' discourse which accommodated a lack of evidence for substantial impacts while providing the basis for continued infrastructure/government support. Exploring the diversity of sector interests highlighted by responses to the OTS' third sector action plan, Real Help for Communities, suggests the continued importance of vertical and local channels of communication with and support from government for groups within the sector. Finally it traces how sector leaders talked about the recession having lagged effects or being a phoney war. They looked with trepidation to the 'real crisis' predicted to hit the sector in 2010/11: a period of financial uncertainty brought about by the convergence of the spending review, the end of several large public sector contracts and the impending general election.

Keywords

Third sector, voluntary sector, government, OTS, recession, downturn, economic crisis, infrastructure, policy, discourse

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Background

The spectre of an economic downturn became the focus of political and media attention in the spring and summer of 2008. It soon became apparent that the UK, and other major economies, were under threat from a *credit crunch* triggered by a series of crises in banking and the housing market, which began in the United States (Gamble, 2009). In January 2009 the Office for National Statistics (ONS) recorded that the UK economy had shrunk in the last two quarters of 2008 meaning that the country was now officially in recession. By this time too, the economic situation was having a tangible impact on individuals as unemployment started to grow, rises in utility bills pushed up the cost of living, and the halt on mortgage lending and credit began to affect households' ability to manage their finances.

Against this backdrop there was speculation by third sector organisations and associated stakeholders and commentators, about the implications of the downturn for the sector as a whole and a growing concern about the extent to which it was likely to create a crisis for organisations within the sector and, equally importantly, its beneficiaries and users. While there was little evidence of negative impacts at that stage (and indeed the availability of evidence of impact remained a problem throughout the period of the recession as we shall see), the sector began to prepare itself for a 'double whammy'; the potentially huge escalation in the number of service users triggered by the economic decline on the one hand, and significant drops in organisational income on the other, that could leave many third sector organisations struggling to cope.

The sector's national infrastructure agencies particularly the National Council of Voluntary organisations (NCVO) together with the Office for the Third Sector (OTS) mobilised in response to the impending crisis acting in partnership to organise a 'Recession Summit' in the winter of 2008. This was followed by consultation on and then launch of 'Real Help for Communities: Volunteers, Charities and Social Enterprises' (hereafter referred to as the action plan), in early 2009 (HM Government 2009). The action plan, consisting of a mixture of funded and non-funded elements, aimed to mitigate potential impacts of the recession on the sector and its beneficiaries.

This partnership between the sector's national infrastructure and the OTS was not simply a response to the recessionary crisis but had a longer history, one that provides an important context to the events and discourses that followed. The third sector in 2008/9 commanded a higher profile in political debate and policy development than had been the case for much of the previous century. It was the product of a particular constellation of early twenty-first century UK politics and specifically the policy goals and programmes of the new Labour governments from 1997 (Alcock and Kendall, 2011). 6 and Leat have argued that the 1990s saw the reinvention of the voluntary sector as an entity with which policy makers could engage (1997) and Kendall (2009) has described this as an era of 'hyperactive mainstreaming', as the government sought to bring the sector into a more prominent position in its welfare delivery arena. For example under New Labour's strategic partners programme, national and regional organisations such as NCVO and NAVCA were funded to facilitate sector government relationships. The newly constituted OTS also provided a major expansion of support for the sector and extended the sector's boundaries to include social enterprise and its rebranding from voluntary and community sector to third sector (renamed Civil Society by the coalition government in 2010). This new era of engagement between government and the sector stimulated something of an alliance within the sector; what Alcock has described as a 'Strategic Unity' (2010b). Internal divisions between the sectors, many thematic subsectors, geographical networks and interest groups were downplayed by the sector's leaders and policy makers in order to negotiate cross sector support and resources.

Crucially, this evolving relationship between government and the sector had led to an increase in financial support from the state particularly what Kendall (2003) has called 'horizontal' support; infrastructure with a sector-wide remit aimed at developing the sector's capacity. This was in contrast with 'vertical' support where specific government departments engaged with and funded organisations or activities in their particular policy fields, which had prevailed historically. Of course, as Macmillan (2010) has pointed out, the notion of government support to the sector is not unproblematic and rests on 'a specific set of assumptions about how the sector should operate and be developed in a changing context' (p. 122). These issues of the evolving role of government and infrastructure in the shape and welfare of the sector are critical in understanding the recessionary context for the sector. They raised questions about how the recession would have an impact on a diverse and complex sector; the particular configuration of cross-sector alliances and the horizontal axis of relationships between the sector and government. With hindsight these questions are all the more pertinent since the recession marked the final year of the labour government's terms in office and, as such, it provides a fascinating historical marker for observing and understanding the nature of the sector's policy landscape.

The research questions

As the introduction makes clear, the 2009 recession provides a useful historical lens through which to view the third sector's evolving policy environment, and the relationships and concerns that animated it. Key research questions were:

- Was the sector in crisis and if so what was the nature of the evidence to support this? How was crisis defined and by whom?
- How was the recession and its impacts understood by different interests within and connected with the sector (government, third sector organisations (TSOs) infrastructure and other sector bodies)?
- What were the drivers shaping (central and local) government policy relating to the sector during the recession and how was that policy regarded in practice?
- What were the different priorities, allegiances and tensions within the sector in relation to the recession. How were they articulated and by whom?

Methodology

A mixed methodological approach was adopted to address the research questions. Three strands of data collection were employed: media scoping, literature review, and qualitative interviews with key informants. All of these sources focused on the sector in England rather than the UK. The research design was partly iterative with the media scoping and literature reviewing taking place early on in order to highlight emerging issues and provide a basis for the interview sampling and design of the interview topic guides. However, most of the data collection ran simultaneously with the media scoping and gathering of literature taking place from June 2009 to December 2009 and expert interviews taking place from October to December 2009. Analysis took place from November 2010 to March 2011.

Media scoping

The aim of the media scoping was to understand the trajectory of the recession, an 18-month period from July 2008 to December 2009, tracking its chronological development marked by specific events such as the recession summits and publication of the Third Sector Action Plan. The scoping focused mainly on articles and news items in *Third Sector Daily (online)* which provided a comprehensive coverage of sector news and stories. This was supplemented by articles in *Charity Times*, the *Guardian*, the *Independent*, *The Times* and *Financial Times*. Searches were conducted using the terms 'third sector' or 'voluntary sector' and 'recession' or 'downturn'. These produced a range of material from think pieces, articles by sector leaders and commentators, summaries of research and survey findings, interviews, reports of comments made in seminars and in blogs, letters to ministers and other news all of which were followed up in the literature review where appropriate.

Literature review

The literature review entailed collating, reading and digesting a range of research and policy outputs from the sector that related to the recession. These included impact reports, press releases, think-pieces, webpages, survey findings and other data in the public domain published by third sector organisations. Many of these were identified in the media scoping, others by following links from the infrastructure organisations' websites and by key informants in the interviews. Search engines were also used to identify academic articles on the subject of the sector and the recession published up to 2009. The aim was to include a range of types of material and producers of material capturing the range of voices in or on the edge of the debates.

Expert/stakeholder interviews

Key informants from or connected with the Third sector were interviewed. They were selected from TSRC's Theory and Policy research stream panel. This panel of 25 experts had already been assembled to provide an efficient way to elicit views from the sector for a range of projects in the pipeline over the course of the Centre's operation. These experts (mainly chief executives or heads of policy) had been selected to represent a variety of types of stakeholder including TSOs, umbrellas/infrastructure organisations (regional and national), Government and others, such as funders and trade unions. Some of these were high profile national organisations; others were smaller regional organisations although all were active in policy development even if only at a local or subsectoral level.

Sixteen panel members were selected for the recession research to capture organisational diversity. Table 1 below outlines the representation of organisational types within the sample.

Table 1: Organisation types within the sample

Organisation type	No. sampled
Third sector organisation (national and service delivery focused)	2
Government departments and related bodies	3
Third sector umbrella/member organisations (including national and regional, BAME, community, social enterprise)	7
Other sector bodies (including a funder, trade union, network organisation and thinktank)	4

Interviews were conducted over the phone and lasted between 45 minutes and 90 minutes. They were recorded and transcribed verbatim. It was important to let individuals speak freely and confidentiality and anonymity was a priority. Unique identifiers were used to anonymise transcripts. In the report confidentiality has been maintained by labelling quotes and reported views with generic descriptors (such as 'regional umbrella' or government respondent). Although some analytical detail is lost in maintaining this level of abstraction it was a necessary strategy given the specificity of some individuals' or organisations' roles which made them easily identifiable.

Interviews provided the opportunity to collect other related documentation and grey literature from the organisations. By combining this with literature collated as part of the media scoping and literature review from organisations who were not interviewed it was possible to refer to documents without anonymising, since the data was in the public domain and referencing them in the report would not reveal whom we had interviewed. This means that in the report where views were attributed to actual organisations or individuals it is in relation to material from the media scoping and literature review, not the interviews, and is referenced as such.

Research tools

Topic guides were designed for the third sector and umbrella organisations and for government respondents, although both were similarly structured and only differed slightly in the wording and emphasis (see Appendix 1). Interviewees were provided with a copy of the topic guide in advance of the interviews in order to have some time to consider their responses to key questions. The topic guide was designed to explore views on the recession and its impacts, on government policy, relationships and the future. Interviewees were probed on alliances and divisions within the sector and between sector and government. A box was provided outlining the key (mostly funded) elements of the action plan. This provided a prompt to elicit responses to the action plan.

Analytical concepts and tools

There were two strands to the analysis process. The first involved describing and mapping the recession's chronological trajectory from July 2008 to December 2009. Events such as the recession summits were recorded alongside sector news and the publication of research outputs and policy documents in a month by month events and outputs table. This provided a way to follow the recession's trajectory, and track how emerging agendas and discourses within the sector were related to key events such as the recession summits and the Third sector Action Plan.

The second aspect of the analysis was to explore the content of the material collected; both the literature and media texts and the interview transcripts (imported into QSR Nvivo 8). The aim here was to identify discourses, rhetoric and agendas in operation in relation to the sector and the recession. These discourses are the aggregation of a set of views of the world 'represented as stories in everyday language' which make assumptions about relationships and subject positions (Roper et al. 2010, p. 665). There are many strands of discourse analysis but for a project where the focus was on the language of policy makers and actors critical discourse analysis (CDA) (Fairclough 1992) provided a useful framework for combining the micro level of a textual analysis with an exploration of broader political processes and practices. In order to explore the sector's stories and the assumptions contained in them we examined texts and sought examples of rhetorical devices; similes, metaphors, well-worn phrases and words, and particular viewpoints captured in language. These were grouped and examined to understand the audience and the subtexts: who was saying what, why they were saying it, what was being omitted, and how language was being used to present a particular viewpoint or agenda. Different sources provided different insights. While the published material tended to provide an official line or organisational viewpoint the interview data was in some cases less mediated and more candid highlighting contradictions and tensions.

