

IMPACT

CARING – AT WHAT COST?

Rebuilding and refinancing
the community and
voluntary sector


SEPTEMBER 2015



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The background of the page is an abstract graphic design. It features several overlapping, curved bands of color that sweep across the page from the top left towards the bottom right. The primary colors are various shades of blue, ranging from a deep navy blue to a bright, light blue. A single, prominent band of yellow is also present, curving through the lower half of the image. The overall effect is dynamic and modern, with a sense of movement and depth.

This report was prepared by Dr. Chris McInerney and Cian Finn of the Department of Politics and Public Administration at the University of Limerick. The authors acknowledge the contribution of those who completed surveys and made themselves available for interview.

CONTENTS

Table of figures	4
Preface	5
Introduction	6
PART 1: Conclusions and recommendations	7
PART 2: Funding community/voluntary organisations – what is Section 39?	11
PART 3: What the research tell us.....	16
PART 4: The broader context	32
Appendix 1: The changing world of public service provision – contracting out and the role of New Public Management.....	37
References	39



TABLE OF FIGURES

FIGURE 1: responses by category of organisation	16
FIGURE 2: main sources of funding	17
FIGURE 3: percentage funding.....	17
FIGURE 4: how much Section 39 funding received	18
FIGURE 5: funding timescales.....	18
FIGURE 6: changes to Section 39 funding	19
FIGURE 7: primary response to service cuts	20
FIGURE 8: alternatives pursued	21
FIGURE 9: changes in service delivery	23
FIGURE 10: how decisions are made about cuts	24
FIGURE 11: profile of employment	24
FIGURE 12: length of employment.....	25
FIGURE 13: education	25
FIGURE 14: changes in staffing levels	26
FIGURE 15: overall job satisfaction	26
FIGURE 16: change in job satisfaction.....	27
FIGURE 17: increase in workload.....	27
FIGURE 18: statement about changing job.....	28
FIGURE 19: number of volunteers.....	29
FIGURE 20: increase in the number of volunteers	29

PREFACE

This research was prompted by the experience within the IMPACT health & welfare division at the difficulties being faced by our members working in the community & voluntary sector throughout the economic crisis, and the continued stagnation and retrenchment of their terms and conditions in a recovering economic climate.

It is clear from the findings of this report that the funding structures and mechanisms for agencies which rely on 'Section 39' funding lack credibility and coherence and are out of date. Many of these essential services deal with the most vulnerable in our society, including those who are homeless, those in elder care, people with disabilities, young people from disadvantaged backgrounds, and those dealing with drug and addiction issues.

They are not, by any measure, 'ancillary' services as defined in the Health Act, and there is no legal or moral justification for them to continue to be funded in this manner.

At a time when modest pay improvements are being seen in the public sector and in a growing number of private sector employments, it is of critical importance that staff who have carried the burden of the very significant cuts to the community & voluntary sector (at a time of increased demand and workload) are not left behind.

In order to ensure the vital services provided by community & voluntary agencies in receipt of Section 39 funding can be maintained without affecting on the quality of service provision, and in order to ensure that staff can be attracted and retained to deliver these services, funding of these services must be restored and pay restoration for staff must commence.

We would like to take this opportunity to thank everyone who participated in the focus groups and qualitative interviews or who provided information as part of our research. Your time and input was much appreciated. Thanks in particular to Dr Chris McInerney of the University of Limerick who has done an excellent job in spearheading the research work, and also to his colleague Cian Finn.

We would also like to acknowledge the efforts of IMPACT organiser Joe O'Connor for his assistance in driving the initiative, co-ordinating arrangements with the research team and ensuring that the project was successfully completed.

We look forward to engaging with policy-makers, Government, the wider political system, key stakeholders and other trade unions on this issue in the coming weeks and months to work towards rebuilding and refinancing the community and voluntary sector.

Tony Martin
Cathaoirleach
IMPACT Health & Welfare Division

Louise O'Donnell
National Secretary
IMPACT Health & Welfare Division

INTRODUCTION

In recent years, successive Irish Governments have increasingly relied on community/voluntary sector organisations to deliver services and outcomes that matter to some of the most vulnerable individuals and communities in Ireland. However, the continued capacity of this sector to play a strong and progressive role in service delivery has been severely tested over the past eight years of recession. Sustained cutbacks in organisational funding have been accompanied by an increased demand for assistance from individuals and communities that find themselves under pressure as a result of the well documented social and economic crisis. Within these organisations employees are increasingly expected to do more, with less and for less. Frequently, personal motivation, commitment and energy makes the difference between continued provision or the reduction or discontinuation of services.

The purpose of this research is to examine the role of community/voluntary sector organisations and those who work within them in public service provision during the period of the recent economic and social crisis, though the research will suggest that many of the challenges confronting these organisations had their roots in pre-recession political and administrative decisions making. The research focuses on experiences of organisations, frequently described as 'Section 39' organisations. Section 39 refers to that part of the 2004 Health Act which provides funding for a service 'similar or ancillary to a service' that the HSE provides. In reality, it is more accurate to refer to these organisations as 'Section 39 funded organisations', as they rarely rely entirely on this one funding stream to carry out their activities. In 2014 almost 1900 organisations were supported by Section 39 funding, though within this there were substantial differences in levels of funding, service provision and employment.

Of course Ireland is not unique in experiencing economic crisis, nor is it unique in undertaking significant adjustments in the nature of public service delivery. Consequently, as well as reflecting on recent Irish research on the community/voluntary/non-profit sector, this research also reviews more recent international experience. In particular, the experiences recorded follow a much longer period of adjustment in the nature of how public services are delivered in Ireland and elsewhere which has seen the state withdraw from the direct delivery of many services in favour of private sector delivery or provision by the community/voluntary sector.

As well as reviewing Irish and international literature, the report presents data generated from a series of surveys and interviews with some of the larger organisations receiving Section 39 funding as well as a focus group and survey amongst members of IMPACT working in the health and welfare sector. The report is organised as follows:

In **part 1** the main conclusions and recommendations of the research are presented. This is followed in **part 2** by an introduction to Section 39 funding provision. Here, Section 39 is defined and is also distinguished from the not unrelated funding provided under Section 38 of the same act. The levels of funding provided under Section 39 are described as is the number and categories of organisations supported. Finally, the position of those employed within Section 39 organisations is addressed and is contrasted with the status accorded to employees funded under Section 38.

Part 3 of the report presents the findings from the research, focusing on financial issues; impacts on service delivery; impacts on those who deliver services and, lastly, on some issues about relations between community/voluntary organisations and the state.

Finally, **part 4** provides some context for the discussion of the role of community/voluntary sector organisations in service provision. It reviews broader discussions on the role of the sector and its equivalents in Ireland, north and south, as well as further afield in the UK, Canada and Australia.

PART 1

Conclusions and recommendations

This report examines the broader context for funding for community/voluntary organisations and presents the details of the research undertaken with organisations funded under Section 39 and with IMPACT members employed in the health and welfare sector. In this part of the report, 20 immediate conclusions, arising from the research are presented along with a number of targeted recommendations. The conclusions and recommendations are informed by an examination of the historical origins of Section 39 funding presented in part 2 and by the detailed research findings described in part 3. They address some immediate realities; the broader funding and operational environment and some issues of relationships between the community/voluntary sector and the state.

Immediate realities

There have been a number of direct and immediate realities for Section 39 funded organisations and those who work within them.

1. Despite a sustained period of funding cuts community/voluntary sector organisations have continued to provide essential services at a highly professional level. In fact, as this research demonstrates, they have actually increased the level of service delivery, albeit with concerns about the ability to keep doing so and maintain quality. Crucially, they have done so at a time when demand for their services, in no small part due to the recession, has increased and intensified. While these cuts may be coming to an end, there is no guarantee that funding will be restored to the level needed to meet on-going demands.
2. It has to be remembered that these organisations are providing vital services to citizens who otherwise would not receive that service. Moreover, the services are not 'ancillary' or similar to HSE services, they are provided in place of state services, on behalf of the state. As such, funding is not provided as a 'favour' to the receiving organisation, it is provided to meet the needs of citizens.
3. It is incontrovertible staff have carried the burden of maintaining service delivery over a sustained period of time. They have experienced wages cuts and wage freezes. Some have experienced cuts in hours worked, others have had to take on extra work for the same or reduced pay while many have had to take unpaid leave. This is despite having started off on relatively poorer terms and conditions, including shorter holidays and lower mileage rates, by comparison with their colleagues in the public sector, and indeed, colleagues in comparable Section 38 funded organisations.
4. This research also shows that those who work in this sector are a highly educated cohort who bring a strong level of personal commitment and conviction to their jobs. However, dedicated as they may be, the research also suggests that as the economy recovers and as pay and conditions are restored in the public sector and other comparable non-profit organisations, the pressure and moral obligation to look to the needs of those in Section 39 funded organisations increases. Indeed, if this is not addressed there is concern that organisations will find it difficult to retain staff.
5. The research also concludes that as a result of the cuts in funding, some organisations have become more streamlined and have reduced operating costs. Virtually all of the organisations have pursued rent reductions, utility savings, technology enhanced services, to name but a few. However, indications are that the limit to such savings has been reached.
6. Alongside cuts in state funding supports, virtually all organisations have experienced severe pressures on direct fund raising. This is in part due to the impact of the recession, to the over use of some fund raising routes, especially retail outlets, but is also as a result of the negative publicity surrounding a small number of registered charities.
7. Many organisations report actual and planned collaboration with related organisations. However none report full mergers or plans for merger. Moreover, they question the somewhat simplistic and naïve commentary about collaboration and point to the funder led culture of competitiveness that ultimately undermines collaboration and co-operation.

Recommendations

To address these immediate realities, a number of recommendations are made:

- Levels of funding for organisations currently funded under Section 39 should be gradually restored to enable sustainable delivery of services and to ensure that staff are not lost from community/voluntary sector organisations. Organisations cannot continue to do more with less, without a knock on impact on services and the staff to deliver them
- A priority for increased funding must be a restoration of pay and conditions for staff in Section 39 organisations – without additional productivity demands. As is evident in this report, staff in Section 39 organisations played their part in maintaining and increasing services for vulnerable people while at the same time worked longer and for less pay. This contribution needs to be recognised
- Staff in Section 39 funded organisations should progress onto scales comparable with public service and Section 38 funded counterparts. To ensure consistency, the same principle should apply across all state funding sources
- In some cases, in order to address evident disparities between organisations of comparable size and function, re-designation as Section 38 funded organisations may be relevant in the short term for organisations with service level agreements and annual funding of at least €250,000
- Ultimately however, Section 39 should be replaced with group and sector specific funding mechanisms as described in the recommendations below on the broader funding and operational environment
- Where closer collaboration and/or mergers between similar community/voluntary sector organisations is an option and where it can be shown that it will save resources, the state should provide a funding mechanism to facilitate such collaboration or mergers. However, these should be voluntary and based on evidence that collaboration will produce both value for money and outcomes that are of public value.

The broader funding and operational environment

8. Beyond the immediate realities of dealing with a harsh funding environment, this research has highlighted that the broader operational environment, including the actual funding mechanism under examination, Section 39 of the 2004 Health Act, is in itself an inappropriate vehicle to enable sustainable funding of vital public services.
9. Section 39 is a carry-over from the 1953 Health Act and its articulation has changed little since its initial writing. However, this and indeed other research shows that it is ill suited to the realities of community/voluntary sector organisations in 2015. In particular, continued description of the services provided by many Section 39 funded organisations as ‘ancillary’ diminishes both the users of those services and the organisations that provide them.
10. At present, Section 39 funds almost 1900 organisations, of various shapes, sizes and interests. However, the mechanism shows itself to be fragmented and devoid of any unifying rationale.
11. Moreover, cuts have been experienced differentially within funding organisations. For some they have been very extreme, for others, less so. There appears to be a worrying level of inconsistency in administrative procedures and decision making processes across sectors and regions and between different health offices. For example, in one region, expenditure on pensions is allowed, in another it isn't. Inconsistency breeds lack of confidence in the mechanism and the absence of confidence was evident amongst those contributing to this research.
12. Section 39 also demonstrates a continued heavy reliance on annualised as opposed to multi annual funding, the latter being necessary to enable organisations to efficiently plan and implement and to ensure that staff can feel secure in their employment.
13. More significantly however, Section 39 exists alongside Section 38 of the 2004 Health Act, also designed to fund non statutory bodies. On paper, the two are difficult to distinguish. In practice, they often fund organisations of comparable size and function and the reasons why some organisations are funded under Section 38 and others under Section 39 are not clear or transparent, even to some HSE officials.
14. Perhaps even more significantly though, in the context of this research, staff in Section 38 organisations are treated as public servants (and counted as such) whereas staff in Section 39 funded organisations are not. As a result, those in Section 38 funded organisations enjoy the full benefits of public service employment, including imminent restoration of at least some element of pay and other conditions.

