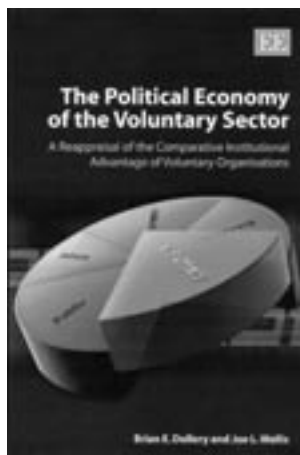


Third Sector Blues

Crafting a contemporary framework for Australian voluntary organisations



The Political Economy of the Voluntary Sector: A Reappraisal of the Comparative Institutional Advantage of Voluntary Organisations

Brian E. Dollery and Joe L. Wallis

Edward Elgar, 2003, 208pp
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Reviewed by Martin Stewart-Weeks

We are often most careless about those things that are most important to us. I was thinking about this recently when talking to some colleagues about the way

both sides of politics, as we enter the warm-up rounds for the upcoming federal election, seem increasingly to be wrapping policy proposals in the reassuring colours of the non-profit or 'third' sector of voluntary and community organisations.

The Prime Minister's recent \$360 million package for families adopts a distributed, community-based approach to designing and delivering services, including early childhood services and other family care and support programmes. How will that happen? By harnessing the networks and values of non-profit organisations. Drawing on models of place management and the 'social coalition',

funding will be channelled through non-profits to community-based services that respond to local needs. An example is the almost \$4 million that will come through The Smith Family for early childhood initiatives in the suburbs of Perth.

On the other side, Mark Latham's announcement of a new role for Lindsay Tanner, as the Shadow Minister for Community Relationships, raised questions about how government can deliver nuanced, close-to-people support and care, to create stronger, more confident and connected communities. The answer is the same—the non-profit sector will provide the organisational wherewithal and, importantly, the values base from which such a task might be attempted.

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At one level, I suppose, this is encouraging. But at another level, something jars. There's a strange disconnect between the enthusiasm for non-profit, voluntary associations and the gathering sense that this is a sector about which we know too little and understand even less. The result is that we may be witnessing a confrontation between the values and structures of the community sector on the one hand and, on the other, a series of policy, economic and political pressures which are steadily wearing those values and structures down.

There are three reasons why failure to deal with that dilemma should matter to politicians, bureaucrats and the wider community:

- Firstly, a relevant, robust and respected third sector based on the principles and instincts of voluntary association is vital for free and open societies to thrive.
- Secondly, carelessness about the conditions in which these organisations flourish will inevitably erode their ability to do the very things we most want them to do—to connect, to care and to challenge.
- And thirdly, in the kind of world in which we now live—networked, contingent, often bereft of context and community—the whole notion of how we deal with the big common problems that in the past were seen as the natural and exclusive domain of 'government' is changing. If third sector organisations, and the wider civil society of which they are the chief organisational elements, do not work, our chances of resolving the 'public purpose' dilemmas we confront are much diminished.

Despite the best efforts of a few dedicated researchers and scholars, and the interest of occasional politicians and bureaucrats, we still know too little about the non-profit sector and the

voluntary associations which live there. Who are they, how do they form, how are they sustained, what are they best (and worst) at, what part do they play in the institutional ecology of a free and open society? Importantly, how do they, or should they, relate to government and the larger structures and processes of public policy?

A paradox

Right at the heart of the way Australia deals with its non-profit sector is a paradox. On the one hand, we expect these organisations and associations to do more in fashioning and delivering effective responses to the dilemmas that confront us in every sphere of our lives. It sometimes feels as if the third sector is a magic potion in the face of whose potent solvent nasty, complicated and intractable problems will disappear. But on the other hand, the third sector is suffering from its own crisis of identity and capacity.

Paradox is not a comfortable place to be. In the end, it demands resolution. Mostly, that will depend on what happens inside the sector itself. This, ultimately, will be a test of character for the third sector itself.