Structure of the report

The report consists of three substantive chapters. Each focuses on a different aspect and time period of the recession drawing on analysis of the different data sources: media reports, sector outputs and documents and the interview transcripts. Chapter one (From crisis to mixed picture) explores the build up to the recession from July 2008 to February 2009. During this period the government and the sector, specifically its national horizontal infrastructure and policy elite, worked together to develop solutions to the predicted crisis including the recession summits and the third sector action plan. The chapter highlights the shift from crisis rhetoric to that of a 'mixed picture' and the drivers for this reframing of the recession problem. Chapter two (The response to the government's support package) examines the period from February 2009 to December 2009. With the recession officially underway it focuses on how the action plan and its constitutive elements were received by the sector, and explores the diversity of sector perspectives and relationships with government. Chapter three (From mixed picture to phoney war) exploring the same period, focuses on the sector's own agendas and strategies as the recession played out over 2009. It examines the impact reports and the increasing awareness of the lagged effects of the recession, as sector leaders looked ahead to more serious threats. These came in the shape of the imminent end of a swathe of large public sector contracts, a government spending review and likely cuts to public services, and the approaching general election of May 2010. The conclusion reviews the discourses and shifting policy landscape over the period and highlights the central points to come out of the research.

Chapter one: From crisis to mixed picture

The making of a crisis

This chapter focuses on the period from July 2008 to February 2009 capturing the build up to the recession and exploring both the ways the sector attempted to understand the impending recession and its likely impacts, and the process by which government support for the sector was negotiated. As the UK credit crunch deepened and the country moved into recession in the second half of 2008 the UK national media engaged in intense speculation about all aspects of the financial crisis and concerns for the country's economic future. For the third sector, however, questions of what was going to happen and how it would have an impact on the sector were rehearsed in a relatively small number of articles, blogs, polls and research findings over the summer and early autumn of 2008. In fact several interviewees, recalling the period, argued that some parts of the sector had had their 'heads in the sand'. One respondent from a think tank suggested that the sector was 'utterly oblivious to the fact that […] you're seeing this, kind of, complete collapse in financial market'. However there was, arguably, more strategic engagement taking place behind closed doors. Another interviewee from a national umbrella organisation explained it had been an issue on their agenda from spring 2008:

> It was very early on, you know, we started preparing for the recession which took hold more than a year ago last summer, we started preparing in March (2008) for it.

This early comment and speculation about the impact of the recession on the sector that made it into the public domain originated in policy makers and commentators positioned within large infrastructure organisations such as the Association of Chief Executives of Voluntary Organisations (ACEVO), the National Council of Voluntary Organisations (NCVO), the Charity Finance Directors group (CFDG), and the Charity Commission. With their remits of sector support, horizon scanning and policy research and development, these were the first to engage with the impact of a possible recession on the future for their members and the wider sector. Their speculation and comment were relayed by increasingly panicky reporting in the trade press including *Third Sector Daily* and *Online*, and *Charity Times*. The mainstream press, the *Guardian*, *Financial Times* and *Telegraph*, also reported concerns. These stories all tended to reflect the anxious tone of the wider recession reporting. By October the media articles and news stories with their references to 'hastily arranged meetings' (*Third Sector*, 28 October 2008), 'gathering clouds' (*Third Sector*, 17 October 2008) 'bleak futures', 'turmoil in the markets' (*Guardian*, 15 Oct 2008), and a 'tidal wave' (*Third Sector*, 29 Oct 2008) were employing disaster metaphors to suggest a looming and possibly dramatic crisis for the sector.[1] ACEVO's Chief Executive Stephen Bubb even exhorted fundraisers to 'Work together' to beat recession by adopting Disasters Emergency Committee tactics' (*Third Sector*, 3 Dec 2008).

This 'crisis' rhetoric deployed at this point contained a relatively unambiguous message that recession was going to create what Suzi Leather, the Charity Commission chair, and others were calling a 'double whammy' for the sector. This was predicted to involve both a financial squeeze on funding sources (donations, contracts, investments, grants) and a significant increase in the number

[1] The biggest jump in recession reporting in *Third Sector Online* occurred between September 2008 which saw five articles containing the word 'recession' and October 2008 which saw 30.

and needs of beneficiaries and users seeking help. The result would be considerable damage to both the sector (with closures, staff redundancies, etc.) and its clients (who in a time of hardship would not be able to access the services they needed). The days ahead were going to be tough, Stuart Etherington, the chief executive of NVCO, argued. This was likely to be the end of the 'nice decade' for the sector as organisations shelved expansion plans and public attitudes to the disadvantaged hardened (*Third Sector*, 29 October 2008).

Yet despite the mounting concern there was little empirical evidence of significant negative impacts or trends. This was unsurprising given that it was still a very early stage in the recession's trajectory but was compounded by the recognised dearth of systematic sector-wide data and a significant time delay on the release of what data there was, which meant little real time evidence of the impact of the recession. For example, the UK Guidestar database which forms the basis of NCVO's Almanac (e.g. NCVO 2009a), is based on charities' annual reports and other sources and provides the most comprehensive and systematic data source on the sector. However, timeframes involved in data collection and analysis mean that there is around a two-year time lag to publication of the findings. The Charity Commission also collect systematic data on charities through their charities' register, but much of their research output is based on specifically commissioned surveys of the sector which vary in sample and scale. Arguably it was historical evidence on the effects of previous recessions that offered the most useful data on what the sector might expect, as Mohan and Wilding note (2009). Their examination of the previous recessions found little evidence from either the UK or the US that periods of recession were fatal for the voluntary sector, with both levels of giving and numbers of organisations continuing, remaining constant despite periods of economic upheaval. Similarly Taylor-Gooby's survey for Charities Aid Foundation (CAF) during the recession of the early 1990s, suggested that while charities might experience difficulties in fundraising there was considerable variation and that larger charities were in general better able to cope (1994).

Nonetheless the small body of survey and poll data and sector monitoring and reporting available at this time was being used as evidence for an impending crisis. Small negative trends were accompanied by dire warnings; what one interviewee described as '*worse case projections and nightmare scenarios'.* With little real time data available surveys focused on sector confidence and predictions for the future which provided plenty of grist to the 'crisis rhetoric' mill. The PricewaterhouseCoopers (PWC) CFDG report 'Managing in an economic downturn' published in December 2008 asked more than 360 charities how they *expected* to be affected by the downturn and found almost 90 per cent of respondents said that they *expected* investment income to decline or remain static. While this measured fears and concerns rather than actual impacts on investment income it produced dramatic headlines. 'Investment 'will take biggest hit'; survey predicts investment, corporate and legacy income to plummet,' (*Third Sector*, 3 December 2008). Results of sector surveys were similarly reported with alarmed headlines despite low response rates or small sample sizes. The *Guardian*, reported findings from a CAF/ACEVO survey in September 2008 which found increases in the demand for services for over two thirds of charities, described the sector as 'reeling from the impact of the economic downturn' (*Guardian*, 17 September 2008). *Third Sector*, commenting on the same survey, reported that almost a third of charities 'had been forced to make staff redundant' (*Third*

Sector, 12 September 2008). However the survey was small scale in remit and based on the responses of only 43 CEOs providing little basis for cross-sector generalisations. Breeze et al. (2009), exploring the evidence for what was being described as an 'inevitable' drop in charitable giving during the recession, similarly found unrepresentative or misinterpreted research findings used to support crisis headlines but little substance to claims for a dramatic reduction.

Arguably the crisis rhetoric was not simply a media construction but served a number of functions for the small number of infrastructure organisations, consultants and think tanks whose CEOs, policy makers and commentators deployed it in their blogs, reports and speeches during the autumn and winter of 2008/9. Mohan and Wilding argued that 'organisations might be expected to exaggerate adversity and penury in order to attract funding (whether from public or private sources)' (2009). While there may be some truth in this there was also a sense that the rehearsing of worst case scenarios was a legitimate response by those in the sector to the uncertainty of their position. There was little no doubt that the impending crisis created an opportunity for the sector's national infrastructure organisations to promote and demonstrate their effectiveness in pre-empting the needs of their members and the wider sector and putting strategies in place. As one large umbrella organisation explained in interview, they could see what was coming and prepare support for their members: 'We knew that there'd be a big demand for people like us who are actually good at helping people to deliver'. In his speech to the NCVO conference in November 2008, Stuart Etherington argued that the previous period of relative stability meant that third sector organisations 'may have little experience of, or expertise in managing uncertainty. It will therefore be important that NCVO, and others, uses its experience and expertise to help build the resilience of VCOs and other civil society organisations'. The impending crisis gave rise to the production of a plethora of guides, leaflets and recession websites by many of the national infrastructure bodies (for example NCVO's 'How to Survive the Recession Guide' (NCVO Kernigham 2009)).

Potentially the 'crisis' also provided a context for lobbying government for sector leaders and policy makers to put pressure on the government for more or particular kinds of support for the sector (with the banking bailout held up as an example) yet interestingly there was little lobbying (at least publically) during the late summer and autumn of 2008. One exception to this was Stephen Bub, Chief Executive of ACEVO, who wrote to Prime Minister Gordon Brown and Chancellor Alistair Darling suggesting a £500 million support package for the sector would be necessary. At this stage he appeared to be something of a lone voice although arguably there were more conversations between sector policy makers and government going on behind closed doors. This was confirmed when the government entered the stage at the end of October.

The government joins the debate

The government took a position on the sector and the recession in October 2008 with the announcement of an OTS/NCVO recession summit, to be held in November. The aim of the summit was to discuss the potential impact of a recession and how best the sector, with government, could work to manage that impact. It was to be attended by representatives of 25 sector bodies (including UK national infrastructure organisations and those representing sub sectors such as social enterprise, BME and funders; effectively members of the sector's policy elite). High priority was given to the summit by senior government officials with the then minister for the third sector Kevin Brennan apparently requesting to co-chair it with NCVO's Chief Executive Stuart Etherington.

The organising of this high profile political response so quickly and so early in the recession timeline, before evidence of impact or (with the exception of Stephen Bubb) public lobbying of government, raises a number of questions about their thinking on the sector at this stage. Government respondents suggested there were concerns about the sector's beneficiaries and a sense that they needed to act quickly to ensure the health of the sector. But in the broader political arena government was keen to be seen to act to mitigate impacts of the recession across a range of policy areas and indeed the choice of a summit reflected the organisation of a *global summit* for G20 leaders on the international economy, to be held in Docklands in the spring (*The Times*, 11 March 2009). The partnership approach with NCVO and OTS as the mechanisms for delivering that summit was also perhaps unsurprising given the increasingly close relationship between the two organisations and other strategic partners that had developed over recent years.

The summit served other purposes as well. For the OTS, faced with a lack of evidence of impact, the summit provided a way quickly to canvass sector leaders for their views on what was going on at ground level and what they felt needed to be done. One government interviewee noted the importance of hearing the sector's views; 'all of those umbrellas had an opportunity to report what they were hearing from their members and to put forward suggestions about what should happen'.

Indeed this urgency to provide evidence may have speeded up the arrangements. There was a perception among its organisers that early action might mitigate more significant impacts.

> We knew that we were, to quite a significant extent, predicting the impact so there hadn't been an enormous impact at that point but we thought some early action will help make the negative effects less serious.