15. Questions also arise about the suitability of the HSE as a location to situate a funding stream for key non acute services, some of which can only fit within a very broadly defined understanding of health. Such funding may find itself squeezed by the high profile and ever expanding demands of acute provision.
16. Finally, though not only an issue for Section 39 funding, this research has demonstrated that organisations face an increasingly complex funding and governance environment, dealing with multiple funding sources as well as multiple and diverse accountability demands. However, simultaneously, funders seek to prioritise support for frontline service outputs while failing to recognise the necessity to resource high quality, back office supports.

Recommendations

To address these issues a number of recommendations are offered:

- Community/voluntary organisations, especially those funded under Section 39, cannot be used as a lower cost alternative of delivering public services, relying on continuing high levels of staff motivation and commitment and an increasing reliance on volunteers. To address this concern a longer term, sustainable model of funding needs to be developed. Key elements of this include:
 - Shock proofing – to ensure that levels of funding do not fluctuate at unreasonable rates
 - Multi annual funding – to enable meaningful strategic planning and employee security
 - Provision for funding for core operations as well as service delivery – so as to meet expanding governance requirements
 - National level funding for national organisations – to enable economies of scale and to eliminate unnecessary administration
 - Consideration, in instances of funding from multiple government sources, of a single funding channel – to avoid organisations having to deal with multiple, competing and sometimes contradictory reporting and governance demands
 - Ensuring full cost recovery – so that organisations are paid the full cost of the service delivered
 - Consideration of the best location for on-going funding of community/voluntary organisations involved in service delivery – possible relocation away from the HSE to the Department of Health and/or other lead departments may be a more effective way to strengthen policy linkages
 - Creating and funding an outcomes oriented evaluation framework and evaluation capacity – so as to move away from a more narrow focus on counting inputs.
- Ultimately however, the shape of a new stream should result from a facilitated, deliberative process comprising Section 39 funded organisations, relevant trade unions and state bodies. This process should be guided more by an accountability regime based on achieving best outcomes for service users and less by more narrow, technical and financially based accountability, though clearly the latter does have a role
- Finally, where contracting out and competitive tendering continues to be a vehicle for the provision of services by community/voluntary organisations, more detailed considerations of best practice in commissioning and contracting approaches needs to be undertaken. In this regard the principles and critiques of the UK ‘intelligent commissioning’ process should be explored¹.

Issues of state-civil society relations

The broader environment facing community/voluntary organisations and their relationship with the state also needs to be considered.

17. The increased and some would say ideologically oriented drive towards contracting out has the potential to undermine the broader, democratic functions of community/voluntary organisations in Ireland. Given their community base, Section 39 funded organisations, in particular, occupy a dual role, providing a vehicle for voice, citizen engagement and the nurturing of social capital, alongside their role as partners with the state in the design and delivery of essential public services.

¹ See https://thcvs.org.uk/sites/default/files/Really-intelligent-commissioning_2_0.pdf for a comprehensive description and critique of ‘Intelligent Commissioning’.

18. However, the system of public administration, in Ireland and elsewhere, frequently finds this dual role approach difficult to deal with. Instead, the default position seems to be to resort to a bureaucratic, technocratic, output based approach rather than combining this with an appreciation of the need for a parallel democratic, outcomes oriented approach, including a stronger respect for the value of robust advocacy.
19. The essence of the neoliberal New Public Management approach fosters this default position and has been inadequately informed by other competing public value approaches.
20. Some of these issues were addressed in the 2000 White Paper on Voluntary Activity. However, this exercise was led by civil servants and despite producing a challenging framework, it struggled to gain wider political and administrative traction.

Recommendations

To address these issues a number of recommendations are offered:

- Relationships between the state and community/voluntary organisations that play a dual role need to be recast and reconsidered and government departments and agencies should be facilitated to develop a greater appreciation of it. The development of bespoke training programmes for public servants and the creation of frontline placement opportunities within community/voluntary organisations are some of the ways to facilitate this
- Engagement between the state and civil society (including the community/voluntary sector) is fundamentally a democratic process. There is a strong argument to be made for the creation of a new Dáil committee on state-civil society relations, to enable dialogue and engagement that goes beyond the types of financial/governance accountability pursued in existing committees.

PART 2

Funding community/voluntary organisations – what is Section 39?

This section of the report provides an outline of Section 39 of the 2004 Health Act. It describes the historical origins of Section 39 and clarifies how it relates to a similar provision in the same act, Section 38. However, it shows that while the distinction between the two sections on paper isn't immediately obvious, in practice they are very different and have considerable implications for organisations and those who work within them.

Understanding Section 39

Section 39 of the 2004 Health Act titled, 'Assistance for certain bodies' directs that:

'(1) The Executive may, subject to any directions given by the Minister under section 10 and on such terms and conditions as it sees fit to impose, give assistance to any person or body that provides or proposes to provide a service similar or ancillary to a service that the Executive may provide.'

In this regard, the section is almost a direct replica of Section 65 of the Health Act 1953². A statutory role for voluntary organisations in the provision of health services in Ireland was first set down in Section 65 of the 1953 act which stated:

65. – (1) A health authority may, with the approval of the Minister, give assistance in any one or more of the following ways to any body which provides or proposes to provide a service similar or ancillary to a service which the health authority may provide:

Section 65 of the 1953 Health Act served as the primary conduit through which the relationship between health boards and voluntary organisations functioned (Donoghue and Larragy 2010). It enabled health authorities to provide assistance to an organisation providing health services or ancillary services subject to the approval of the Minister for Health, either through providing facilities or direct financial assistance. It has, however, been widely criticised. In practice Section 65 introduced an informal system in which voluntary organisations executed functions statutorily conferred on health authorities. Attention has been drawn to the lack of a definition of what the terms 'similar' or 'ancillary to' mean. The absence of a definition of Section 65 (and subsequently in the 2004 Act), it is argued, means there was no formal relationship established between health boards and voluntary organisations in legislation. Instead the relationship was built on needs as set down in health policy (Donoghue 2002, Donoghue and Larragy 2010).

In practice, the 1953 Act was subject to diverse interpretation by various health boards and lacked specific criteria for organisations applying for and in receipt of funding. Section 65 was notable for a lack of specific regulation concerning the provision of services. For example, the act included no requirements for the supervision of services by health authorities or a system of formal contract for service delivery³. A study conducted in 2002 into the relationship between the former Eastern Regional Health Board and voluntary organisations it funded under Section 65 noted an absence of formal reporting procedures, other than the submission of audited annual accounts. The relationship between the Board and voluntary organisations was summed up by one board member who stated '[t]he Board motto is you may do what you want, but we will only fund you to do what we want' (Donoghue 2002). In reality, funding for voluntary organisations under Section 65 was discretionary with no established criteria or guidelines. Funding provided annual grants only and many voluntary organisations had difficulty in engaging in medium term planning and budgeting (Donoghue and Larragy 2010). In addition, the level of funding provided varied significantly and voluntary organisations had to balance overall funding with public and private contributions (Curry 2005).

This brief journey into the ancestry of Section 39 illustrates that the provisions that exist to fund service delivery through community/voluntary organisations today have their roots in earlier legislation, conceived at a time when the number and nature of civil society organisations was very different and when the level of non-state provision of services was conceived very differently. It also demonstrates that current concerns about the lack of consistent application of Section 39 funding simply reflects and maintains past practice.

2 Health Act 1953 <http://www.irishstatutebook.ie/1953/en/act/pub/0026/index.html>

3 As identified by the 'Report on the Human Rights Issues Arising from the Operation of a Residential and Day Care Centre for Persons with a Severe to Profound Intellectual Disability' conducted by the Irish Human Rights Commission in 2010,

Comparing and contrasting

Provision for the funding of non-statutory bodies is also made in Section 38 of the 2004 Health Act. For clarity, Section 38 states that:

'(1) The Executive may, subject to its available resources and any directions issued by the Minister under *section 10*, enter, on such terms and conditions as it considers appropriate, into an arrangement with a person for the provision of a health or personal social service by that person on behalf of the Executive.'

The origins of Section 38 can again be traced historically to Section 26 of the Health Act, 1970 which in turn had repealed Section 10 of the Health Act 1953. The 1970 act states:

26.—(1) A health board may, in accordance with such conditions (which may include provision for super-annuation) as may be specified by the Minister, make and carry out an arrangement with a person or body to provide services under the Health Acts, 1947 to 1970, for persons eligible for such services.

In reality, when they are placed side by side the distinction between the two seems vague:

Section 39

'(1) The Executive may, subject to any directions given by the Minister under section 10 and on such terms and conditions as it sees fit to impose, give assistance to any person or body that provides or proposes to provide a service similar or ancillary to a service that the Executive may provide.'

Section 38

The Executive may, subject to its available resources and any directions issued by the Minister under section 10, enter, on such terms and conditions as it considers appropriate, into an arrangement with a person for the provision of a health or personal social service by that person on behalf of the Executive.

In a briefing document provided to the Secretary General of the Department of Public Expenditure and Reform, Mr. Robert Watt, prior to his appearance at the Public Accounts Committee (PAC) in April 2014, the following distinction was drawn:

'Section 38 arrangements involve organisations that are funded to provide a defined level of service on behalf of the HSE, while under Section 39, the HSE grant-aids a wide range of organisations, to a greater or lesser extent'⁴.

So, while distinctions are drawn, an objective assessment of the legislation and its intention would have to conclude that such distinctions seem, on paper at any rate, somewhat spurious.

Managing Section 39 funding

According to the available information supplied by the HSE for this report a total of 1873 organisations were supported under Section 39. Within Section 39 provision the HSE divides organisations in receipt of funding above €250,000 into a series of 'care groups' namely: disability; older persons; mental health; social inclusion; drug task force; palliative care chronic illness; primary care and health/wellbeing. However, while it did supply a list of the organisations funded, it was not in a position to produce a list of organisations funded under each category. Consequently, in table 2 below we have made an effort to break down the numbers of groups supported, using categories that relate to the work undertaken by the organisations, as opposed to the more general HSE categories.

While the legislation may not communicate a significant distinction between Section 38 and Section 39 organisations, there is a clear distinction between the two sections in terms of the levels of funding allocated as illustrated in table 1. Section 38 mainly funds between 40 and 50 bodies 'in the acute hospital and disability sectors' whereas section 39 funds a wide range of organisations, across a variety of sector, some small, others very large.

4 <http://www.per.gov.ie/public-accounts-committee-2014/>

TABLE 1: Breakdown in the numbers of organisations funded through Section 39

Category	Numbers of groups supported	%
Older adults	399	21.3%
Mental health	70	3.7%
Youth	47	2.5%
Community	320	17.1%
Addiction	52	2.8%
Condition/issue specific	131	7.0%
Family	57	3.0%
Carers	28	1.5%
School/education/training	27	1.4%
Social services	137	7.3%
Meals on wheels	47	2.5%
Disability	95	5.1%
Children/childcare	84	4.5%
Housing/homelessness	57	3.0%
Day care	131	7.0%
Focus on women	28	1.5%
Focus on men	19	1.0%
Sports	21	1.1%
Home help	31	1.7%
Local development partnerships	33	1.8%
Miscellaneous	59	3.2%
Total	1873	100.0%

TABLE 2: Funding provided by Section 38 and Section 39 to non-profit organisations
(Source: HSE, August 2015)

SECTION 38			SECTION 39		
Year	€	Numbers of funded organisations	Year	€	Numbers of funded organisations
2009	2,911,155,597	42	2009	687,193,904	2276
2010	2,630,365,135	43	2010	696,868,481	2373
2011	2,531,382,370	41	2011	726,922,750	2353
2012	2,413,080,672	41	2012	674,211,511	2176
2013	2,461,261,090	43	2013	685,879,172	2114
2014	2,544,806,651	43	2014	677,601,686	1928 ⁶
2015 ⁵	2,222,934,069	45	2015 ²	538,537,508	1908

5 The number of organisations funded under Section 39 fell in 2014 as some were placed under the remit of the new Child and Family Agency, TúsIa.