The political economy of the voluntary sector

A recent book from Brian Dollery and Joe Wallis, *The Political Economy of the Voluntary Sector*, is a comprehensive consolidation of what we know about the voluntary sector. Written by two economists, one from the University of New England, it offers a valuable review of the 'state of the art' in the study and understanding of voluntary 'third sector' organisations.

An introduction sets out the core economic theories of voluntary organisations. It looks more closely at the theories of voluntary organisation formation that take as their starting point either market or government failure (in other words, they exist because the other two sectors can't do the job, or can't do the job as well).

Dollery and Wallis provide a comprehensive review of the 'supply-side theories of non-profit organisations', contrasting the demand-side theories of market and government failure. The role and impact of non-profit entrepreneurs is canvassed, drawing on the work of Dennis Young and others.

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Their analysis also confronts the reality of non-market or voluntary failure, drawing especially on the work of Lester Salamon. Salamon points to four ‘insufficiencies’ whose impact on the ability of non-profit organisations to do their work can be profound. One is ‘philanthropic’, the inability to secure a flow of money; another is ‘particularism’, or the tendency to create organisations around specific sub-groups of the population—in other words, to be exclusive. A third is ‘paternalism’, recognising that the commanding heights of the non-profit world are often dominated by the wealthy and middle class, whose instincts for control and direction lead often to a sense of dependency and undemocratic governance. The fourth insufficiency Salamon labels ‘amateurism’, a brutal reminder that what makes voluntary organisations distinctive—that they seek the contribution and commitment of those who may not necessarily also be competent—may sometimes render them vulnerable.

Treating with government

The central question, which the book raises but doesn’t answer, is how the non-profit sector should construct its relationships with government. Should non-profits remain fiercely separate, refusing to accept government funding at all and thereby securing the independence from which they derive their strength? After all, in the original notion of voluntary association as a hallmark of civil society, for example as it was described by Alexis de Tocqueville in *Democracy in America*, the whole point was that it was not government. The motive force, the sense of purpose, and the resources needed to realise the mission all came from within the association itself. This was about people doing things for themselves precisely because government either couldn’t or shouldn’t be doing it for them.

Contrast that with a situation in which a non-profit organisation receives the larger portion of its revenue from a single, public source (and for some non-profits in Australia, that can be 50% or even more). How can it in any true sense be seen as an independent manifestation of civil society? The tougher-minded might go on to claim that any funding at all derived from government automatically extinguishes

a non-profit organisation’s claim to distinctive institutional status. If the local tennis club accepts a government grant to purchase new nets and refurbish the club house, for example, instead of doing what non-profits are supposed to do, which is club together (literally and metaphorically) and raise the funds to do it themselves, they cross the line.

The issue is more complex and sensitive for those organisations whose mission is to advocate and criticise, often directing their claims for social change at the very people who keep them financially viable. How does that stream of funding affect their integrity and capacity to sustain the fight? Does the non-profit sector weaken its own cause, and fatally wound its integrity, when it accepts the enticing financial backing of the state?¹

Is there an honourable and appropriate basis on which the not-for profit sector can ‘do business’ with the state without suffering a terminal loss of respect and validity?

But in the real world, where pragmatism always trumps purity, perhaps trading-off some of their independence to meet the government’s funding and accountability requirements may not be the end of the world. Maybe we should be designing a relationship model that sees the non-profit sector as something akin to a sovereign power, willing to ‘treat’ with government for mutually beneficial outcomes, but on terms that do not fundamentally deny or corrupt their interests and values? I guess my question is this—is there an honourable and appropriate basis on which the not-for profit sector can ‘do business’ with the state without suffering a terminal loss of respect and validity?

The new network governance

A fully functioning third sector of effective voluntary associations, as well as the values and instincts from which it draws, are essential to our ability to survive and thrive in the ‘network society’.² In the network society, lines that distinguish public, private and community sectors

blur and flows of knowledge and expertise are often less formal and structured.