At the same time it was also understood as a way of achieving sector buy-in for whatever measures the OTS pursued. In the NCVO document 'support in uncertain times' (NCVO 2009b), produced for the summit, umbrella bodies were urged to 'commit to being involved in 6 monthly summits' as well as gathering evidence and scenario planning. The demands made by sector leaders and policy makers included government action to help charities with money in failed Icelandic banks, reform of Gift Aid, setting up a social investment bank, and extending the 10-year deadline for balancing the books in pension schemes. Most of these were not new or necessarily recession related but part of a portfolio of 'issues' that the sector's policy elite wanted government to address and which the looming crisis had made more pressing. However, it was the announcement at the end of the summit of the OTS's intention to publish a Third Sector Action Plan in the New Year with attendant consultation process that sector representatives were most keen to hear. It signalled that a concrete and financially resourced support package would be forthcoming. Attendees were told that the plan was to focus on six themes indicating that the OTS, as well as sector policy makers, had its own agenda:

- addressing potential income issues through local and national level funding and maximising charitable giving;
- modernisation of the sector;

- meeting demand for public services, particularly in deprived areas;
- the role of social enterprise;
- good quality contracting and commissioning;
- building social capital and tackling worklessness.

Both sides then were making use of a threatened crisis to push forward their own agendas for the sector. But it is important to contextualise this engagement within the longer trajectory of sector government relations. Prizeman and McGee's study found a striking lack of response to the recession by the third sector in Ireland (2009).

The summit and the announcement of the Third Sector Action Plan and consultation triggered a more concerted and public engagement with the recession by a wider range of sector organisations. As one respondent noted 'after the NCVO recession summit, I think that's when kind of, people realised how much it was going to hit the voluntary sector'. In addition to the calls for generic 'support' for the sector (for example, an early day motion was signed by MPs calling on OTS and local government 'to help voluntary organisations weather the economic storm') the detail of what a government support package for the third sector might or should look like and what resources would be available became issues for discussion.

The consultation process for the plan, and the opportunity this offered to influence the direction and type of government support and resources, stimulated the large infrastructure organisations to produce and publish wish-lists, manifestos and letters to government spelling out their priorities. In the run up to Christmas 2008 these became central topics on conference agendas. While they contained common themes, such as calls for gift aid reform and a fund to help charities struggling to cope with the recession, they also highlighted the individual priorities of particular organisations. Acevo's wish-list, based on Stephen Bubb's earlier call for a £500 million package, included a demand for £250m for a new social investment bank, funded from unclaimed assets which had been part of their lobbying agenda for the previous year (partly a result of the work of the Commission on Unclaimed assets). NCVO's response to the consultation called for £100million which included £12m to be made available to support charity mergers and collaborations. In line with their regional interests South West Forum called for the government to establish nine regional funds, each backed by £10m, to help voluntary organisations cope with the recession (*Third Sector Online*, 30 January 2009). NAVCA's response to the summit focused on the role of local government in supporting the local sector suggesting that government ask local authorities, 'to review current local priorities so that resources can be transferred to those services which will support people through the recession'. (NAVCA Curley 2008)

The arrival of the mixed picture

In early 2009, as the recession was formally announced and the action plan launch date approached, a subtle shift in language and rhetoric was taking place in the texts and materials that constituted the debates. The crisis rhetoric which had characterised earlier reporting was, without systematic evidence of negative impacts, becoming hard to sustain. The notion of a 'mixed picture', the idea that the recession was impacting differently on different parts of the sector, provided a more measured and nuanced language for talking about the effects of the recession. In the interviews both government and national infrastructure respondents referred to the evidence of impacts in these terms; ‘it is a very very complex picture’, ‘there’s been a mixed reaction’, ‘it's been quite mixed’. A respondent from a government body described hearing about a range of impacts from the organisations they were in contact with.

> [We’ve had] you know, direct correspondence from charities, so a lot of anecdotal evidence at…both ends of the spectrum. In terms of ‘we're resilient, we're coping well’…[or], ‘we're not, government needs to do more’.

The mixed picture discourse contained references to dualities such as ‘opportunities and threats’, ‘positives and negatives’, and ‘winners’ and ‘losers’ capturing the potential spectrum of outcomes for different types of organisation. While the language of crisis suggested something out of control and unstoppable the language associated with the ‘mixed picture’ was managerial in tone and referred to organisations’ ‘preparation’, ‘training’ and ‘flexibility’ as indicators of their resilience implying that they might be able to mitigate impacts if they were adequately prepared. In one sense this reframing could be seen as a natural development in the discourse as the complexity of the issues for the sector became more apparent. However, at the same time the ‘mixed picture’ provided a useful way for both the sector policy makers and government to talk about impacts despite the lack evidence. It was important that these two groups were able to talk about impacts since the government, with sector leaders had mobilised a strategy to alleviate them. For the large infrastructure organisations it meant that they began to define their role as guiding their members through the complexity of the recession’s potential impacts. To paraphrase one respondent, their job was to look beyond the ‘nightmare scenarios’ in order to provide a more realistic perspective on the impacts and offer advice to their members on how to respond accordingly.

The crisis discourse did not entirely disappear. As we shall see in chapter 3 it continued to be drawn on by particular groups in the sector at different times for example in infrastructure impact reports where it underlined demands for more support for particular subsectors or localities. Not only that, but in early 2009 a small group of commentators were already arguing that ‘the crisis’ when it happened would come in 18–24 months’ time. They talked about the lag between the private sector downturn and the impact on the public and third sectors. In March 2009 Craig Dearden Philips, looking at financial predictions to 2012, warned that an impending public sector recession was ‘very bad news indeed for the third sector’, adding ‘expect total chaos after the election as the public sector is put on an immediate starvation diet’ (*Third Sector*, 10 March 2009). Rachel Lomax, chair of NCVO’s Funding Commission, less dramatically predicted a difficult 10 years ahead for the sector (*Third Sector*, 3 March 2009).

However, on the whole, speculation in the sector’s media continued to focus on the contemporary situation and in particular on how the mixed picture would play out. Which types of organisation were more likely to be affected? Third sector organisations’ different income mixes (e.g. grants, contracts, donations, investments, etc.) were seen as likely to affect the extent of the damage. Similarly, it was acknowledged that the predicted increase in service users might happen in a patchy way with different parts of the sector hit particularly hard while others found their users were dwindling. There was some anecdotal and statistical data available that the advice and guidance sector was seeing a significant increase in users during this period. There was also speculation that it was medium-sized charities that would be the most badly hit because they were ‘too small to cope with large losses yet too large to be agile’ (Third Sector Recession Watch Panel, *Third Sector*, 7 January 2009; *Guardian*, 9 September 2009).

Interestingly, while the tenor of most mixed-picture reporting focused on the negative impacts, representatives of one particular group of third sector organisations, the social enterprise sector, were making increasingly vocal claims about their resilience in the face of economic instability. Their income generating and innovation focus would, they argued, protect them from the effects of the recession. In other words they were one of the ‘winners’ in the mixed picture. Social Enterprise London announced its 1,000th member in January 2009 with the increase in numbers given as proof that the sector's health was continuing to improve, despite the recession. According to their Chief Executive ‘Social enterprise (is) alive, kicking and ready to take on the challenge laid down by the general population’ (*Third Sector*, 13 January 2009) The state of social enterprise survey published later on in 2009 described social enterprises as *recession-busters* in light of their confidence of future growth (Social Enterprise Coalition 2009).

The mixed-picture discourse enabled infrastructure organisations and government to work with broad and at times conflicting evidence of impacts they received and reported in their impact reports over 2009. It provided a common language to support the partnership; accommodating uncertainty about the financial and political future while enabling both sides to continuing to mobilise support. As we shall see, it underpinned the action plan in several important ways.

The launch of ‘Real Help for Communities’

The action plan, outlined in a 40-page report entitled ‘Real Help for Communities: Volunteers, Charities and Social Enterprises’, was launched in February 2009 in what was, arguably, a remarkably short timeframe, following the summit in November and the consultation period over the winter. With an introduction by Prime Minister Gordon Brown, the plan consisted of a complex package of funded and non-funded elements presented in two parts aimed at providing support to both the sector’s users and the sector itself (see Box 1 below). Liam Byrne, the then minister for the cabinet office, described the plan as ‘a laser-targeted package of help’.

The £42.5m pledged in the plan was to be taken from existing Whitehall spending programmes. In a press briefing on release of the plan OTS explained that 10 million would come from DWP (directed at the volunteer brokerage for unemployed people element of the package), £7.5m would come from ‘budget re-prioritisation’ in the Office of the Third Sector, the rest from the Department of Health and from Cabinet Office efficiency savings in recent years which the Treasury had agreed to release for the action plan. There was a concern raised by some in the sector and pursued by the opposition’s third sector minister Nick Hurd that FutureBuilders money was being diverted to resource the action plan and the OTS was quick to respond that there would be ‘no loss of existing grants or contracts’ (*Third Sector*, 8/9 February 2009).

Box 1: Real Help for Communities: Volunteers, Charities and Social Enterprises

***Part 1*. 'Real Help Now: Meeting Demand for Services and Tackling Unemployment'** focused on support for the individuals and communities deemed to require additional help from the sector during a recession and at greatest risk of deprivation. It involved the following key actions:

- Up to £10 million invested in a **volunteer brokerage scheme for unemployed people** aimed at creating over 40,000 opportunities for people to learn new skills and give back to communities through volunteering;
- A new pilot **accreditation process and independent ombudsman** for the Department for Work and Pension's Code of Conduct that would better protect the interests of smaller, specialist and third sector welfare to work providers;
- A £15.5 million **Real Help for Communities: Targeted Support Fund** that would provide grant funding to small and medium providers in the local areas most at risk of deprivation;
- A national campaign to raise awareness of the Government's commitment to pay invoices within 10 days.

***Part 2.* 'Strengthening the sector now and in the future'** focused on the needs of the sector itself. It aimed to allocate the remaining £17 million to small and medium third sector service providers via the following key actions:

- A £16.5 million **Real Help for Communities: Modernisation Fund** that would support viable third sector organisations to access specialist services in order to restructure and become more resilient and efficient in the recession;
- A £0.5 million investment in the **School for Social Entrepreneurs** that would expand its 'action-learning' programme to support social entrepreneurs;
- An **independent review of the incentives for investment in social enterprise;**
- Information **specifically for third sector organisations** about the impact of the recession on pension schemes.

Interviewees involved in the plans development felt that it had been important for the government to be proactive and act quickly in producing a strategy for the sector in order to pre-empt problems even if that meant the solutions provided by the plan were partly speculative;

> So, I think the issue for me was that we didn't know what might happen, but we had to act on the basis of what evidence we did have and also to, kind of, pre-, you know, stop things before they got as bad as, […], before they got too bad. So it was, kind of, pre-emptive.

The dearth of empirical evidence for impacts in the latter part of 2008 and early 2009 as the plan was being produced meant that elements of the plan rested on a number of assumptions about the recession's impacts. These assumptions, spelt out in the executive summary, reflected both the sector's responses to the summit and consultation and the OTS's own agendas all couched in terms of a mixed picture discourse, highlighting diverse issues affecting different parts of the sector:

- the sector would face a significant increase in services users, particularly in the advice and guidance field;
- small and medium TSOs would find it most difficult to secure funding but were most able to support those disadvantaged by the recession;
- third sector organisations would face a reduction in their funding;
- That those most disadvantaged were less likely to volunteer.