6 The figures for 2015 are partial as not all funding has been recorded at the point of the year.

Introducing service level agreements

In the 1990s service level agreements came to be regarded as an effective instrument in state/voluntary relations by health boards and members of voluntary organisations. Service level agreements, it was thought, could provide clarity of the purpose of funding as well as provide a more formal structure in the relationship between funder and organisations in receipt of funding (Donoghue 2002). However, in 2009 and largely in response to continued issues with accountability and clarity of the nature of services provided, the HSE in consultation with community/voluntary organisations developed a new governance framework. The framework sought to formalise the relationship with non-statutory providers and is comprised of three strands: the Section 38 service arrangement, the Section 39 service arrangement and the Section 39 grant aid arrangement (for service providers that receive under €250,000 funding from the HSE).

In relation to Section 39 funded organisations then, a distinction is drawn between organisations operating 'service arrangements' and receiving funding of over €250,000, of which there were 366 in 2013. According to the 2013 HSE Annual Report 'Each Service Arrangement', reflects the complexity of the services provided and includes corporate and clinical governance requirements, quality standards and codes of practice for services and financial controls.

The remaining organisations, with funding below €250,000, were covered by grant aid agreements. Again, according to the 2013 annual report, the grant aid agreement, 'while a simpler governance control, sets out minimum standards, such as the requirement for a written constitutional document, separate bank account, financial management and tax compliance, which is compulsory for all'.

While the nature of Section 39 funded organisations receiving 'grant aid' below €250,000 is clearly quite different from Section 38 funded organisations, it is not always easy to draw the same distinctions between organisations with Section 39 'service arrangements' and those with Section 38 funding, leading to inevitable questions as to whether the distinction should be addressed. This clearly exercised the mind of HSE Director, Tony O'Brien, during his presentation to the PAC hearing in February 2014 when he commented that:

'In a situation where a funding arrangement under Section 39 was reclassified as coming under Section 38 the cost to the State of providing that service would likely increase in a material sense in the immediate and long term due to increased public sector numbers, pay rates and pension costs as well as a loss on the current flexibility around development and reorganisation of services. No such reclassification has taken place in recent years⁷.

This would suggest that maintaining the distinction is more a function of finance rather than reflecting a difference in the actual services delivered. It also seems to suggest a desire to hold on to 'flexibility' by not entering into more long term or fixed arrangement with certain types of service providing organisations.

Relative status of employees in Section 38 and Section 39 funded organisations

As well as the differences in the relative levels of funding provided, the treatment of employees in Section 38 and Section 39 organisations is another notable distinction. And while it is not provided for in the 2004 Act or in any related statutory instrument, the briefing to the Joint Committee on Health and Children confirmed that:

'The employees of agencies that are funded under Section 38 of the Health Act 2004 are classified as public servants. They are subject to the standard salary scales for the health sector as well as having access, in the main, to a public service pension scheme. The employees are included in public service employment numbers.'

By contrast,

'The employees of agencies that receive grant-aid from the HSE under Section 39 are not public servants and are not specifically subject to the pay scales approved for public Servants. The employees of such organisations are not included in public service employment numbers.'

Consequently, employees of Section 39 agencies are not included in the HSE's employment control ceiling, are not bound by the Department of Health consolidated salary scales or members of a public sector pension scheme, whether they operate under a service level agreement or a grant aid agreement. A Value For Money (VFM) report entitled 'Value for Money and Policy Review of Disability Services in Ireland' carried out by the Department of Health in 2012, suggests that the value of this is that it provides Section 39 agencies with freedom to exercise greater flexibility in respect of staff recruitment, deployment, pay and conditions (Department of Health, 2012). Within this of course is the potential to foster a culture of insecure and more precarious employment conditions and provision of services at a lower cost than were the state or a Section 38 funded organisation to take responsibility for delivery.

7 ibid

Despite not being classified as public servants, CEOs in Section 39 funded organisations have received correspondence from the HSE 'outlining health sector pay policy and requesting each to have due regard to public pay policy, in particular in respect of senior management'. To fully understand the position of employees within Section 38 and Section 39 funded organisations, it is worth quoting Barry O'Brien, former HSE National Director of Human Resources, at the July 2014 session of the Joint Committee on Health and Children:

*A question was asked about pay for other general workers. When we engage with Section 39 agencies on budgetary allocations and the annual service plans, we take the approach that **while these are not public servants or members of public service pension arrangements, they should apply the terms of the public service agreement, initially the Croke Park agreement but now the Haddington Road agreement**. We have asked all the Section 39 agencies to ensure the nurse they employ works the additional hour and a half that all the nurses in Section 38 agencies and the statutory sector work to provide the same value for money⁸.*

So, despite not being considered as public servants and despite not being entitled to the same terms and conditions as public servants (including pension entitlements), staff in organisations in receipt of Section 39 funding were expected to adhere to the cuts required in public sector and Section 38 funded bodies.

Mr. O'Brien continued:

*Therefore, our approach is that there is capacity to achieve savings out of the pay bill, without any impact on service delivery or overall quality of service. We have taken a consistent, even-handed approach with all the Section 39 agencies in seeking this. **We have made it very clear that we do not see it as the first port of call that there must be a service reduction to deliver the required cash saving, when there is the exact same capacity as the Section 38 agencies to achieve it under the Haddington Road agreement provisions.***

Thus, it is inevitable that managing cuts in funding was to be through changes in the terms and conditions of staff, not through service reductions. Asked by the Committee Chair, Gerry Buttimer, TD, as to how Section 39 funded organisations reacted to this Mr. O'Brien stated:

*There has been very strong engagement by the disability sector and by the other Section 39 agencies and those caring for older persons. There is a real sense of engagement on our part through the national directors with the Section 39 agencies and there is an awareness of the issues. **As I always put it, if the public servants got a pay rise, the Section 39 agencies would equally expect a pay rise. Our view is that where there is a requirement for public servants to make a commitment to manage the pay policy, Section 39 agencies, which receive a significant grant, should be part of that.***

These issues strongly exercised the minds of those attending a meeting of The Wheel's "HSE Section-39 funded Network of Interest" in January 2014 where, amongst other things, concern was expressed about 'further encroachment by the HSE into independent operational decision-making by Section 39 funded organisations', (The Wheel 2014). However, the above HSE statement would now seem to provide the basis of a legitimate expectation that as public sector terms and conditions improve, so too the terms and conditions of those employed in Section 39 funded organisation should expect to improve.

Conclusion

It is clear that the funding of organisations through Section 39 is firmly rooted in earlier legislation that is ill suited to contemporary realities. Moreover, it exists alongside Section 38 funding, though the basis for distinguishing between the two is legislatively vague. In practice, Section 38 organisations receive the bulk of state support for non-statutory organisations under the 2004 Act and their staff enjoy preferential terms and conditions by comparison with colleagues in Section 39 funded bodies.

PART 3

What the research tell us

This section of the report presents the detailed research findings and looks at the financing of community/voluntary organisations to provide services; at the impact of cuts on service delivery and at the impact of cuts on those who deliver services. It also explores some issues about the nature of engagement between community/voluntary sector organisations and the state within the context of Section 39 funding.

Introduction

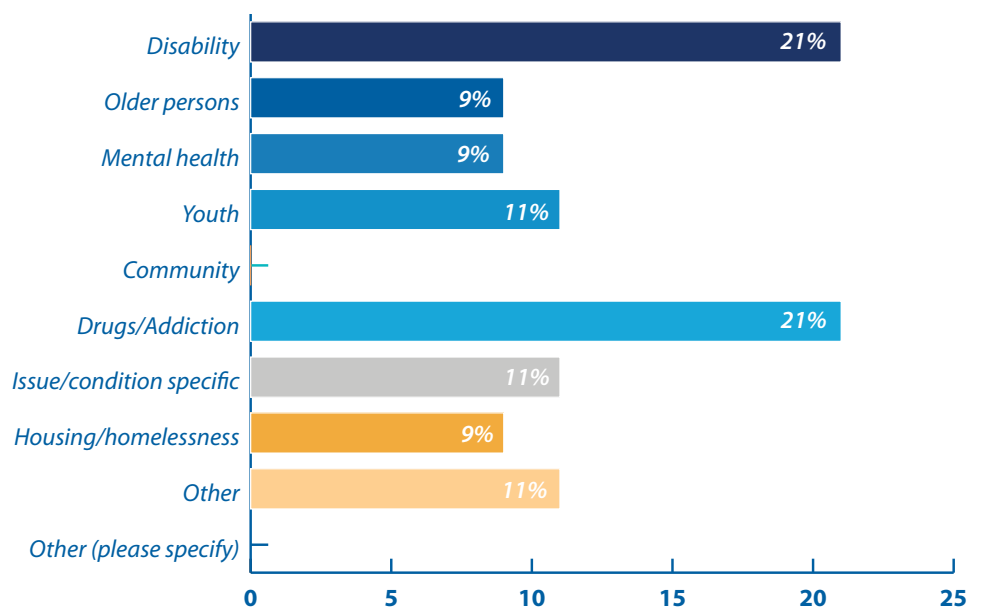
As described in the introduction, the motivation for this research arose from parallel concerns about the effect of sustained funding cuts on the provision of services to some of the most vulnerable people in Irish society and about the deterioration in the terms and conditions of workers in the organisations that provide those services on behalf of the state, particularly those organisations supported under Section 39 of the 2004 Health Act.

This research investigated these issues by:

- i. Undertaking an online survey amongst a sample of Section 39 funded organisations that employed at least 10-15 staff⁹.
- ii. Carrying out interviews with senior staff in ten organisations drawn from this sample¹⁰.
- iii. Conducting a second online survey amongst members of IMPACT working within the health and welfare sector, though not exclusively within Section 39 funded organisations¹¹. A focus group with IMPACT members was also held and was attended by 15 people.

The breakdown by sector of respondents to the organisational survey is set out in Figure 1 below. The highest level of response came from organisations that categorised themselves as dealing with disability and those with drugs/addiction issues.

FIGURE 1:
responses by
category of
organisation



⁹ The online survey of Section 39 funded organisations was sent to 154 CEOs or other senior personnel. We received communication from five organisations to indicate that the survey was not relevant to their particular organisations due to the incidental nature of the funding provided. From the remaining 149 organisations, 56 undertook the online survey. However, nine of these were excluded as they were not sufficiently completed, leaving a response level of 47 i.e. 31.5%.

¹⁰ Requests for interviews were issued to 16 organisations from across the different categories and a total of 10 interviews were conducted.

¹¹ This online survey was sent via IMPACT to approximately 800 people. 188 responses were received i.e. a response rate of 23.5%. Of those who responded, the largest group (23%) work in organisations focused on disability issues, 16 per cent focused on addiction/drugs services. A further 16 per cent of respondents are employed in housing or homelessness orientated organisations.