Even though we do not always now quite how to describe it, we are all becoming familiar with that sense that ‘everything is connected to everything else’. In this contingent and connected world, the key to survival is adaptability. Much contemporary management literature and broader social commentary talks about the virtues of ‘adaptive self-transformation’. Beneath the ugly language is an important observation—you are successful in this kind of world, largely as a function of how well and how quickly you adapt and change. This is a world tailor-made, I would argue, for the virtues of voluntary association, capable at its best of exactly the agility and subtlety that can quickly adapt to self-directed change and renewal.

The analysis casts non-profit organisations as important in their own right. There is an assumption that these organisations can form part of a non-state public sector, one where ‘public policy [can] devolve a substantial part of the functions and organisational features of the state to smaller, more virtual units of public mutuality’.³

Of course, relying on the voluntary sector was how we used to deal with public problems before the invention of the ‘industrial’ forms of large-scale government. A tantalising ‘back to future’ proposition is emerging as we search for ways to combine the scale and scope of industrial or ‘fordist’ structures of public governance with the ingenuity and agility of the pre-modern, smaller and more loosely federated structures of civil society.

The nature and shape of the third sector is also changing. These changes are being driven by new forms of engagement in civil society that are not necessarily drawing on the more structured (and, it needs to be said, sometimes very hierarchical and ‘political’) forms of non-profit organisations.

People will engage and act, but won’t necessarily join. Longer-term commitments to voluntary organisations and a willingness to do the work that sustains their governance (join boards, become the treasurer and so on), are waning, by all accounts. The rise of larger-scale, global social movements and the ability of people to engage with many of these issues through the mediating influence of the internet and other forms of interactive and networked information and communication

technology mean that people can be less structured and more mobile in their commitments.

A challenge to Australia’s third sector

Dollery and Wallis’s book raises important questions about the Australian third sector of voluntary organisations. Many of these have been written about before. Mark Lyons in his 2001 book *Third Sector: The Contribution of Non-profit and Cooperative Enterprise in Australia*, for example, has argued long and hard about the need in Australia for a national framework of public policy (including regulation, taxation and accountability) that treats third sector, associations effectively and consistently.

Australia should embark on a programme of research, reform and renewal that has as its unequivocal ambition to craft, as Dollery and Wallis put it, ‘a uniform comprehensive policy posture toward the voluntary sector’. It sounds daunting. But even if we are properly wary of overstating the mission, the underlying instinct for thoroughgoing, sustained reform should not be compromised.

Australia, too, lacks a tradition of robust and distinctive sectoral identity and governance. A split is emerging between what one might call ‘old third sector’ and ‘new third sector’, with the former seen as defending a set of outmoded organisational forms and practices and the latter opting for looser, less structured and more entrepreneurial forms and practices. The debate about the professionalism of the sector, especially in its dealings with government is also divisive. Australia is already confronting its own version of this challenge thrown down by Stephen Bubb, CEO of the Association of Chief Executives of Voluntary Associations on the UK in a recent interview:

But he is deadly serious about a beefed up role for the voluntary sector and the professionalism he believes must go with it. He says: ‘My problem is these po-faced puritans—and there are a lot in the sector—who think the route to heaven is through amateurism. It’s not. I think the sector’s changed dramatically in the last decade, but there’s still a little group saying: “Ooh, no, no”’.

'It's the difference between do we want the power to change things or not. If you're in for power, you've got to be professional and commercial about it.' And then he chucks in a typically provocative remark: 'What we need is a New Labour movement for the charity sector.'⁴

Where, in Australia, do these unsettling debates get aired? Perhaps these confronting debates are ripe for the promising, but still fragile National Roundtable of Non-profit Organisations, a rare Australian attempt to create an arena specifically for the design and development of sectoral institutional development strategies.

Finally, Salamon's four voluntary organisation failures—of resources, of management, of exclusivity and of paternalism—are all at play in some way or another as potential threats to the viability, respect and recognition the third sector needs.

A renewal strategy: where to start?

A good place to start would be a more intelligent, demanding and inquiring response to the challenges and potential of the third sector in this country from politicians, bureaucrats and leading public thinkers and commentators. They have to see, learn, question and understand. Let's see some evidence from the policy machine that it can do more than reach for the values of voluntary action to sprinkle like fairy dust on difficult problems. What we want is some serious, grown-up policy making.