The plan was underpinned by a number of guiding principles (p. 8) most of which focused on the need for immediate support for the sector and its users. The funded and non-funded elements of the plan presented in the Real Help document mostly operated over the course of a single year, 2009 (p. 37). This was based on the premise that the sector needed a quickly available and short-term boost over a difficult period; what one government interviewee described as 'an injection of cash'. However the principals also included encouraging 'third sector organisations to work together *in the future*' and the modernisation fund, which supported mergers, partnerships and restructuring, made up a significant proportion of the financial resources available, had longer term goals. These were couched in terms of supporting the sector as it came out of recession. There was no reference in the plan to longer term or more sustained difficulties the sector might face particularly those resulting from public sector spending cuts predicted by some commentators.

Government respondents were keen to emphasise that the plan had been 'sector led' rather than government led and the issue of achieving a degree of 'buy-in' for the plan from the sector appeared to have been successful at least amongst those involved in its development. In fact only a small number of the demands made by national infrastructure organisations had been included, specifically the targeted support fund which addressed the call for support for charities facing difficulties. There was nothing on gift aid reform, a social investment bank or guarantees for Icelandic bank deposits. Despite this seeming mismatch between what was asked for and what was offered several sector policy makers saw the content of the plan as reflecting the sector's varied needs, arguing that the OTS had endeavoured to take multiple interests into account in devising the programme; 'I think by and large OTS did its absolute best to provide, if you like, different pieces for a jigsaw'. I think it did reasonably reflect the range of issues that came up from those discussions'. One large umbrella organisation felt that the plan had broadly reflected their concerns and approved of the plans constitutive elements, 'they are things which are very, very important to our sector and we value'.

The agreement of this group of interviewees raises a question about the extent to which the sector was unified in its response to the recession threat. While some interviewees felt that there had been a mixed response reflecting the sector's diversity others suggested that there had been a coming together of sector interests:

> I mean in terms of the way that the sector's responded, I think that one thing that's really kind of interested me is that there has been an increase in kind of collaboration in terms of kind of sector voices, I would say.

However in a sense it is possible that both views reflected reality with unity occurring amongst the national infrastructure; the policy elite at the top of the sector's hierarchy and operating close to the OTS who came together for the summit and consultation and who in some cases shaped elements of the plan. Lower down amongst regional and sub-sector infrastructure and third sector organisations on the ground the priorities and voices were more fragmented.

Conclusions

This chapter has outlined the events of the second half of 2008 into early 2009 as the economic downturn became a recession. It has charted the making of a crisis for the third sector, the government's partnership with the sector's horizontal infrastructure in order to formulate a support package and the ensuing action plan for the sector that this gave rise to. In the process it has explored the shift from the initial crisis rhetoric to one which defined the impact on the sector as a 'mixed picture'. This discourse accommodated the partial and inconclusive evidence for substantial impacts on the sector at that time and provided a language which the sector and government could use to articulate the uncertainty about the sector's future while continuing to mobilise support in the short term.

At this stage in the recession's trajectory the summit, consultation and subsequent release of the third sector action plan appeared to have reinforced the relationship between the OTS and the sector's policy elite. Possibly the lure of additional resources proffered by the action plan drove a degree of agreement amongst the sector's policy makers on the demands made. However the particular relationship between the government and the policy elite was not the only mechanisms through which sector bodies could communicate with government. Individual third sector organisations and vertical umbrella organisations were also able to lobby the relevant government department or local authority for more resources, as we will see in Chapter three. The next chapter looks at the sector's response to the plan, in particular their engagement with particular aspects of it and the diverse sector agendas and interests that existed beneath the partnership and as such were untouched by the Third Sector Action Plan.

Chapter two: The sector's responses to the government's support package

Introduction

This chapter begins by examining the different reactions to the action plan by different organisations in the sector. With the plan in the public domain various sector organisations and infrastructure bodies were now able to assess what was on offer, whether demands had been met and thus whether there was a need to continue to lobby. The initial response was very mixed despite the role parts of the sector had played in its design. As the various funding streams opened for business over the summer of 2009, much of the debate and critical engagement playing out in the media (later echoed in the interviews) focused more on particular elements, such as the modernisation fund. Again there was little consensus on the value of these and certainly not a 'sector perspective'. Looking beyond the plan to the broader context of sector government relations there was a sense that while the high public profile of the recession summits and action plan cemented a strategic relationship between the sector's policy elite and the OTS, for other third sector organisations the OTS's role in supporting the sector was more symbolic than real. In reality the plan was not viewed as a central plank of sector support and underneath the special relationship there were a variety of channels of communication and flows of resources between third sector organisations and government. Perhaps more importantly with a 'mixed picture' still prevailing and evidence of the recessions impacts thin on the ground it was hard to gage whether the action plan and its various funds were actually meeting needs on the ground.

Responses to the Action plan

Media reports following the publication of the action plan on 9 February 2009 used terms such as 'muted', 'polite', 'guarded' and 'cautious' to describe the sector's response. The press reporting focused on the gap between the sector's requests of £100-500m and the actual £42m allocated in the action plan package (*Guardian*, 9 February 2009). Sector leaders and policy makers were not openly critical. The chief executives of NCVO and ACEVO both suggested that more money should be forthcoming at a later stage when the impacts of the recession were clearer (*Guardian*, 9 February 2009). However, the lack of enthusiasm was interesting given the efforts of the OTS to achieve buy in through the summit and consultation and claims that the plan was 'sector' led. A small amount of more critical comment was also reported.[2] The unions suggested a lack of attention had been paid to protecting the sector's workforce. Unite's 2009 Recession Charter criticised the action plan for ignoring the needs of sector workers and recommended government support measures to improve security and stability of funding to the sector (Unite 2009).

In the months following publication of the action plan, road-shows were organised in nine regions across England to publicise the plan and demonstrate how charities could benefit. The respondents,

[2] For example one member of Third Sector's Recession Watch Panel questioned whether the action plan did enough to support service provision rather than sector infrastructure, 'We're in danger of funding that industry of umbrella bodies that are looking for ways forward rather than giving real money to front-line organisations' (*Third Sector*, 20 April 2009).

interviewed in the autumn and winter of 2009, had a broad range of responses to the plan (both positive and critical) shaped by their engagement with the plan's development and delivery, and to a lesser extent feedback from their members: TSOs on the ground. As the previous chapter outlined, those representatives of national infrastructure bodies who had been involved in the development of the plan or contributed significantly to the consultation felt that the design of the plan had been a success and that sector interests had been listened to: 'I think that people do feel that they took the process seriously, that they consulted organisations around what they should do and what the priorities should be, and they acted quickly'. One interviewee from a regional umbrella organisation argued that the commitment of the OTS to the consultation process paid off in having largely achieved the sector's buy-in and goodwill towards the plan, even where it fell short of some expectations.

There was recognition of the achievements of the OTS in putting together the funded elements of the plan given the perceived difficulty of securing funding from the Treasury particularly during a financially testing time. One umbrella organisation described the achievement of £42.5m budget as a 'quite herculean' task during a recession. The speed of implementation from announcement through consultation to publication was also seen as a notable departure from the governments more bureaucratic tendencies. They focused on its symbolic value, what it signalled about the government's valuing of the sector. One TSO chief executive, took a longer historical perspective, and echoing some of the academic analysis of the sector's trajectory, argued that the action plan was a result of the stronger sector government relationship that had prevailed over the previous years.

> I think the whole trend that started with the treasury cross cutting review, led to the creation of the Office of the Third Sector. I think there has been more positive initiatives, policies, recognition of the role of the third sector, than at any time during my sort of 30 odd years in the voluntary sector.

This respondent went on to argue that the action plan demonstrated the high value of the sector for government and in turn created 'an atmosphere of recognition which I hope is going to stand the third sector in good stead.'

However, underneath the muted and generalised approval, articulated particularly by policy makers and sector leaders operating close to the OTS, ran a number of more critical currents. Most of the interviewees pointed out that the financial commitment provided by the action plan was considerably less than the amount requested by some in the sector at this time. The £42m resourcing of the plan was variously described as being 'much too little, too late,' 'a piecemeal package', 'chicken feed', 'peanuts', 'a sticking plaster' and 'an incredibly limited response.' The perceived inadequacy of the package was emphasised with comparisons to the banking sector bailout or the sums government departments usually dealt in. The language in which these comments were couched suggested more critical views of sector government relationships ran beneath the contemporary alliance between infrastructure and the OTS. Interviewees argued that the sector was 'used to getting a poor deal' from government and that the plan was 'as good as you can expect'. A TSO reflected that 'it's a sector that the government feels it can kind of plunder and, you know, make kind of casual gestures to'. Both the regional infrastructure organisations were cynical about what they regarded as 'London' money actually reaching their member organisations.

A year was viewed by several as inadequate for addressing the problems faced by the sector. One informant felt that this was more problematic than any financial shortfalls, commenting that: ‘It would be better if it was at least a two-year programme. It could have been the same amount of money but a lot of the impact in the sector is lagged impact’. Others felt it demonstrated lacked a long term strategic vision for the sector and that the government needed to provide *more sustained* support. An umbrella organisation reflected that ‘we wanted it to be much more targeted at long-term capacity-building than short-term stuff’. Another argued that the plan was missing an important opportunity to encourage the sector to do things in new ways: ‘it’s designed to help the sector do what it does rather than help the sector do what it does better’. Some suggested that the plan enabled the Government to be being seen to do something rather than developing a strategy that might have a positive impact on the sector. One respondent gave his interpretation of what the OTS were doing as ‘we’re being active and we've named the issue and we've got a plan and we've got a few prizes, but we're not talking about deeper change’.

Inevitably interviewees saw the plan as failing to support parts of the sector that they deemed most in need and here sub-sectoral agendas surfaced and there was little consensus over who these were. What had become more apparent as the application processes for the various funded elements went on stream over the spring and summer of 2009 was the restrictive nature of the criteria for application, with many organisations finding they were ineligible. Despite the official targeting of funding at small and medium size organisations, one representative of an umbrella organisation argued that it was geared towards ‘the top end of the iceberg’ and that this necessarily excluded the ‘80% of it [that were] pretty small and informal’. Conversely, one of the TSOs interviewed had been unable to claim from the Modernisation Fund, to support a working partnership with another TSO, because the fund was open only to small and medium size organisations and they were ‘deemed to be too large an organisation’. This respondent bemoaned the ‘huge number of criteria and hurdles in the way’. Another TSO interviewed admitted that they had looked into applying for the various funds but found that they were not suitable: ‘most of them don't quite fit’.

An interviewee from a regional infrastructure organisation felt that the funds would not have hit many frontline TSO radars, and where they did would have been seen as simply another pot of money to be applied for. This respondent felt that these organisations saw the plan as ‘there’s some money, can I get it?’, rather than as government support in a recession;

> I'm not sure people have really seen it as, you know, ‘Oh here comes Government helping us’, necessarily. You know when you feed your dog and all the dog cares is whether the tin gets opened.