The findings from this research are presented in the sections that follow, under four core headings:

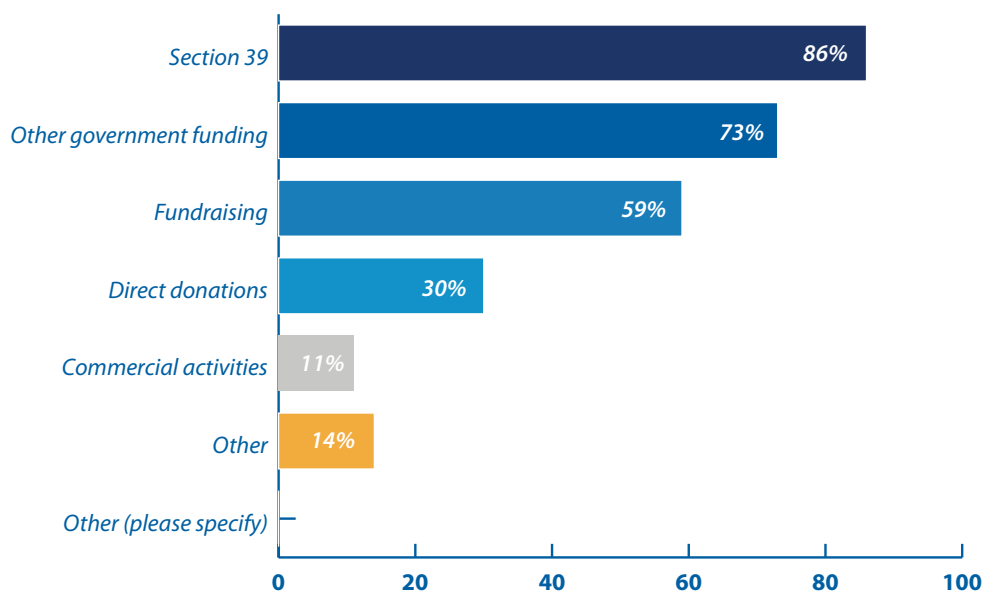
- Financing the delivery of services, including future funding options
- The impact of cuts on service delivery
- The impact of cuts on those who deliver services
- Engagement between community/voluntary sector organisations and the state.

Financing the delivery of services

Over the last number of years substantial challenges have confronted community/voluntary sector organisations involved in the provision of services on behalf of and funded by the state, many of whom rely heavily on a combination of state funding (Section 39 and others) and direct fund raising.

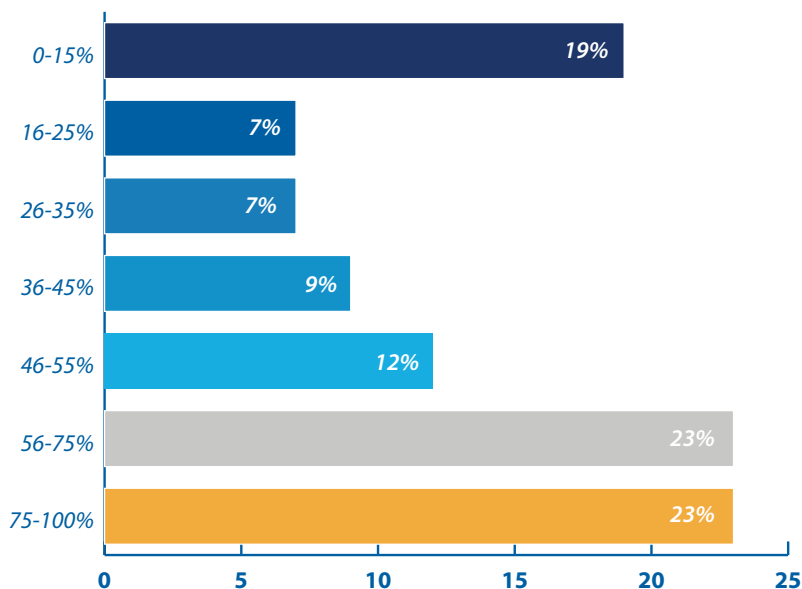
When asked to identify their main sources of funding the responses clearly indicate a strong reliance on Section 39 funding, alongside other government funding, fund raising and to a lesser extent direct donations and commercial activities. For a small number of organisations, revenue from private health insurance and family payments also makes a contribution.

FIGURE 2:
main sources
of funding



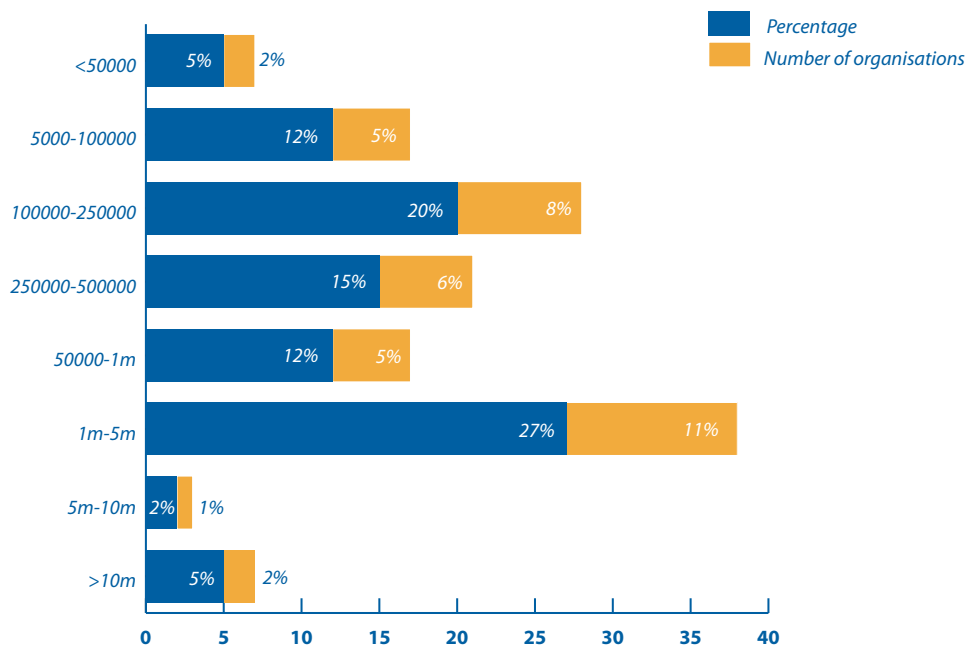
Drilling down further into this, almost 60% of organisations identified Section 39 funding as their primary source of income. Indeed for almost one quarter of the organisations surveyed it represents between 75-100% of their total revenue and for another quarter, between half and three quarters of total income. For only 25% of organisations did Section 39 funding represent less than one quarter of overall organisational income.

FIGURE 3:
percentage
funding



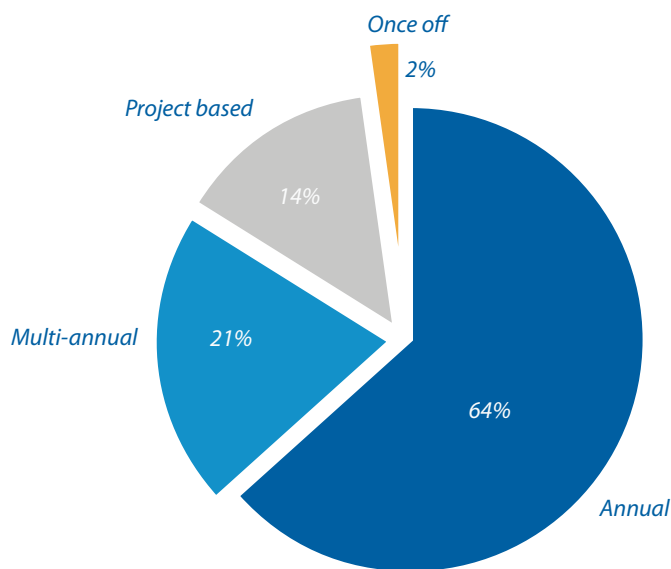
In monetary terms the level of funding varied considerably. Almost two thirds of respondents received over the €250,000 funding mark that generates a more extensive service level agreement with the HSE and associated accountability requirements, as discussed in part 2. More than one third of the organisations surveyed received in excess of €1m per annum.

FIGURE 4:
how much
Section 39
funding
received



The duration of funding support emerged as a significant issue more than 15 years ago in the 2000 White Paper on Voluntary Activity. This is clearly an on-going concern. For almost two thirds of the surveyed organisations, Section 39 funding is provided on an annual basis, with only 20% of organisations receiving multi annual funding.

FIGURE 5:
funding
timescales



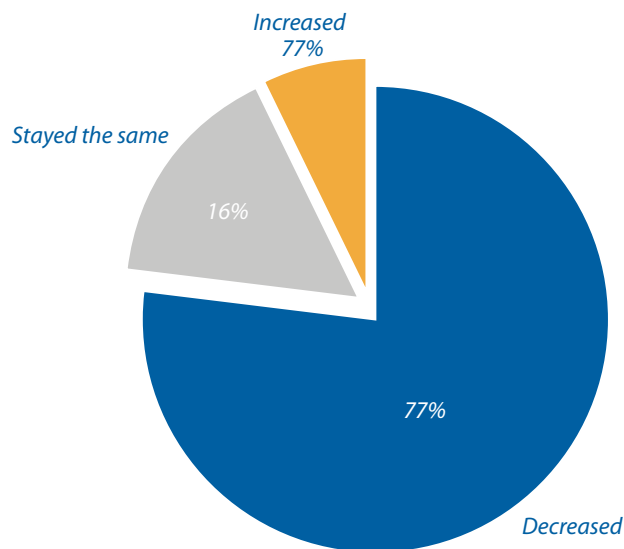
This inevitably inhibits planning and potentially creates uncertainty for staff. Speaking about how government departments and agencies operate, one CEO commented:

"They cannot look beyond the next budget, that's the reality of it and you can't blame the state bodies, it's the political system that we deal within here the moment. But is it right? No, it's a lousy way to plan anything".

Reductions in funding

Given the overall deterioration in exchequer financing it is no surprise that the vast majority of the organisations surveyed, over 77%, experienced a reduction in the level of Section 39 funding, despite clear evidence that the demand on their service has increased. Organisations are doing more, for less and with less, though there seems to be little consistency in the level of reductions with organisations reporting cuts of between 2% and 25%.

FIGURE 6:
changes to
Section 39
funding



A number of interviewees commented on these cuts and on the variations within and across sectors and within and across HSE regions:

“Since 2008 we have lost 1/5 to 1/4 of our budget. We were told it was being cut. There was no discussion, debate, no kind of we would like you to cut on this, to save this... basically it was just left to us. So in one sense we were being cut and in another sense it was entirely up to us what we did and how we applied the funds but we were still expected to provide the frontline service as it was and there was expectation of providing more for the money we were getting”.

For other organisations however, the cuts experienced were less drastic.

“In other regions they have drastically cut the money but they have tried to maintain our level of funding in our region... I think it's because we work closely with them. There is an administrator that works closely with the manager and he brings us together four times a year and we sit down for a morning and talk about how things are going and what results are being achieved”.

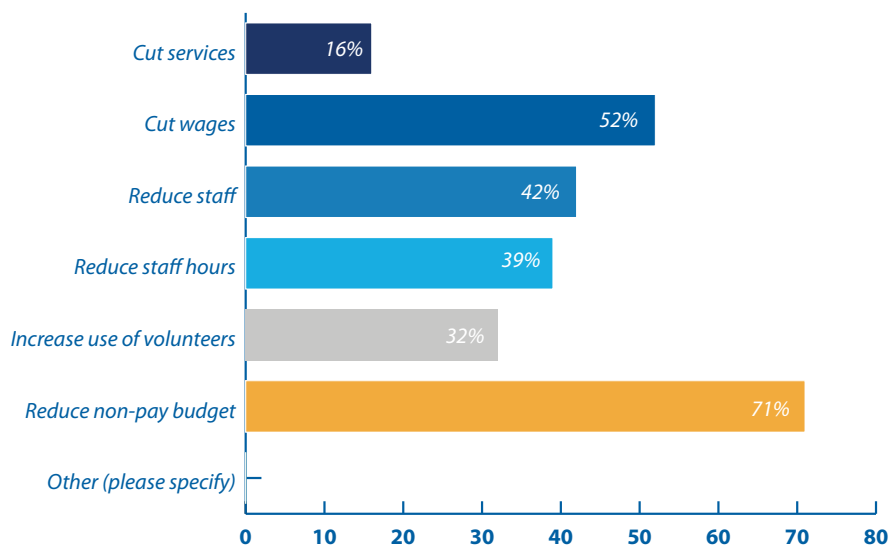
Beyond the immediately visible cuts in funding it was also suggested by another CEO that hidden cuts have been deployed, mainly in the form of delayed payments:

“Cutbacks are one thing but trying to get money physically out of them is another. This is one of the other cutbacks. Everybody says they are paying you, nobody is saying the payment terms have changed in any shape or form. But certainly if you talk to any of the organisations dealing with the [funder] they will tell you that it is more significantly difficult to get paid”.

Dealing with funding cuts

All organisations have had to develop strategies to deal with funding cuts. However, the primary responses of the majority of organisations have been to attempt to cut non pay costs (71%) and to cut wages (52%).