A commission of review

Another place to start, and perhaps most important, is with the third sector itself.

A few years ago in the United Kingdom, a commission of inquiry led by Nicholas Deakin was established to subject the UK voluntary sector to a thorough and wide ranging review. The Commission on the Future of the Voluntary Sector was important for the scope and ambition of its view. It was also funded and directed from within the voluntary sector itself (with substantial funding from the philanthropic sector, not from government).

Here was the voluntary sector taking charge, as it were, of its own destiny. It was construed as

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getting its own house in order because the sector itself saw it was a good and useful thing to do. It was a response to the similarly awkward and unsettling challenge facing the Australian third sector—if you won't take yourselves seriously, why should anyone else?

So here's the final challenge—what is the chance of finding a supporter, or group of supporters, from within Australia's philanthropic sector, willing to invest some significant money into a 'commission of review' into the prospects and priorities for Australia's third sector? The commission would sketch out, and start to confront, the fundamental task of renewal and reform. It would confront its weaknesses and threats with the same vigour with which it would celebrate the strengths and achievements. It would dissect the underlying shifts in social and community attitudes and values. It would look bravely at the rise of new networks and the way in which people's instinct for association and engagement may be bypassing older forms and structures.

But most of all, it would demonstrate a sector seized of the need to confront its own redemption in the face of manifold and rapidly accumulating risks and opportunities. It would constitute the first step towards a solid and sustainable future.

Endnotes

- ¹ The pitfalls of church organisations accepting contracts from government are discussed in Samuel Gregg, 'Playing with Fire: Churches, Welfare Services and Government Contracts', *Issue Analysis* 14 (Sydney: The Centre for Independent Studies, 2000).
- ² M. Castells, *The Rise of the Network Society* (Cambridge: Blackwell, 1996).
- ³ M. Latham, *Civilising Global Capital* (Sydney: Allen and Unwin, 1998), p. 296.
- ⁴ 'Surplus and a Smile', *Society Guardian* (21 April 2004).

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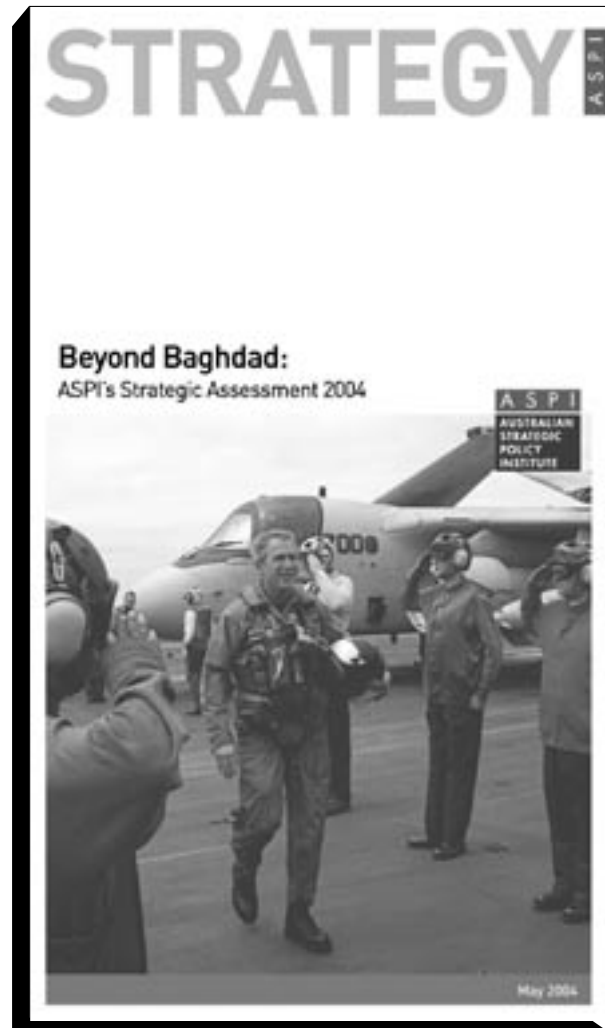
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