One of the umbrella organisations with links to the social enterprise sector argued that the plan was geared towards benefiting ‘traditional voluntary organisations’, with only a minority of the total funds being earmarked for social enterprises with their new and emerging needs. They found themselves in a slightly contradictory position of, on the one hand promoting the resilience of their sector while also being keen that their sector’s agenda was recognised in the government’s support package.

The plethora of critical responses highlighted the difficulty the OTS faced in catering to the constituent parts of a diverse sector even having consulted and enlisted the support of the policy elite. It was also interesting to note that few of the interviewees from umbrella organisations were able to report on their members applications to the various funded elements of the plan or, indeed, of their member's views more generally on its usefulness in mitigating the impacts of the recession. This was also true of the debates that went on around the more specific elements of the plan.

Key elements of the Action plan

Over the spring and summer of 2009, the media reported the opening of the various funds (*Third Sector*, 14 April 2009) and updated on progress with details of allocation criteria and uptake. Particularly of interest was the question of which infrastructure bodies would be charged with distributing the monies (*Third Sector Online*, 9 April 2009) and which geographical areas were deemed to be disadvantaged and thus able to qualify for funding (*Third Sector Online*, 17 April 2009). Both sector comment, reported in the media, and the views of interviewees focused not only on the plan as a whole but on elements which they felt were particularly useful or problematic and most discussion centred on the modernisation fund, the targeted support fund and the volunteer brokerage scheme. Interviewees had little awareness of what the other elements were.

It was the modernisation fund, and more specifically debates about mergers, partnership and collaboration which the fund sought to support, that took up most of the media column inches in the months that followed the publication of the plan. The fund, which opened in April 2009 administered by Futurebuilders England and Capacitybuilders, stimulated a debate within the sector about the extent to which these were effective tools for improving the sector's resilience and long-term strategic viability. Key sector leaders and policy makers, particularly those aligned with government, were in favour of the modernisation agenda. The Charity Commission were especially vocal in their support, featuring in several media reports in which they urged TSOs to consider merger as a way to boost their resilience (*Third Sector*, 30 March 2009). In April the finance directors of two large third sector organisations examined how the recession might '*create opportunities'* for mergers between large charities and struggling smaller ones. The corporate services director of one argued that there was an 'opportunity and an obligation' for big charities to help smaller charities that would not be viable by themselves (*Third Sector*, 8 April 2009). In July NAVCA and BASSAC, two infrastructure agencies focusing on the community sector, were reported in *Third Sector* as calling for an extension of the Modernisation Fund beyond its March 2010 end date and more support for collaborative working and partnerships.

Consultants working in the field were also keen to align themselves with this developing area of sector interest (and potential revenue stream). One partner in a management consultancy firm felt that the modernisation fund that had 'got chief executives talking' about collaborations, another reported a doubling of inquiries about mergers since the year before. (*Third Sector*, 10 March). A plethora of guidelines, advice and checklists appeared (*Third Sector*, 10 March and 1 June 2009), and news reports highlighted possible and impending mergers (*Third Sector*, 8 May 2009).

For the interviewees, the modernisation fund was viewed a positive element of the plan. A Government respondent was particularly keen to describe it as an example of an innovative and useful piece of funding to support the sector:

> ‘I think that’s an example of where Government was able to, kind of, do something which we might have needed in the Sector and I’m hoping that that’s become an example of quite an innovative fund, that is making a difference and responding to a need.

A respondent from a regional infrastructure expressed some surprise that there had been so much interest in partnership and merger amongst their members, which he argued would have been ‘unthinkable’ a few year[s] ago; ‘they all treasure their independence’. Another suggested that in the current financial climate mergers would be an inevitable reality for sector, making the fund a crucial resource, ‘frankly in the reality of the financial situation that we’re in there will be some mergers and it’s better if they’re done well’. Several of the respondents saw the fund as signalling the government’s intentions for the sector’s future particularly in terms of issues like consolidating functions but also organisational size: I think the modernisation fund is a kind of signal that there’s probably going to be less organisations of a certain size in the future. Interviewees suggested that there was significant pressure on organisations to collaborate if not actually merge and the fund was seen as a driver for this:

> It has produced quite a bit of an appetite for people collaborating, not necessarily merging or being taken over, although that is happening, but certainly in pushing organisations into working more closely together.

Some of the views were more critical. One member of the *Third Sector’s* recession watch panel was more sceptical about the mergers agenda, arguing that the government was encouraging something that was ‘counter-cultural to the sector’. The regional ethnic minority infrastructure organization we interviewed argued that their members were not benefitting from mergers and that putting in partnership bids had not worked out well for them, so from their perspective it was not a useful fund.

> I don't think there's a desire within the sector to merge. Partnerships have not been profitable either. So from where we stand, you know, and this is our experience working with front line organisations in partnership, and working with third sector networks, local networks and partnerships. We faced problems in receiving funding, you know, using partnerships bid.

Nor was there any data to suggest a rise in organisations merging (Wilding 2010). Later in the year, while the debates on mergers and collaborations continued, the attention in the trade press shifted to focus on the growing concerns with the volunteer brokerage element of the package. This received attention of a rather different quality as it became somewhat mired in criticisms about both its aims and delivery. The total pot for the scheme had been supplied by DWP and had already been reduced from £10million to £8 million shortly after the launch of the action plan. According to press reports over the summer of 2009, the scheme had been ‘rushed through’ (*Third Sector*, 5 May 2009), the lead partner lacked experience, it was limited by its focus on areas of high unemployment (LVSC Big Squeeze report) and the payment at the end of placement model encouraged short or, even, one day placements (*Third Sector*, 2 Sep 2009). The programme was also seen to have split the sector, with those who had been selected to deliver set in competition with each other and duplicating the efforts of those already providing volunteer brokerage in a given area. According to a report in *Third Sector*, contracted providers had tried to subcontract volunteer placement to local volunteer centres for a fraction of the cost that they would be able to claim from DWP. The chief officer of one Council for Voluntary Service reported being offered £20 for each volunteer placed by a local contracted provider. He argued that given the real cost of a placement this would effectively mean they were 'subsidising a government scheme at the expense of core functions' (*Third Sector*,19 Aug 2010). Several of those we interviewed echoed the media criticisms arguing that the volunteer brokerage scheme duplicated existing services and was not well implemented. Only one interviewee from an umbrella organisation felt it was useful for their members. While OTS tried to manage the negative reporting and claimed that the scheme had been a success, with over 2000 people placed by October, they also apparently agreed to a request made in a letter from the chief executive of NAVCA that they talk to DWP about the poor treatment of local Volunteer Centres by the main providers (*Third Sector*, 20 Nov 2009). However, by the third recession summit early in 2010 Volunteering England presented the brokerage package as receiving positive feedback from customers and volunteer centres.

The volunteer brokerage scheme highlighted the inherent tension in combining government and sector priorities within the action plan. While Volunteering England had suggested a raft of support measures for the volunteering in a recession at the end of 2008 including 'investment in volunteering projects' the element that made it into the plan was strongly focused to the DWPs policy priorities of reducing unemployment. Indeed a government interviewee felt the achievement of the brokerage scheme was not about mitigating the impacts of the recession but that it raised DWPs awareness of the role of volunteering in moving people into work: 'it can be an important part in somebody gaining confidence and skills to either go back into or stay involved in the workplace'.

Two other elements of the package were discussed in the media and in interviews. The targeted support fund which provided grant funding to small and medium providers in local areas most at risk of deprivation was viewed in the most positive terms, possibly because it matched demands made by the sector for a general fund to help organisations who were struggling. One TSO could see it working at the local level, explaining that 'my understanding, at least anecdotally is, [that it] has been of some value to the organisations that we work collaboratively with on the ground'. However, again there was some frustration with the criteria for allocation, in particular the limited areas that were included. One regional infrastructure organisation suggested that there were problems with the deprivation classification being used 'which completely misses the, kind of, more detailed local picture. He gave examples of local areas with pockets of deprivation, where organisations were unable to apply for funding.

It was too early for any formal evaluation data to be available on take up and impact of the various funds at that stage and there was little feedback from interviews about take-up amongst their members. In the event neither the action plan itself nor any of its individual funds other than the implementation of the modernisation fund were ever formerly evaluated so it is difficult to assess how successful these funds were or the extent to which they mitigated impacts of the recession or simply provided another pot for organisations to access..

Government-sector relations

The previous section has highlighted that, on the whole, while the sector took an interest in the government's support package the interviewees knew little about much of the content of the plan with the exception of the modernisation fund and volunteer brokerage scheme discussed above. The umbrella organisations in particular, with one or two exceptions, had little information on the take-up or interest in any of the funds by their members. The senior staff in infrastructure organisations that were interviewed were, perhaps too far removed from TSOs on the ground to hear this detail. However, the regional infrastructure organisation also had little sense of the plan's constituent elements and how they might benefit their members. It was also only six months after the plan's release and the amounts allocated to the different elements were relatively small. If infrastructure bodies and their members were not experiencing impacts to any great extent there was less pressure on them to explore and promote the government's support package to their members. It also raised the possibility that the OTS's role in the sector's welfare in the recession was rather more symbolic than it was real and that while the plan signalled the government's support for the sector particularly for infrastructure, in practice this support was not was not necessarily valued by or useful to the sector.

Despite a lack of engagement with the action plan the relationship between horizontal infrastructure and the OTS continued to thrive against this backdrop of recession strategizing over 2009. Both groups continued to deploy the language of the 'mixed picture' to frame the recession's impacts. The third sector's profile was also being maintained more widely in government as the April 2009 budget contained several elements designed to benefit the sector. The largest and most significant of these was a £20m Hardship Fund for organisations working with people affected by the recession. In addition a job creation programme partly designed by ACEVO was proposed and a consultation was promised on the Social Investment Bank and on Gift Aid. These measures triggered a further interchange between the sector and government. Despite Stuart Etherington's praise for the hardship fund NCVO's formal response to the budget overall described it as 'extremely disappointing' arguing that 'the Chancellor has not looked beyond the conventional solutions offered by the market and the state' but in particular they were 'deeply disappointed' that their demand for £50 million for the social investment bank was not forthcoming. The Charity Tax Group issued a statement saying the sector was 'invisible' in the Budget.

The budget was closely followed by two important events in sector government relations; the appointment of Angela Smith as new minister for the third sector and the second NCVO/OTS recession summit held in June of 2009. Smith co-chaired the summit with Stuart Etherington and the event was well attended by both government and sector representatives. The role of horizontal infrastructure in supporting the sector was a key focus. The two-page document 'Support in Uncertain Times' (2009b) produced by NCVO for the occasion contained not only advice to voluntary and community organisations in the form of the usual list of recession beating strategies (scenario planning, diversification of income streams, etc.) but also outlined what umbrella bodies themselves could do to support voluntary and community organisations. It included: advising members on strategic planning, financial management, governance, collaboration including merger and employment issues; gathering evidence of the impact of the recession on members and making recommendations for action. The final advice to work with government on the action plan and get involved in 6 monthly summits suggested that the plan and the summits were being seen by the policy elite as an important point of dialogue between horizontal infrastructure and the OTS; one that needed to be nurtured in the future. Despite the apparent strengthening of relations between the sector's policy elite and parts of government, the fragility of these relationship was also evident following the transfer of already-allocated campaigning fund money to the hardship fund in November by the new minister which caused an angry outburst from sector leaders and policy makers (see *Third Sector Online*, 24 November 2009) in stark contrast to the more measured public dialogue that had been operating since the beginning of the recession.