FIGURE 7:
primary
response to
service cuts



In addition, organisations have had to resort to cutting staff numbers and reducing hours, options that of course carry particular consequences for staff:

"It has been hugely stressful for staff [...] They have been magnificent. They have shown a corporate citizenship which is unbelievable. I am absolutely in awe of the sacrifices they have made to keep the show on the road".

This type of commentary was repeated in virtually every interview undertaken:

"... in some ways we have done more with less but it has been at a price and that is not sustainable and it is not fair to the staff or the clients. The staff can do it for a while but then you cannot work like that all the time".

Another commented:

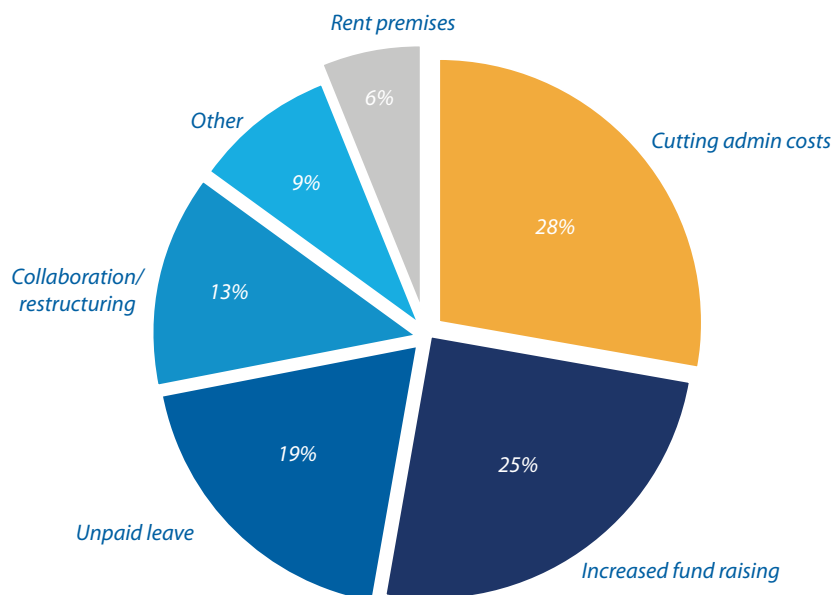
"... there are only so many times you can change peoples' job description or give them a sense of worth by putting senior on their title. People need money to pay bills and that is just not there".

It is clear from almost all of those interviewed that the efforts to impose Haddington Road cuts within organisations funded through Section 39 cuts was highly problematic, not least because most staff in community/voluntary organisations were not on the same starting point as counterparts in the public service or, indeed, in Section 38 funded organisations. This was seen by one manager as a bureaucratic decision that showed little understanding of the reality facing many organisations:

"We never have pensions that are in the public service. We never had holidays they had in the public service; we didn't have the conditions to start with".

As well as changing the terms and conditions of staff, all organisations surveyed and interviewed did try to mitigate the impact of funding cuts in others ways.

FIGURE 8:
alternatives
pursued



Efforts to cut administration costs (28%) and to increase fund raising (25%) were the primary avenues pursued. As one organisation commented in the survey ‘we will always try to cut non staff costs before services and staff (in the majority of C/V sector organisations ‘staff’ are ‘services’)’. It is noticeable too that a number of organisations have considered restructuring, including closer collaboration with similar organisations.

In terms of reducing administration costs it is worth noting the comment of another survey respondent who suggested that:

“Vital administration services are constantly being undervalued when it comes to funding. Charitable organisations are facing more and more ‘red tape’ or paperwork from regulatory bodies, new laws and politics and new quality standards. But the governmental bodies don’t seem to want to fund the administration or aid that can help charitable organisations provide their services in the most cost effective and efficient manner”.

Collaboration and restructuring

The issue of collaboration and restructuring has been raised in political and media commentary on the number and nature of charities in Ireland. This is examined further in the contextual discussion in part 4. While this research encountered a willingness to collaborate and even consider merger as a response to a more challenging funding environment (Organisation D; Organisation E; Organisation F) taking this final step does not seem to have proved possible in practice. One reason offered for this is a fear of losing identity and profile:

“It is fear, fear of losing funding, fear of losing control, fear of being taken over in some way. So instead of people looking at this and saying what is our purpose and how can we get to that purpose quicker, can we do it quicker with someone else, I think there is a bit of hanging on to their identity and their culture as an organisation in some way because most organisations are set up by passionate individuals”.

Another response questioned the rationale behind collaboration and suggested that the objectives of greater collaboration and mergers are not helped by the culture of competition that has been created by a state led emphasis on competitive tendering:

“The other part of it is that a competitive mentality is encouraged by the funders that are out there. It makes it much harder to look at mergers and this type of thing because effectively there is a culture there of organisations running up against each other. It’s very hard to sit down then say let’s put all that aside talk about joining forces. There is no spirit of community engendered by the funders by any means. Quite the opposite”.

This was echoed by a number of interviewees:

“In terms of service provision I think it would probably be of benefit to service users to share our front line or your whole assessment thing or your signposting and all of that. There’s a lot we could do..but we’re all competing for the same funds. Nobody is going to give up anything to do that. You’ve created this merry go round that it’s very, very difficult for one organisation to step off”.

However, while considering that some of the commentary on mergers was 'naïve' it is also suggested that there may be a need to provide support to enable mergers and collaboration to take place where potential exists. Part of this support may well involve research into whether merger actually produces real benefits or whether it eliminates important capacity.

"I don't think it should be forced or just assumed that it will have savings. You should do a risk analysis and do the sums before you merge. I think our experience of cohesion and bringing community development projects together, now under the local development programme shows that oftentimes you are not getting the saving. And then what you have done is to have brought practices together that don't merge well and it causes practice problems on the ground"

Future funding options

Finally, in terms of financing service provision, organisations were asked whether they anticipated having to make further cutbacks over the next 2-3 years. Of the responses received a little more than half (52%) felt this was unlikely while the remainder felt that further cut backs would be needed. When asked to identify where such cuts might be made, staff (32%) and services (32%) were the primary options, suggesting that the efforts to protect of services within in many organisations were unlikely to be sustainable into the future. However, for some organisations, further cuts would be terminal, with one suggesting that 'The organisation will probably close due to lack of resources'. Another commented on the emergence of fresh challenges:

"We have managed to survive just about but there has been no end-of-recession dividend to us, by any means. This year, for the first time in 8 years, we have not had a cut but we have not had an increase. So if we do emerge, I would say the next year or two will probably be the most challenging because a lot of our philanthropy that was there has gone now. The two major philanthropic organisations that were responsible for 80% of all philanthropy are finished and both supported us"

So, new challenges emerge as old ones are addressed. However, for all interviewees, the need for a sustainable funding model was paramount:

"There are some signs of funding coming back. The problem is everyone wants to fund the frontline staff nobody wants to fund the back up. But organisations have to get both so the challenge for us is to be able to come with a model which makes us sustainable and sustains the unglamorous side"

Lessons may need to be learned however from past mistakes particularly the need to plan more effectively within organisations, the suggestion being that in the past this wasn't always done very well.

"It was unplanned. There was money there as in every other sector. Money came in to this sector and we got it. We used it as it came rather than having a plan... we didn't plan like that because I don't think anyone foresaw the amount of money that was going to come in to the sector. If we were back again I think we would use it more wisely. How many people want to hear that... but I think that's the reality"

Consideration of these concerns and of the need for a more sustainable model of funding brings into question the very logic or indeed the illogicality of Section 39 as a funding mechanism, not least because of the inconsistency in how different organisations are apparently dealt with, between sectors and regions. Asked about whether Section 39 should be broken up on a thematic or sectoral basis, it was argued by one CEO that

"Logically it is obviously correct. Let's leave aside any of the mechanics of it, obviously it is the correct thing"

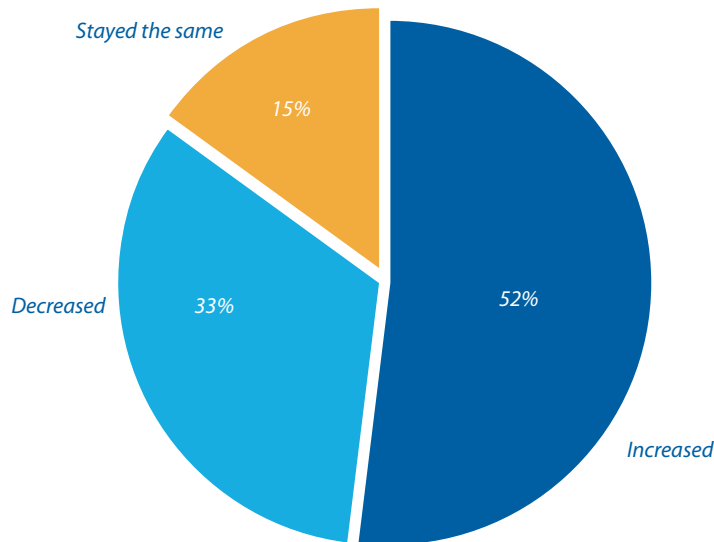
One element of any replanned funding scheme would be recognition of the need to provide national level funding to national organisations:

"One of the biggest things is the nationalisation of funding. I think they have to do that. Where funding is almost owned by a health office or region I think it defeats the purpose of having a national service because you are restricted to the use of the skill set and competence within that area... I think that is very limiting"

The impact of cuts on service delivery

In part 2 the emphasis placed by the HSE on retaining existing levels of service provision was noted. Reducing services is shown in this research to be the least popular option when faced with cutbacks. This is confirmed by responses when organisations were questioned about any changes in their level of service provision. So, while it might have been expected that in a period of financial retrenchment that most community/voluntary organisations would have had to reduce services the opposite is in fact the case, with a majority (52%) of organisations actually increasing their level of service provision.

FIGURE 9:
changes in
service
delivery



Meanwhile, a little over 15% of organisations have maintained their level of services and while only one third have had to reduce them. One organisation that was forced to cut services commented that *'All services have been severely affected and the decision to cut funding will cost the Irish tax payer significantly more in the long run'*. Others commenting on their reduced level of provision pointed to reductions in the levels of respite care and case work; to home help and home care services, while for others it was opening hours across 'delivery outlets that was most affected'.

In response to the changing funding climate, a number of organisations have indicated that they have become more streamlined and 'clever' in the way they approach their work.

"We are becoming more clever and efficient about how we are doing our work. We have more clients than ever and we are trying to diversify and meet more needs, so we are just trying to work as efficiently as we can for the people we are supposed to work for."

Another commented:

"I would now say we probably provide a much, much better service as a consequence. We've had to skill up our staff, we've had to look at our higher end costs... we've now skilled up our own staff to do work. And the knock on effect of that is not just on the service user, but on staff, on their self-esteem and their clarity about their role and their skill set."

Many though are concerned about quality and the ability to sustain services with increasingly stretched staff:

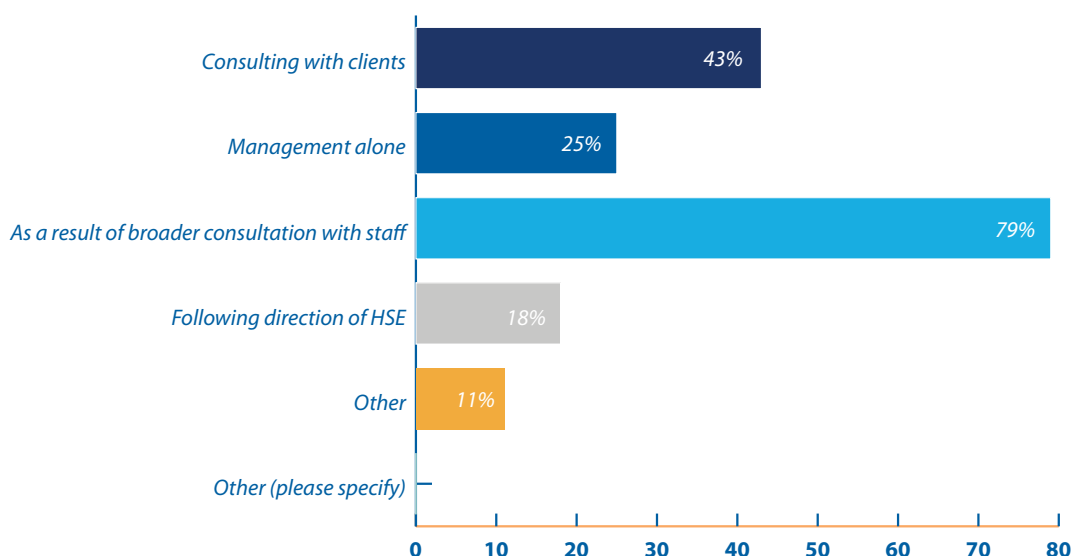
"The level of services we would be offering would be significantly greater from the same cohort or a smaller cohort of people than was the case... caseloads have increased significantly in the last couple of years. We are spreading ourselves significantly thinner than we would necessarily want or to like to be – more than we think is good for the customer... I don't think it is sustainable in the long run. You end up spreading people too thinly and you don't do the job well enough that you're paid to do. You can get away with it for a while... you can get away with it for a couple of years. I don't think it sustainable in the long run"

This same manager had no doubt that maintaining the current level of services was not going to be possible:

"We can't keep doing what we are doing. We really can't. We are very clearly looking at our suite of services. There are things we do particularly regionally and we are saying is this too much? Can we cut back on this? Look, we can't keep going with this. We are doing too much, we are providing too much given the resources we get"

Where cuts in services have been considered organisations were asked about how decisions are made. In response, almost 80% indicate that cuts are made as a result of broader consultation with staff in the organisation, followed by consultation with clients/service users.

FIGURE 10:
how
decisions
are made
about cuts



However, looking to the future, virtually all interviewees commented that more fundamental issues about service design and delivery exist, captured in the view of one long standing CEO:

“The policies are all right, we don’t need any more policies. What we need is for people not to be practising against them. I think Ireland has to start asking itself what its ambition is in relation to public service. What standard of public services we want. Then you design for that and then you start working out how you fund it.”

He continued:

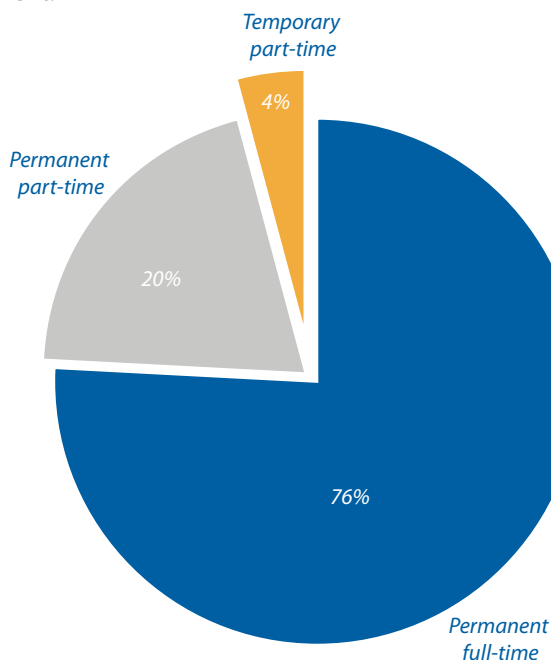
“I think now there are certainly people we deal with in the HSE, and I think the HSE in general, are waking up to the fact that it has to be about outcomes and well-being for people. They are getting away from the idea if you keep delivering services everything would be okay. I think they realise that even if they had money to deliver services that that doesn’t get you health and well-being”.

The impact of cuts on those who deliver services

The continued and indeed expanded delivery of services during a period of sustained funding reduction is clearly dependent on the commitment of staff within the range of Section 39 funded organisations. Moreover, organisational capacity to generate income has a direct impact on their ability to attract, engage and retain staff.

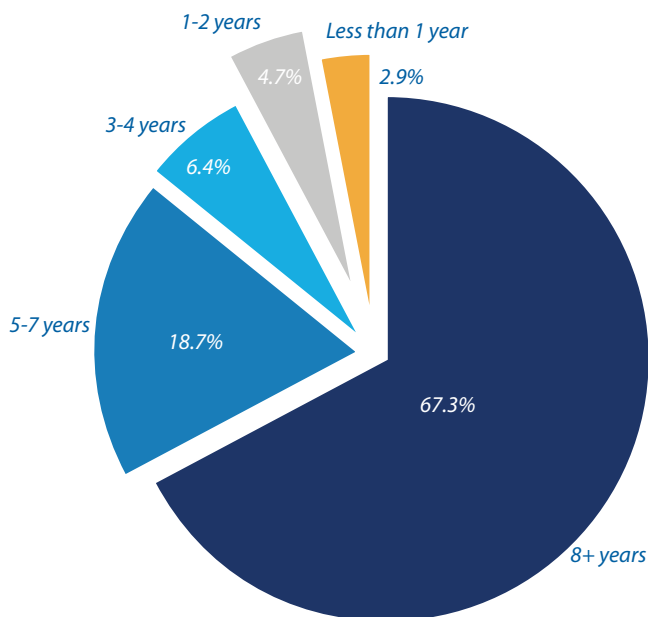
In terms of an employment profile, from both the organisational and staff surveys it emerges that the majority of workers are full time and permanent.

FIGURE 11:
profile of
employment



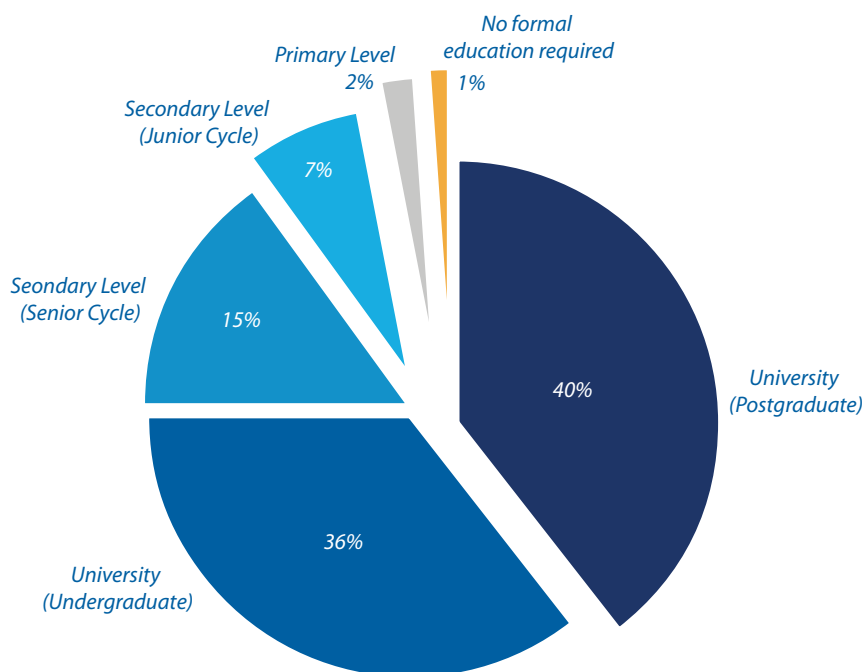
In the survey of IMPACT members, the vast majority (90%) indicated that they are currently in permanent employment. Moreover, 86% of respondents have employed in their current job for five or more years. 67% have been employed for eight or more years.

FIGURE 12:
length of employment



It is also important to note there that many of those employed in the health and welfare sector are highly qualified, with almost 75% of survey respondents having degree or post graduate level qualifications.

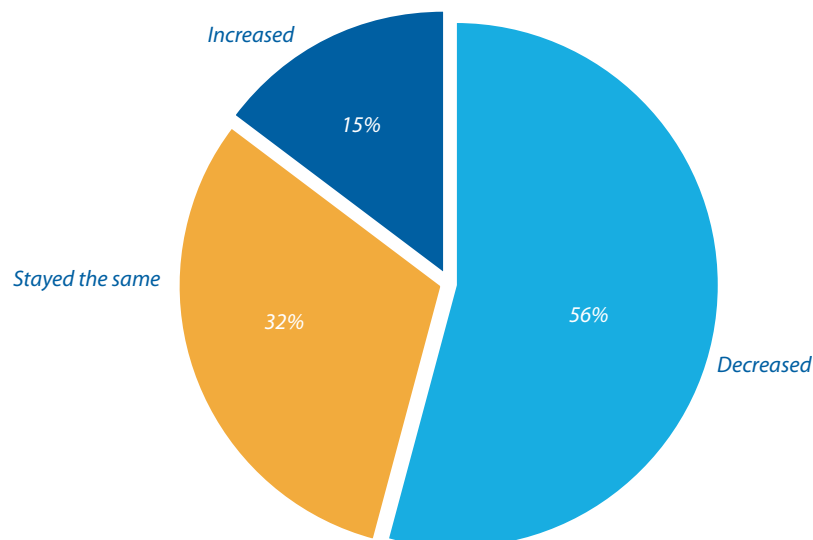
FIGURE 13:
education



Changing and maintaining staffing levels

In the majority of organisations – over 56% – the number of staff employed has decreased. However, in a smaller number of organisations, approximately 14%, the numbers employed have actually increased. In certain cases it should be noted that where new staff have been employed, they have done so on different and most likely poorer conditions than those previously employed, as described by one senior manager “What happened now is that newer people coming in are working for less”.

FIGURE 14:
changes in
staffing
levels



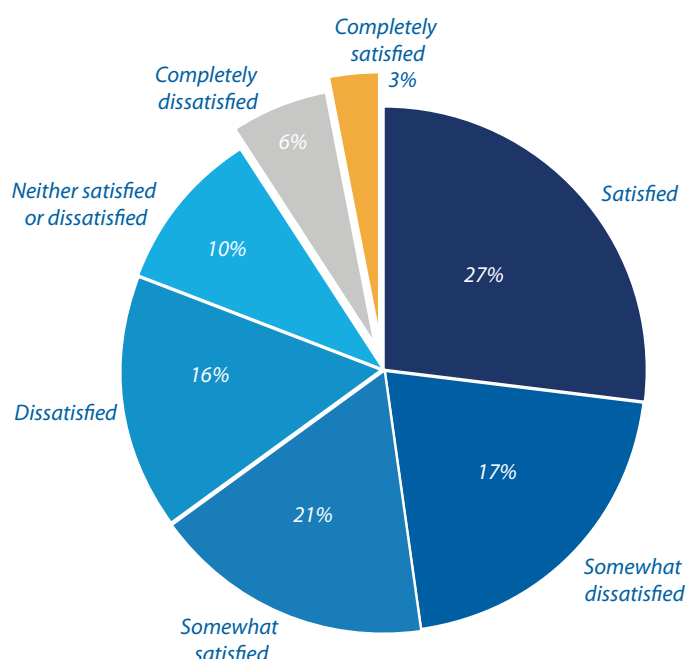
For those organisations that have experienced a decline in staffing levels, the majority (67%) report that the decline has been between 1-5 employees. However for 17% of organisations, the loss has been greater than 20. Organisations that experienced a decrease in staff numbers were also asked whether the reduction was primarily as a result of Section 39 funding. Over two thirds – 68% – indicated that it was. However, over 90% of organisations indicated that the HSE did not encourage or require them to make specific cuts in the numbers of those employed.

Maintaining staff over the past number of years has largely been a function of the availability of resources. However, as economic recovery takes hold and particularly as the terms and conditions of public sector workers improve, attention inevitably turns to the position of those in Section 39 funded organisations who do not enjoy an automatic entitlement to pay restoration and a return of long frozen increments or some other mode of salary progression. In the view of one CEO:

"I think is going to create some real problems for organisations for sure – everybody understands the principles of taking cuts, salary freezes, when everybody is doing the same. But once you start bringing in an element of competition, an element of some people getting and others not! If money is being doled out to civil servants and others we are going to have a real issue. We are going to struggle to come up with monies to pay that based upon the current situation as it stands".