The precariousness and slightly artificial nature of this unified sector voice articulated by the policy elite was also evident if the focus moved away from the OTS and the action plan to what TSOs were actually doing and who they were talking to in government. The vertical policy domain remained important to third sector organisations who viewed particular government departments associated with policy and funding of their particular area of service delivery as crucial to their survival and practice. One of the large TSOs with a significant service delivery remit across the country had little contact with the OTS over this period. They had suffered a dramatic and immediate increase in users from 2009 onwards which their monitoring was able to demonstrate. The rise in pressure on their services meant they had sought government help, but they had presented to the national economic council rather than the OTS recession summit in order to access this;

> We've had a very…, I'd say positive dialogue with Government on possible policy solutions. So I had to address all of the national economic council chaired by the Prime Minister and sixteen other Ministers on what our numbers were telling us about what's happening.

They were able to secure additional resources from their main funding departments in the Pre-Budget Report, as well as from some local authorities who had created recession packages for them to enable their local offices to cope with the influx. While this organisation appreciated the work of the sector infrastructure and the OTS, it did not see it as particularly relevant to their situation.

The national umbrella organisations had more invested in the plan and in their relation with the OTS, but they acknowledged that many conversations with government happened outside of formal dialogue with the OTS. One umbrella organisation noted that they saw the scope of the OTS in terms of influencing policy in other departments:

> It's still the Secretary of State for Health, it's still the Secretary of State for Justice and Communities and the Department of Work and Pensions, they're the ones who are, that we look to, to really engage with the third sector, they're the ones that make the difference, it's not the Secretary of State, the Cabinet Office, you know. What we want them to do is to advocate for them within Government.

These other channels between government and the sector were also noted by one of the government respondents who argued that while the key infrastructure organisations were 'strong voices in the sector' and spoke directly to the OTS, subsector TSOs operated directly through government departments that were relevant to their field.

Conclusions

This chapter has shown that responses to the Government's action plan were fairly muted and there was disagreement within the sector about how useful the plan had been and for whom. Some saw it as an achievement while others viewed it as short term and lacking strategy and resources with unworkable compliance requirement. The extent of the praise and criticism partly reflected the closeness of the interviewee to the OTS and their involvement in the plan. The sector's policy elite largely supported the government's strategy (although they also argued it had not gone far enough). Other parts of the sector were less engaged with or interested in what was going on at a policy level. Most sector interest focused on the modernisation fund element of the plan and the signals it sent about government priorities. There appeared to have been an observable positive shift in third sector organisations thinking around mergers encouraged by the plan and the promotion of this agenda by the policy elite. However another element of the plan more closely aligned with departmental agendas received less positive engagement and underscored the divergent interests of government and third sector stakeholders. At the same time the on-going lack of recessionary impacts for many in the sector meant there was less pressure on the action plan to deliver.

The summits and production of the action plan had effectively strengthened a strategic and relatively public relationship between the sector's policy elite and the OTS as the sector's champion in government. For other third sector organisations the OTS's role in supporting the sector appeared more symbolic than real. It was their relationships with particular government departments (and local government) linked to the operation of the vertical service delivery sectors such as care or education that were viewed as important in a recession rather than the OTS and its support package.

Chapter three: From mixed picture to phoney war

Introduction

This chapter also focuses on the period March through to December 2009. The main concerns in the sector during this period were not so much with the Government's action plan but with understanding the nature of the economic impacts and managing uncertainty about the future.[3] The chapter begins by examining the stream of new evidence that appeared over the year in the form of surveys, polls, and impact reports published by think tanks, survey bodies and a range of infrastructure organisations (horizontal and vertical, national and regional). These latter organisations conducted or commissioned research with their members and communities focusing in particular on identifying recession related trends in organisational income, job stability, the number and needs of service users and volunteers seeking placement. This research, comprehensively reported in the trade press, was supplemented by news about the fortunes of specific organisations particularly with regard to mergers and redundancies. The interviewees provided mainly anecdotal evidence from their members and networks with several acknowledging that they did not collect systematic data. However, systematic sector wide data was thin on the ground and on closer inspection little of the evidence was able to contribute to a coherent picture of the recessions impacts. In fact the period saw an increasing diversity of sector voices and interests with, on the one hand a policy elite in dialogue with government and speaking for 'the sector' while on the other TSOS and regional infrastructure were forging their own path and raising quite different issues in their impact reports and campaigning.

The chapter goes on to explore how the mixed-picture language to describe the recession impacts increasingly coexisted with a notion that the 'real' crisis for the sector was yet to come. The sector's policy elite were articulating more specific anxieties about the ending of many large local authority contracts, the impending spending review and what appeared to be likely cuts to public services and the outcome of the 2010 general election. While some defined several of these issues as the lagged effects of the recession, others described the 2008/9 recession as something of a phoney war compared to the hard times ahead. Both agreed that the effects of this coming crisis were likely to be far worse than those currently being experienced by third sector organisations.

Impacts on income

Much of the evidence of recessionary impacts being reported in the sector press related to the performance of income sources of third sector organisations, particularly donations, investment income, and legacies. Overall the evidence appeared to show that charities' overall incomes were falling slightly. However, the detail was less clear. Various proxies for income and differences in sample size, design, timeframe and question wording made comparison of data and identification of the extent of the problem difficult. For example asking an organisation if they had seen a decline in income did not provide data on the extent of that decline, incomes streams affected or how long the

[3] Media coverage of the recession reached its high point in the spring and summer of 2009. The number of articles in *Third Sector Online* containing the word 'recession' peaked in March and April of 2009 with 59 and 55 respectively, before slowly descending to 19 in December 2009.

decline had been happening. Two surveys by the Charity Commission in summer 2008 and early 2009 demonstrated an increase in charities reporting reduced income (Carr and Brennan 2009). However, according to a succession of poll findings reported over the spring and summer of 2009 donors appeared either to have cancelled their donations, increased them or made no changes (*Third Sector Online*, 10 July, and 23 March 2009). There was also work to be done disentangling these findings from the media's interpretive spin which varied enormously from pessimistic to upbeat irrespective of what the figures were saying (*Third Sector Online*, 3 March and 28 April 2009). In the rush to demonstrate impact few surveys situated data in the context of longer term trends. As several interviewees noted it was not always clear what were recessionary impacts and what were trends set in motion by 'other factors' than the immediate crisis. One sector body gave an example of the new policy initiatives in health and social care that are 'changing the shape of the sector' adding ...So it's very difficult to actually tell which change is recession related and which change is policy related'.

The findings of the impact reports, often couched in dramatic terms, provided a worrying picture of a worsening financial situation for many organisations. Race on the Agenda's (ROTA) report on the BAME third sector claimed that there had been 'widespread funding cuts to the sector'. NAVCA's Crunchtime report (NAVCA 2009) based on their local resilience action planning (LRAP) work conducted by local infrastructure organisations reported that organisational income was reducing and that those in the 10k–150k bracket were 'hardest hit'. On closer reading it was less clear that the evidence supported the rhetoric. There was little detail on how information had been gathered and in some cases tiny sample sizes were being used to make claims about the whole sector or subsector. Some survey questions to TSOs focused on anticipated impacts rather than what was happening at the time. For example, did they *expect* to see a reduction in funding in the coming quarter or financial year? The responses to these certainly indicated that (unsurprisingly) TSOs were worried about their income in the future but they gave little clarity on actual impacts.

Our interviewees' perspectives on the impact of the recession on third sector organisations income also tended to be generalised and speculative rather than evidence based. They talked in general terms about 'some reductions in income', likely broad percentages of this reduction across the sector and the mixed picture with organisations income 'variously affected'. One TSO described pressure on income 'right the way across our income streams we're seeing kind of real squeezes'. Others directly acknowledged the weakness in the available evidence. One government respondent described it as 'at best, contradictory'.

There were differences in interpretation and understanding of what was happening. Several respondents with links to foundations and grant giving bodies described how, somewhat surprisingly, grant applications numbers and quality had gone down during the period although foundations had not, or not significantly, decreased the amounts available. There was some speculation that organisations were cutting fundraising budgets or lowering their expectations of what was available in a recession context. However, other umbrella organisations working with small grass roots community organisations believed that there had been an increase in funding applications and quality since the start of the recession making it harder for the organisations they worked with to access funding:

> [Funder] is very good about giving us feedback on some of their pots of money and I think those are the first alarm bells, where they were saying they were getting far, far more applications than anticipated, and good quality ones.

It appeared that fear and speculation driven by the high levels uncertainty were doing more to shape perceptions of what was happening that actual fact. The Charity commissions two surveys noted a small increase in organisations preparing themselves through increasing fundraising and diversifying income (Carr and Brennan 2009). However several of the interviewees noted how the fear of an imminent crisis had effectively put a damper on development and made it difficult for them to think strategically and plan for the future. One third sector organisation, described 'an instinctive response from trustees to batten down the hatches, you know, to cut fundraising investment, to curtail services and just really re-trench. A sector body explained how early in 2009 donors' and funders' fears about the future led to a freeze on decision-making which, while not permanent, had an immediate impact on organisations looking for financial support.

> The sense of [funders saying] look things are much too uncertain at the moment to form any views, you know, that are really concrete and definitive, but we've put things on hold for a little while. And the problem on the receiving side of that, as a charity, that feels like a cut, you know, to all intents and purposes it, it *is* a cut.

The evidence on incomes such that it was highlighted the complexity and at times contradictory picture of third sector organisations' financial situations in 2009. Some had noticed a decline but the extent of that decline and its causes were unclear and for others it was business as usual.

Impacts on staffing

Another tranche of surveys, polls and organisational news to hit the headlines focused on the apparent increase in redundancies in the sector. According to a third sector article in May 2009 figures from the Office for National Statistics[4] showed that the number of people working in charities and voluntary organisations fell by 8,000 in the last quarter of 2008 from an all-time high of 724,000 in the preceding quarter (*Third Sector,* 5 May 2009). A survey of 450 interim managers working in the sector found that three-quarters of charities had made redundancies since the recession began (*Third Sector Online*, 15 May 2009). The sense of a sector struggling to cope was magnified as redundancies made the headlines over the spring and summer.[5] In July *Third Sector* reported in concerned tones on findings from the LVSC's Big Squeeze report (LVSC 2009) (based on a survey of 104 organisations and 6 case studies), which found a small increase in the number of calls related to 'redundancy and restructuring' to their personnel employment advice and conciliation helpline. Unite published a Recession Charter (Unite 2009), which called for: 'a series of high-level ministerial meetings throughout 2009 to ensure there is action to save charity jobs'; longer funding streams of 5 to 10 years; the right to accredited training for every employee in the sector; and strategies to reduce stress at work (*Third Sector*, 28 April 2009).

[4] Supplied in response to a parliamentary question from Liberal Democrat charities spokeswoman, Jenny Willott

[5] For example 'West London YMCA cuts 10 staff' (Third Sector, 12 May 2009) 'Leonard Cheshire Disability cuts more than 100 jobs' (*Third Sector Online*, 14 May 2009), 'The Soil Association is laying off up to 25 staff as part of a restructuring in bid to save £600,000 a year' (*Third Sector Online*, 27 May), '

While the headlines made the sector's position appear critical, TSRC economists charted a steep and relentless upward trajectory in the sector's staffing figures over the previous nine years and the slight dips that occurred at various points in this trajectory had so far had little impact on the general upward trend (Moro and McKay 2010). The impact reports also employed a concerned tone in their findings sections although they had very little data showing reductions in staff at that time and again there was a tendency to resort to prediction rather than measuring actual trends For example 20% of the 130 organisations surveyed for Voluntary Organisations Network Northeast's (VONNE) impact report, predicted a reduction in staff over the coming year (VONNE 2009)

Nor was it possible to draw a simple correlation between the recession and staff cuts. Redundancies may also have been driven by mergers and arguably not all of these were a direct result of the recession. The shedding of 300 posts as part of the merger of Age Concern and Help the Aged in 2009 was significant but the merger had been in the pipeline for over a year and would have led to restructuring and staff cuts whatever the economic climate. One of the government respondents made this point in relation to the lack of evidence for increases in sector unemployment,

> we see the stories in the papers where certain organisations are, kind of, restructuring and whatever but, often, I think that may be due to organisations wanting to […] become more efficient and using the opportunity to restructure anyway, but I don't think yet we're seeing any evidence of a drop in employment numbers overall in the Sector yet.

Impacts on the demand for services

The possible increase in the demand for services, as more people found themselves in recession related difficulties and seeking help from third sector organisations, had been talked about in the trade press early on in the recession timeline. Again, contemporary survey data on this was not available possibly because it required real time monitoring and management information data which was beyond the capability of many TSOs. The impact reports suggested that some organisations were facing an increase in the demand for their services and this was more pronounced in the area of advice and guidance particularly around welfare. BRaVA for example described how 'mental health charities, advice services and hostels are already turning people away as demand outstrips resources' (BRaVA 2009). As with the finance data the basis for these claims was not always clear in the reports.

Interviewees also reported anecdotally on more demand for advice services. A BME infrastructure organisation operating at a regional level said that some of their members had experienced an increase in enquiries: 'people actually calling them up to find out about employment, …, that seems to have increased'. One of the infrastructure organisations interviewed had noted the increase for their member organisations as early as spring 2008 although they felt the nature of the demand had shifted since then:

> we had an initial, kind of, scoping exercise round this about eighteen months ago and already at that point, organisations like CABs and advice centres and so on were saying, 'help', you know, 'it's going through the roof', and then shortly after that and quite interestingly, organisations, sort of, dealing with perhaps drug and alcohol issues, people going through mental health crisis, general, sort of, family support, that kind of stuff, that all started escalating.

One respondent from a TSO representing a network of third sector members with well-established and comprehensive real time monitoring, was able to give exact figures on the increases they had seen: 'before the UK economy entered recession in April 2008 we were seeing about 7,600 clients a day and in September 2009 we were seeing 8,700.' The respondent argued that while the financial impact of the recession had been minimal for them, the increase in service users had been overwhelming…'the credit crunch as a financial event didn't impact on us, it was the, you know, the tsunami of people with problems'.

Impacts on volunteering

Volunteering also made the headlines with large increases in the numbers of enquiries reported. An interviewee from a regional infrastructure organisation with links to local volunteering bodies reported 'double or triple numbers of people wanting to volunteer'. The government respondent also reported 'a real increase in the call on volunteering services and that's what we're hearing from a number of national organisations'. The TSO with established data monitoring systems was able to report actual figures saying in their organisation there had been a 10% increase in volunteering enquiries between April 2008 and March 2009. However again there was little real time survey data available to provide a more comprehensive picture of what was happening. An interviewee from another regional infrastructure organisation noted the problem, saying that he had heard from local TSOs about increased numbers wanting to volunteer but they couldn't provide him with evidence: 'you know, one group has said yes, but organisations with volunteers haven't kept any track'. The government respondent suggested that the increase would eventually show up in sector volunteering figures 'probably there'll be a lag to that, but I would imagine the next, kind of, quarter we'd start to see an increase in the number of adult volunteers.'

There was little information on the characteristics of these new volunteers. The respondent from the regional infrastructure organisation noted that the enquiries were apparently not from the newly unemployed professionals looking for interim activities as commentators had speculated but those with high support needs such as those whose first language was not English or with mental health problems. It was not clear why increases in these groups might be related to the recession context. The respondent also argued that the increase in interest was combined with less available placements, noting that 'the last thing an organisation needs when it's already struggling is another influx of untrained volunteers'. This point made the predicted increase in volunteers becoming visible in the volunteering survey data look less likely. Indeed more evidence from the CLG's Citizenship Survey of 15,000 people about community involvement, volunteering and charitable giving, found the current trend was slightly downwards with the number of adults who had volunteered formally during the year 2008 to 2009, down to 41% from 43% in the previous year's survey (*Third Sector*, 17 July 2009). The citizenship survey 2009–10 also showed a continued slight reduction in numbers volunteering once a month in 2009/10 (Citizenship survey 2009/10) That volunteer numbers dropped despite the (anecdotal) increase in enquiries suggested that the recession may have acted on organisations' ability to take on and manage volunteers during this period.

Diverse sector voices

The above examination of the evidence for recessionary impacts on the sector in 2009 revealed little coherence in either the evidence of impact or at times the interpretation of that evidence. It highlighted the broad range of sector voices that were audible. At one end of the spectrum at the interface between the OTS and the sector's policy makers (see Chapter two) and removed from the front line of service provision, the mixed picture discourse dominated. The rhetoric suggested the complex nature of the recession's impacts and hinted at positive as well as negative outcomes for the wider sector. Several interviewees from national infrastructure organisations and government argued that the increase in demands for services could be seen as an 'opportunity' for TSOs to expand activity:

> a lot of charities are going to benefit from it, not in a, it sounds mercenary to say that, but, you know, we're here to help the vulnerable people and there is, you know, there's going to be far more vulnerable people out there so, we as organisations, have got to respond to that.

One regional infrastructure respondent felt that tighter funding environment would lead to more innovation from the sector.

However, other parts of the sector engaged with the recession in a different way. Unsurprisingly regional, local and vertical infrastructure organisations in their recession impact reports paid little attention to the picture for the sector and few deployed the subtlety of the 'mixed picture'. While these reports were ostensibly about collecting evidence of the effects of the recession on their members, their subtext was demands for localised resources and recognition. The recession served as a peg on which to hang these. For example the LVSC's Big Squeeze report had rather wider aims than documenting the impacts of the recession which included 'promoting the value of the London's Voluntary and Community Sector during the recession'.

In these reports the term 'recession' effectively signified a diverse range of threats to the sector or subsector. While some of these were potentially recession related such as stretched financial resources, they also included issues such as the changing nature of relationships with local authorities and the shift to commissioning which had a much longer trajectory. BRaVA reported on levels of dissatisfaction with current funding practices, specifically local authority commissioning which it argued generated substantial problems for the relationship between the statutory and voluntary sectors (BRaVA, 2009). VONNE's recession impact report raised concerns from its members that newly created unitary authorities would lead to cuts in funding and that generally funders were making increasing demands on reporting which 'deflected precious time from service delivery' (VONNE, 2009). One interviewee from an umbrella representing community organisations felt that their members had been ignored by the mainstream and that this was the real problem for the sector:

> it's not about the economic downturn, it's because the millions that have been ploughed into the third sector have only gone to a tiny part of it. So the gap between ... even small and medium sized charities and super charities has become bigger.

Davis' research on the recession and the sector for Unison also focused on the wider issues of personalisation, commissioning, and increasingly large-scale Local Authority contracts and what these would mean for the sector's workforce (lower wages more instability, etc.) (Davis 2009)

A substantial element of the impact reports was their recommendations to government. Here they lobbied for various resources and support that included adequate (preferably grant) funding (VONNE, NAVCA), funding for volunteer infrastructure (VONNE, NAVCA), the improvement of commissioning practice (BRaVA) and robust monitoring of contracts to ensure third sector organisations are fairly rewarded for their involvement in delivering public services (VONNE). Infrastructure organisations were keen to point out that where users and their needs were increasing, front line third sector organisations were ever more pressured and their role as support bodies more important. ROTA's report recommended, amongst other things, core funding from government for BAME regional networks in recognition that they are 'uniquely placed to help achieve the racial equality vision to equip frontline BAME originations to deliver for their communities'. The spectrum of voices and interests from the policy elite to the TSOs on the ground, highlighted that there was not necessarily a unity of experience, language or perspective across the sector in relation to the recession.

A second wave, lagged effects or a phoney war? the 'real' crisis on the horizon

Over the course of 2009 many sector leaders and some commentators in the press increasingly looked beyond the immediate economic downturn to wider and longer term issues affecting the sector. A third discourse emerged alongside the crisis discourse and the mixed picture. This one predominantly articulated in our interviews rather than publically in the trade press predicted a much more serious and '*real'* crisis on the horizon for the sector in the near future. Respondents differed in whether described this new crisis as an extension of, or lagged effects or second wave of the current recession or as unrelated; a new threat. One used the term 'phoney war' to portray the current situation in contrast to the 'real crisis' which lay ahead. As another interviewee put it 'there was already a bit of a crisis looming, before the R word was mentioned.'

There was mostly agreement that this 'second wave' was to take place in 2010 and 2011 and the three causes of the future crisis were also well rehearsed; the end of several large local authority contracts, the spending review and anticipated subsequent cuts to public services and finally the 2010 general election. In the words of one interviewee 'the second wave isn't recession, recession, but it is about public sector cuts. Another predicted that 'at the end of a spending review period will mark, in my view, a point at which there's a very big sort of step drop in the level of public funding for the sector'. They pointed out that while the rest of the country was coming out of recession it would become increasingly difficult for service delivery organisations to obtain contracts. 'There will be much more competition for all classes of contracts'. Interviewees described how the looming public spending review had produced a climate in which organisations struggled to plan for the future. In the words of one national umbrella organisation, 'even the best informed of people just don't know what their income is going to be in one or two years'. This interviewee and others noted that the issues were compounded by the political uncertainty created by an approaching general election: 'partly you've got an opposition party that might win an election and, as is generally the case, opposition parties are not that specific about what they will do'.

While the sector had a very high profile with all parties going into the election, without a clear lead in the polls campaigning could not be targeted at one or two parties but had to involve all three. This created significant uncertainty which made it difficult for third sector organisations and horizontal and vertical infrastructure to develop lobbying strategies (Parry et al. 2010).

This lagged effects or phoney war narrative had some interesting implications for the sector and its relationships with government. If this future crisis involving significant public spending cuts was real, then its parameters meant it was also no longer within the remit of the OTS or national infrastructure to address. While the potential double whammy of recession could be addressed even symbolically by an OTS support package, a crisis caused by a reigning in of public spending which would mean a significant reduction in money available through contracts, coupled with an unpredictable change in government, could not. In fact, the government as authors of the spending review and cuts were effectively part of the problem.