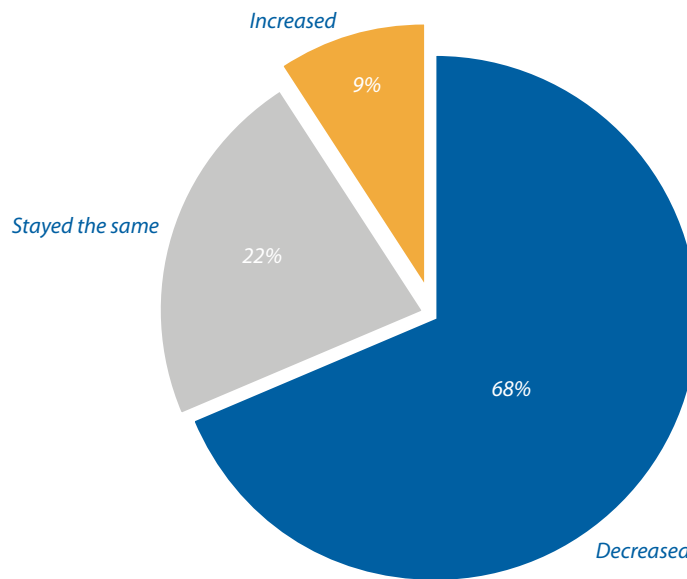
The ability to retain staff and to deliver services of course is related to levels of job satisfaction. Amongst the IMPACT members surveyed, while 47% expressed some level of satisfaction with their current employment situation, 43% expressed varying degrees of dissatisfaction.

FIGURE 15:
overall job
satisfaction



More significantly though, 68% of respondents indicated that their level of job satisfaction has decreased in recent years.

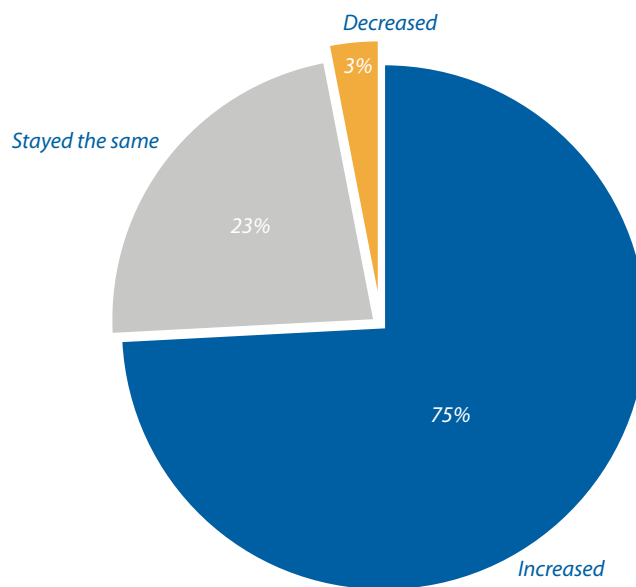
FIGURE 16:
change in
job
satisfaction



When asked to list the primary reasons for the decrease in the level of job satisfaction 24% of responses referenced the decline in the level and quality of services provided by their organisation; 28% referenced issues of pay; 45% named issues relating to management or internal organisational issues while approximately 30% referenced the increase in employee workload.

Unsurprisingly perhaps, 75% of respondents indicated that their workload has increased in recent years. When asked to identify the reasons for this increase, 25% of responses referenced increased administration; 30% cited increased demand for client services, while 33% identified the reduction in staff as the primary reason for the increase in their workload.

FIGURE 17:
increase in
workload

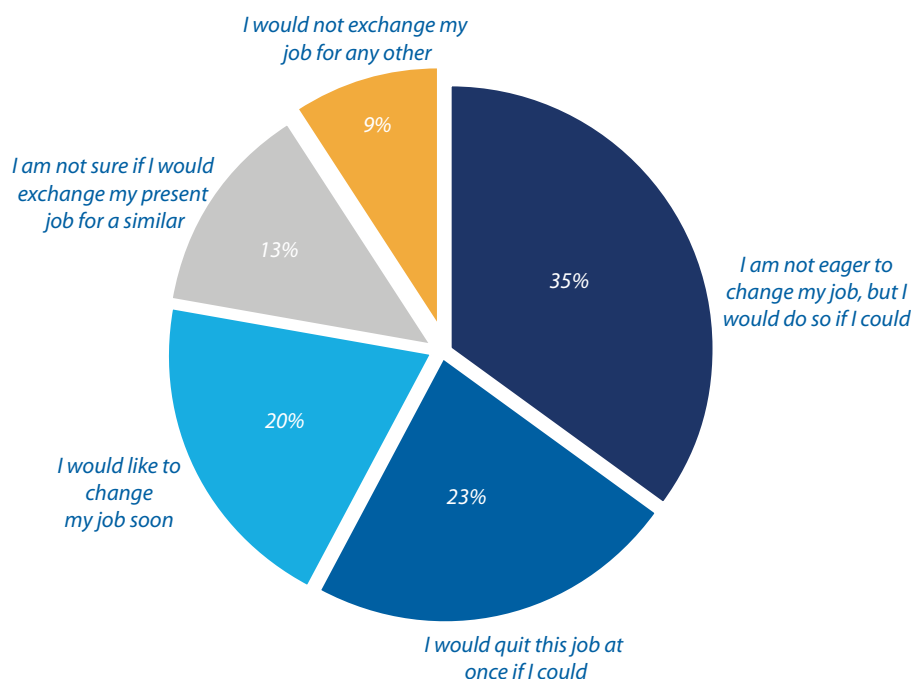


Inevitably, increased workload leads to at least some level of increased stress with one senior manager arguing that levels of stress amongst staff have increased leaving to higher levels of stress related sick leave:

“What I will say to you is that in the last couple of years I certainly could say that I have more people out on stress than I had previously. My figures bear that out”.

Employees were then asked about their feelings in relation to changing their current job. It is perhaps worrying for organisations in the Health/Welfare sector to note that 43% of respondents indicated that they would either change their current job at once if it were possible (23%) or would do so soon (20%). A further 35% indicated that while they are not eager to change jobs, they would do so if they received a better position. Only 9% of respondents revealed they would not exchange their current job for any other position. These figures indicate that as the economy improves community/voluntary organisations may find that their highly educated and experienced staff may choose to pursue higher levels of career and salary satisfaction elsewhere and, in the process, reduce the capacity of organisations to maintain current levels of service delivery.

FIGURE 18:
statement
about
changing job



And while a cessation of funding cuts will ease some problems for organisations, it will not address the types of issues that are causing a rise in dissatisfaction amongst employees.

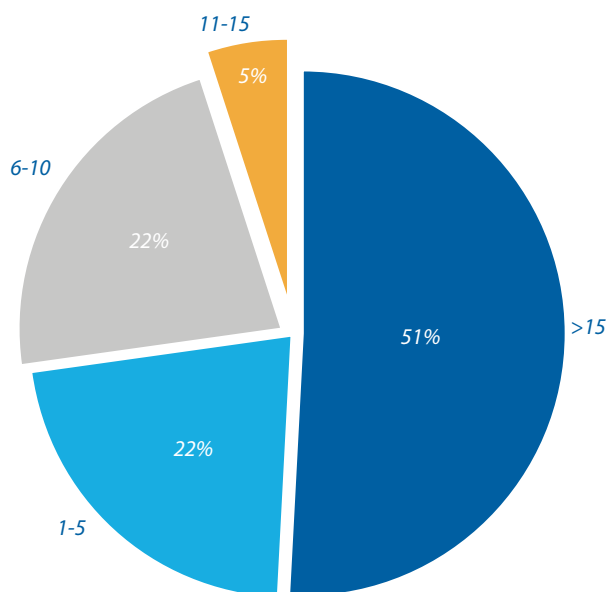
“You can use the goodwill of people for so long and eventually they are going to have to leave... The staff have largely carried the cuts... I cut any fat there was out of the organisation before the cuts came in. The staff have carried it but you can only run empty for so long. I wrote to the CEO [of the HSE] highlighting the problem and the response was that there would be no cuts this year. But that wasn't the answer. That wasn't the answer to the problem”.

Volunteering

Alongside the employment of staff the vast majority of organisations funded under Section 39 also rely to a greater or lesser extent on the involvement of volunteers to support their activities.

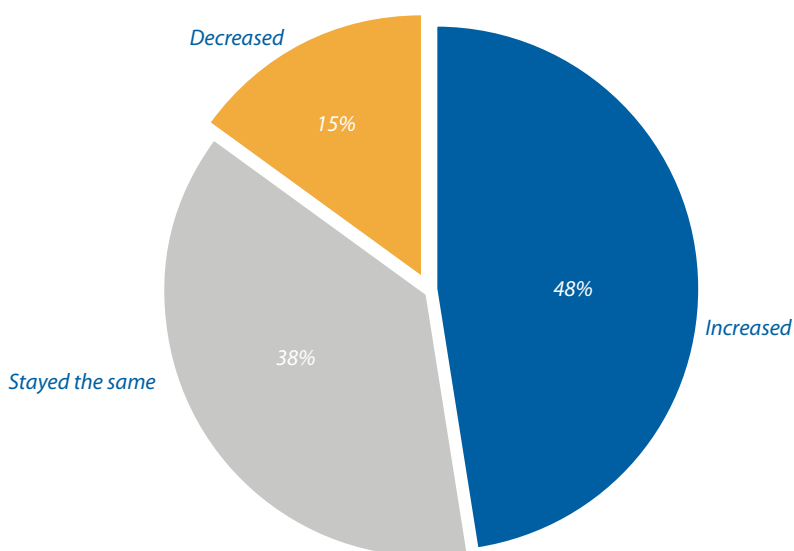
Almost 90% of organisations surveyed replied that volunteers were involved in the delivery of services, though as indicated in figure 14, the number of volunteers varied considerably. In over 50% of organisations more than 15 volunteers were involved in service delivery, whereas in just over 20% of organisations the number of volunteers was considerably smaller at between 1 and 5. Clearly, in the case of some organisations the numbers of volunteers may run into the hundreds, or indeed thousands.

FIGURE 19:
number of
volunteers



It is also interesting to note that the numbers of volunteers involved in service delivery is on the increase in almost half of the responding organisations.

FIGURE 20:
increase in
the number
of volunteers



This may indicate a greater number of people with time to volunteer during the period of the recession or it may well indicate that organisations are increasingly reliant on volunteers to meet the increased demands for their services. This is suggested by the CEO of a youth organisation who commented “we have relied a lot more on volunteerism and volunteers, training and supporting volunteers to do some of the work”. However, this is not an uncomplicated option

“You have to invest a lot of time, effort in recruiting and training volunteers before you get a real return. It just does not happen overnight. So if you want to have a mentor for a young person it can take six months of work before a mentor works with a young person. So it can take six months of pre investment before you can get a return”.

Another organisation commented on the increased time spent on managing volunteers and trainees:

“It takes more time to manage people, there is way more investment in training and recruitment and management of people...so our staff are spending their time doing that instead of delivering services as much”.

Of course as the economic situation improves and levels of unemployment reduces it is far from certain that this level of volunteering will be sustainable.

Relationships between community/voluntary sector organisations and the state

Finally, and alongside the more specific issues related to Section 39 funding, some issues concerning broader relationship with the state arose in the interviews with the Section 39 funded organisations.

In the contextual review chapter in part 4, the changing nature of how non-profit organisations are supported to provide public services will be discussed. In particular, the trend towards contracting out is examined. Amongst the criticisms of this trend is a tendency for the relationships between the state and non-profit organisations to assume the characteristics of a private sector, marketised transaction, where the focus is solely on the efficient management of resources and the delivery of activities and outputs and much less so on the generation of outcomes and impacts in the lives of citizens. Such an approach is suggested by one CEO:

“9 times out of 10 if you are being asked questions and there is an interest being shown it will be with a view to saving money in some shape or form. It won't be with a view to providing a better service. If that was the motivation that was driving this communication process I think everybody would be much more open to it and it would be much more positive. But I think there is a feeling right across the sector that the more information you give, the more sticks you give them to beat you with, so they can look at making reductions. Everybody is extremely nervous and reticent about really discussing things in the way that they should be with their funders”.

Accessing policy and decision makers has also been problematic according to one CEO, though it is suggested that this has improved in more recent times.

“Up to 2004 were funded directly from the Department of Health. Up to 2004 we had a quarterly meeting with principal officer in the Department... When we went to the HSE, for about three years we couldn't even get engagement. Then they setup all kinds of structures and they were too sophisticated for themselves that they couldn't field people to do the meetings”.