This powerlessness in the face of a looming crisis did not undermine the partnership between the OTS and the national infrastructure's policy elite. As 2009 drew to a close the two continued their dialogue about the future of the sector and, indeed, in the final recession summit held early in 2010 sector leaders talked about the needs for improved research and monitoring and called for improvements to the public sector commissioning process. However there was an emerging shift in tone audible in some of the interviews. Alongside the enthusiasm for the action plan and measures around increasing third sector resilience those in senior policy roles argued that a 'scaling back' of the sector was inevitable and to a certain extent necessary. Several interviewees taking a longer historical view argued that the sector had just been through a period of unparalleled prosperity and that this had led to an '*overinflated sector'* where there was some duplication and poor quality provision existing alongside the good provision. One respondent felt that the recession and what came next would improve the overall quality of the services the sector was offering. 'I think what it (the recession) will do is it will weed out an awful lot of that and we will be left with very, very high quality groups that are genuinely meeting real needs'. A government respondent sought to naturalise the shift in government priorities ahead suggesting that future reductions in funding were part of an inevitable ebb and flow in government support, saying that, 'I think if it's [a] pendulum, I think it might naturally, kind of, swing a bit and the recession's become the focus for that, but perhaps that was something that might have needed to happen anyway'

The second wave or the 'real crisis on the horizon might have dramatic impacts on the sector but these would take place in a different political context and were in any case a necessary stage in the sector's development.

Conclusions

This chapter began by outlining how different stakeholders in the sector (the trade press, infrastructure, and third sector organisations) sought evidence of the effects of the recession over 2009. The mixed and inconclusive nature of the picture that emerged from the surveys and impact reports provided little clarity but the mixed picture rhetoric created unity of narrative amongst the policy elite and government at least. In doing so it provided a way to accommodate inconclusive impacts while continuing to mobilise support. Focusing on the discourses in play across the sector and government during 2009 the chapter goes on to highlight the diversity of voices and agendas. While the policy elite discussed the mixed picture and the winners and losers the vertical and local infrastructure organisations published impact reports that sought to promote the needs of their members. In these reports the term 'recession' became a signifier for a diverse range of threats to organisations ranging from lack of support to BME infrastructure to the commissioning practices of local authorities. In the meantime a new discourse was emerging. The sector's policy elite in particular were increasingly articulating more specific anxieties about the lagged effects of the recession. The problem for the sector national infrastructure OTS relationship was that this real crisis looming in 2010/11 was outside their remit in terms of negotiating and providing support. The scaling back of the sector was being recast as a necessary stage in its development.

Conclusion

The research reported here has used the recession as a lens through which to view the third sector's evolving policy environment. It has sought to trace the development of discourses and agendas in the sector over the recessionary period from summer 2008 through to winter 2009. Drawing on material from the media scoping, literature review and key informant interviews the aim was to explore not simply 'what happened' to the sector and its beneficiaries in the financial crisis of 2008/9 but more importantly how this crisis shaped politics and relationships both within the sector and between the sector and government. It explored how, in the build-up to the recession in the autumn of 2008, the initial crisis rhetoric warning of major impacts on the sector served to mobilise and reinforce a strategic partnership between the OTS and the sector's national horizontal infrastructure in England. This partnership formed the basis for the first recession summit and the consultation for the action plan over the winter of 2008/9. Early fears about the recession also provided something of a unifying force within the sector, at least among its various policy makers and leaders; its policy elite. It created opportunities for a number of organisations and key players to further their political profile and consolidate the uniqueness of the roles they could play in the policy process.

However with little evidence available of a significant impact the crisis rhetoric was quickly reframed as a 'mixed picture'. This focused the potential range of impacts and differentiated outcomes for different groups in the sector (for example medium size organisations or the advice and guidance sector). It accommodated the lack of coherent evidence (any impacts and no impacts were all valid in this discourse) while enabling the continued mobilisation of support by government and the sector's national infrastructure. While the strategic relationship continued at the policy level, sector interests diverged as the action plan funds were distributed to a less than enthusiastic sector and different vertical and geographical infrastructure organisations increasingly used the recession as a lobbying and profile raising tool. As 2009 drew to a close and evidence of recessionary impacts remained thin on the ground sector leaders were increasingly talking about the recession as a 'phoney war' or having 'lagged effects'. The 'real' crisis for the sector, they argued was around the corner in 2010/11 in the form of a conjunction of several events; the end of several large public sector contracts, anticipated cuts in public spending and the forthcoming general election.

With hindsight the recessionary period of 2008–9 can be seen almost as a high-water mark in relations between the New Labour government and the sector. The previous 13 years had witnessed the mainstreaming of the sector; an expansion of sector infrastructure and effectively the emergence of a sector 'policy elite'. In this context partnerships and alliances (albeit strategic ones) between sector and government had flourished. In this 'atmosphere of recognition' as one stakeholder described it, the response to the recession by the OTS and sector stakeholders can be seen as a logical continuation of the developing relationship. On one level the research has cast light on the ways in which a relatively strong group of infrastructure bodies was able to offer advice and support to its members and represent and lobby for them, working closely with a sympathetic government department. At the same time it was apparent that less high profile vertical relationships continued to function to support the sector and may even have constituted a more useful mechanism for dialogue and resources. The question about just how successful this infrastructure was in supporting the sector during this period is effectively a moot point since it is unclear whether much of the sector actually needed support at this time. The clearest issue for TSOs during the recession was the lack of robust evidence in the form of good quality case study and survey data that was able to document experiences and support claims. Wilding making a similar point about the recession and the 'public sector recession that came next argues that '*It is in such times of flux that practitioners and policy makers need to be better informed by high-quality research-based evidence*' (Wilding 2010: 100).

The result of this deficit was very little clarity on what the sector really needed in terms of support. This vacuum was quickly filled by pre-existing sector and government agendas. The government's multi-layered agenda was visible in the diverse elements of its action plan for the sector which included support and advice around mergers and rationalising and sharing back-office support on the one hand and a programme promoting volunteering for unemployed people in disadvantaged areas on the other. Within the sector infrastructure worked hard to advise and support organisations at the local level. The national infrastructure organisations called for a social investment bank, reform of gift aid and a review of local authority priorities but elsewhere in the sector there were demands for reviews of local authority commissioning practice and more funding for regional and sub-sectoral infrastructure.

What of the 'real' crisis still to come? The end of 2009 saw anxiety develop over the financial future of the sector given the possible implications of the spending review. However in early 2010 policymakers were overtaken by events as attention shifted to the election campaign which was governed by rules of purdah effectively 'dampening debate' and 'normal' government sector relationships (Parry et al. 2010). The longer term prognosis for the strategic partnership that had developed between government and the sector's policy elite was now partly in the hands of the electorate. While the OTS under Labour had been keen to support the sector during a recession, it was not clear what would happen to this office if Labour were not re-elected and in any case protecting the sector from cuts in public spending was not part of their remit.

The impact of the recession on the sector (and indeed society more generally) is on-going and extends well beyond the initial recessionary period; but this is being played out in a very different political context to that pertaining at the start of the recession. The Conservative Liberal Democrat coalition government formed in May 2010 orchestrated deep cuts in public spending with implications for those parts of the third sector delivering public services. The Conservative's Big Society rhetoric heralded a new vocabulary in government sector policy. Civil society replaced the third sector and community based voluntary action was lauded while the sector's organisational architecture was reshaped and downsized. This new landscape raises interesting questions about what will happen to those relationships, to the policy elite and to the *'atmosphere of recognition'* that developed over the previous decade, particularly if there is a second recession.

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Appendix 1: Topic guide third sector organisations and umbrellas

- Background –ask for quick overview of broad remit of organisation and respondent role.

Impact of the recession

- What sense do you have of the particular ways if any in which the recession is affecting your organisation/your members organisations? (positive as well as negative), Time frame of impact when did effects become noticeable? What evidence do you have? Measures? Have you done any research? Probe on:

    staffing/redundancies
    donations/bequests
    investments/
    commissioning, relationship with LAs
    volunteers more /fewer
    Increased demand for services
    partnership working

  Examples and probe why effects are related to downturn and not other factors.

- How has your organisation/ have these organisations responded to these issues/threats to date (belt tightening strategies, redundancies, restructuring, rethinking financial strategies, merger).

Responses to the recession

- What about responses from within the sector (other TSOs, umbrellas (national and regional))? Is there unity in sector responses? Who have been most vocal organisations and what is their argument? Has the response changed over the past year and in what ways?
- What about local government responses?
- What is your overall sense of the response from central government policy makers (OTS) to the position of (perceived threats to) your members/third sector orgs in the recession (probe on changes in relationships as well as measurable support?)

The OTS third sector plan

- The OTS published a third sector plan in February 2009 featuring proposals for additional funding and support to the sector in a number of areas.

1. Up to £10 million investment in **volunteer brokerage scheme** for unemployed people with create over 40,000 opportunities for people to learn new skills and give back to communities through volunteering.

2. A £15.5 million **Real Help for Communities: Targeted Support Fund** will provide grant funding to small and medium providers in communities most at risk of increased deprivation due to the recession. This is in addition to the £130 million already committed to the Grassroots Grants programme meaning more small grants to more community groups.

3. A £16.5 million **Real Help for Communities:** M**odernisation fund** to help with the cost of mergers, partnerships and moves to more efficient sharing of back office functions for at least 3000 third sector organisations.

4. A £0.5 million investment in the **School for Social Entrepreneurs** to double the number of people it trains to become social entrepreneurs, particularly those working in deprived communities.

5. A **national campaign** to raise awareness of the Government's commitment to pay all invoices within 10 days, which will improve cash flow for small organisations.

- Which of these is the most useful/appropriate for your members/organisation and which the least and why? How might these ameliorate issues faced by your members in the current climate?
- To what extent do these match your own priorities and those of your members? To what extent did you engage in shaping the plan? What were you suggesting and how successful was it?
- What signals do you think the action plan sends with regard to governments priorities for the sector as a whole and beyond the recession period?

Priorities for the sector

- Where do government priorities diverge from those of the sector/your members? What policies for the sector would you like to see government pursuing and why?
- How far do your priorities/needs coincide with/diverge from other umbrella/third sector orgs?
- Who do you see as the key individuals/organisations shaping the agenda in the sector at the moment? In what way? How have they positioned themselves in terms of power-wielding? (Probe for tensions/congratulating).

About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

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Theory and Policy

It is essential that the Centre's research is informed by a strong theoretical and conceptual analysis of the sector and the policy environment within which it is situated. Theoretical analysis of the sector is not well developed in the UK, in part because of the applied focus of much existing research. TSRC will contribute to ensuring that difficult theoretical issues are articulated and explored. Critical understanding of the policy environment is also essential, for it determines much of what happens within the sector. TSRC is co-funded by the Office for Civil Society which is responsible for developing and delivering policy in England. The Centre's research will help inform this policy development, but will also make that policy process itself the subject of critical review. We need to know 'what works', but we also need to understand who decides 'what matters'.

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