Another commented:

“There is no one person in the HSE that I could say lets sit down with a blank sheet of paper and discuss how we can improve services. There is no one person that you can sit down and have a conversation with. There are layers and layers... no one will listen [...] The HSE is ungovernable. It is absolutely ungovernable”.

Indeed, quite a number of interviewees observed that the HSE sometimes does not appear to be engaged with them in considering the outcomes produced for service users:

“I'm not sure they're all that interested in what's being done. I think you're lucky in some regions if you have someone who has a knowledge... But there would be some regions where it would be purely administration. And they would hang you up on the wall for the slightest discrepancy”.

“It's a question in some ways of the HSE understanding. They don't take the time. We have service level agreements but they don't really understand... They don't understand what we do in the general sense; they don't understand what community work is about, they have no concept of what working in the community is. The question is do they value it?”.

It is also suggested that this may be compounded by a poor attitude and understanding about what the role of the community/voluntary sector is:

“There is very little respect or understanding of the work we do in the sector. If I could change anything it would be to train civil servants in understanding what we do. Because I think what they think is we are some pile of 'yoikes' out there who do not understand anything about anything and have no skills or training. Much in the way people who are on social welfare are framed as scabbing off the state. I think the community/voluntary sector is viewed as scabbing off the state without giving anything back”.

However, for some, the experience has been more positive:

“In reality, in most cases, we actually work in partnership. We have developed a very good working relationship particularly with Tusla and the HSE, where we have a very close working relationship, where we would take referrals from and refer back”.

The elements of a more effective relationship was described by one community development organisation:

“In our situation we have strong relationships with key individuals – that's even within finance! We find them good to work with because they actually listen to us and they see the reality on the ground. They understand the frontline issues. As a result they have maintained an ability to keep good standards and be flexible at the same time”.

From this, it is suggested that relationships with officials, including those in financial management roles, are important. Moreover, a capacity to listen and understand the reality of a situation, the frontline issues, is needed. Equally, an absence of flexibility impedes the achievement of results and inhibits constructive sharing of expertise.

Advocacy

Finally, a key test of the relationship between the community/voluntary sector and the state in an era of substantial state funding is the ability of organisations to continue to play an advocacy role. The dangers that state funding could lead to a reduction in advocacy around important issues were raised, either overtly or more subtly. This issue was raised with the different organisations interviewed.

In response, the capacity for advocacy was linked with the ability to generate at least some level of independent resources. In the wake of the financial crisis however, this has proved more complex, in a number of different ways, as described by one CEO:

"A couple of years ago our elbow room would have been our fund-raised income. If we wanted to fund advocacy, research, if we wanted to do something off our own bat, that money would come from fund raised income in some shape or form. But again, the reality of the last couple of years is that we have struggled so much to provide the basic services for our clients that we end up propping up that [services] income from our fund raised income... A lot of that money is being used to fill in gaps cracks and to maintain the basic level of services we are providing".

Ultimately though, few organisations described themselves as being excessively constrained as a result of their funding relationships.

"We have and have had regular disagreements with governments. We have taken stances on issues, some of them popular, some of them not popular. It does not influence us. We do not make decisions based on this. However, this is not our main reason for existing so it is easy for us to be smug about it. I know organisations that do not take funding at all so they can have a free run. I have never felt under pressure by government not to take a stand or to back off on something".

"Hand on heart I do not think it affects us. I have seen organisations with funding removed so I think it does happen. It may have something to do with how they do their advocacy. I don't know and I do not really have a view on it. We take the approach and we have a statement on how we do our advocacy where we constructively engage and critique and we will say things to people's faces in closed meetings before we will say them in public. In general, we will give them a heads up because a lot of the time you are working with people and they don't necessarily like the situation either, some don't get it some do, the same with politicians. So we never felt constrained or punished but we may have been perceived to be".

PART 4

The broader context

This section of the report locates the research into Section 39 funding within broader discussions about the community/voluntary sector, in Ireland and elsewhere. In this part of the report, the Irish context will be visited first, followed by a review of some recent, related international experiences.

The scale of the 'sector'

There is no set definition of the community/voluntary sector, a reality recognised in the 2000 'White Paper on Voluntary Activity and the Relationship Between the Community and Voluntary Sector and the State' which commented that it "defied precise description and lacks clear boundaries" leading to a "pragmatic approach to the issue of definition of the sector" (Government of Ireland 2000:20).

Estimates of the size of the sector, in terms of numbers of organisations, employment levels and economic value differ. In their very comprehensive study of the non-profit sector in Ireland, Donoghue et al compiled a data base of over 24,000 organisations, drawing from the Revenue Commissioners charity number list; the directory held by The Wheel and information provided by Comhairle¹², as well as lists provided by a number of government departments and agencies. More recently, The Wheel indicates on its website¹³ that there are 19000 voluntary and community organisations in Ireland while the INKEx data refers to 12000 organisations on its Irish Non-profits database¹⁴. In Northern Ireland, it is estimated that there are approximately 4836 'voluntary and community organisations' (NICVA 2011), though the rationale for arriving at this number is not fully clear.

In economic terms, the expenditure accounted for by the sector is considerable, cited by Donoghue et al. at 3.84% of GNP. In money terms the value of the sector is captured in its pay costs of approximately €3.5bn, total income of more than €6bn and assets valued at more than €3.5bn (INKEx, 2012).

There are different estimates for the numbers employed by the sector, with O'Donoghue et al recording a total of over 63,500 in 2006 (including full time, part time and those on state supported schemes) while INKEx suggests the numbers employed to be more than 100,000. The majority of those employed in the sector are female, in all categories of employment, a trend also reported in the North of Ireland where 'seven out of ten employees are female (72%)' (NICVA 2011:9). Clearly though, many community/voluntary organisations do not employ staff and operate purely on a voluntary basis. All estimates point to the high number of volunteers active within community/voluntary sector organisations, estimated by Donoghue to be of the order of 1.5 million in 2006 and by The Wheel to be the equivalent of a further 31000 employees. Of these, it is suggested that approximately 50000 people are directly engaged in organisational governance (INKEx, 2012).

Given the scale of the sector and the range of activities it is involved in, it is inevitable that it should draw substantial levels of funding from the state to support its activities. Again, estimates of the reliance on state sector funding varies with Hughes et al suggesting it to be 60% in 2007 (Hughes, Clancy et al. 2007) while Harvey reckoned it to be closer to 75% in 2008, with the remaining amounts provided by personal giving and fund raising (20%), corporate sources (2%) and trusts and foundations (2-3%) (Harvey 2008). More recently, however, a survey carried out by The Wheel estimates that income from statutory grants and contracts is closer to 53%, with income from individual giving at 25%; income from fees and sales at 4%, corporate donations at 2.1%, investment at 1.%, membership at 1% and approximately 11% unclassified (The Wheel and Crowe Horwath 2014). Yet another report by Grant Thornton identifies that 'government and local authority grants rank as the top most important source of funding at 60%, followed by fundraising at 34%' (Grant Thornton 2012:14).

While there may be variations in estimates of the exact size and funding provided to the sector, there can be little doubt about its significance to Irish society. However, the level of reliance on state funding has led to fears about a loss of autonomy. Commenting on the role of community/voluntary organisations, the 2007 Democratic Audit concludes:

12 Comhairle subsequently evolved into the Citizens Information Board.

13 <http://www.wheel.ie/policy/about-community-and-voluntary-sector>

14 <http://benefacts.ie/wp-content/uploads/2015/06/Irish-Nonprofits-What-do-we-know-Report-January-20121.pdf>

Their role in public life has become more formalised through the social partnership at national level and via area based partnerships at local level. The close relationship that many organisations consequently have with government and the fact that 60% of the sectors overall income comes from public funds have led to concerns that their independence in advocacy and agenda setting may become compromised (Hughes et al., 2007:440).

Given the significance of state funding, it is also important to note that the mechanisms through which such funding has been provided has also tended to fluctuate, from a pattern of more dispersed funding through different departments and statutory bodies to one where a small number of departments or agencies, particularly the HSE, is responsible for distributing large proportions of the support provided to the sector.

It is noticeable however those efforts to develop an integrated policy approach to the role of the community/voluntary sector, beyond relationships arising from funding and service delivery collaborations have largely failed. A potentially significant milestone in the relationship between the sector and the state was reached with the publication of a White Paper on *A Framework for Supporting Voluntary Activity and for Developing the Relationship between the Community and Voluntary Sector and the State* (Government of Ireland, 2000). This White Paper, initially promised in 1974 and produced after many years of discussion and procrastination, made a number of significant statements emphasising the need for a stronger participatory approach and for the greater involvement of the community/voluntary sector in policy processes (Donoghue and Larragy 2010).

Amongst the policy proposals contained in the white paper were:

- Provision of multi annual funding as the norm for priority services and community development activities
- Creation of voluntary activity units in relevant government departments to “support the relationship with the community and voluntary sector”
- Organisations of policy fora by relevant departments and agencies to facilitate consultation and participation by the community/voluntary sector
- Publishing ‘best practice’ guidelines in relation to consultation by statutory agencies with the community/voluntary sector and in relation to funding mechanisms and systems, to which all government departments and statutory agencies will be expected to adhere” (Government of Ireland, 2000:4).

However, implementation of the provisions of the white paper was weak and even the implementation and advisory group established to support its roll out and drawn from relevant departments, statutory agencies and the community/voluntary sector itself functioned badly. As a result working relationships on the implementation of the White Paper were poor and untrusting leading to an inability to establish any sense of common purpose (Harvey 2004).

One recurring issue for the community/voluntary sector highlighted by the white paper in 2000 was the inability of the state to provide for multi annual funding commitments. Fifteen years later, as illustrated by this research the lack of longer term sources of funding continues to be an issue for community /voluntary sector organisations where only ‘half (47%) can plan activity for only 6 to 12 months and 27% can do so for a maximum of 24 months’ (Grant Thornton 2012:8). It is interesting to note that at a meeting of over 90 Section 39 funded organisations in January 2014, ‘No organisation present had yet received an indication of their 2014 funding allocation’ (The Wheel 2014). This inevitably places pressure on organisational capacity to plan was also identified as a key issue for community/voluntary organisations in Northern Ireland where only 14.5% of organisations believed that the environment was ‘supportive of both large and small organisations involved in the delivery of public services’ (NICVA 2010:25).

Economic and social crisis – the state of the community/voluntary sector

As might be anticipated there is no shortage of commentary on the impact of the economic and social crisis on the nature and activities of community/voluntary sector organisations, mostly focusing on the impact on funding levels, on staffing levels and on service provision.

Pressure on funding

In his highly critical report on cutbacks in funding to the community/voluntary sector Harvey (2012) notes the sharp reductions in 'funding lines most used by voluntary and community organisations, modest in some cases but extreme in many others and some even eliminated' and to

'An arbitrary and often incoherent pattern of cuts, whose differential impact was neither explained nor justified by government. Despite government claims that vulnerable groups would be protected, there is no evidence to support such a contention. To the contrary, the most disadvantaged geographical areas and target groups appear to have suffered at least as much, arguably more so.'

This lack of coherence in funding cuts was indicated in this research in the treatment of organisations funded under Section 39.

In concrete terms, it is reported that 'almost 60% of Irish non-profits have experienced a decrease in their income between 2009 and 2012, with the majority (60%) of these experiencing a decrease of between 11-25%, (The Wheel and Crowe Horwath 2014:5). At the same time most organisations have experienced reductions in the level of direct fundraising from the public, as a result both of reduced personal incomes due to the recession and more recent high profile governance failures in a number of larger community/voluntary sector organisations. It is hardly surprising then that many would describe the more recent position of the sector 'as bleak in resource terms' (Donnelly-Cox and Cannon 2010:340). This overall experience of funding cuts is echoed in Northern Ireland where almost half of organisations have been affected by public sector funding cuts (NICVA 2013).

Of course it is not only community/voluntary sector organisations that are concerned about levels of funding. Pressure on exchequer resources almost inevitably brought funding for the community/voluntary sector under the scrutiny of the Department of Public Expenditure and Reform and its Central Expenditure Evaluation Unit (2011) leading to the publication of a report entitled 'Rationalising Multiple Source of Funding to Not-for-Profit Sector'. It is worth noting some of the conclusions of this report:

The funding model whereby each agency receives part-funding from different State agencies, for different or overlapping objectives, serves neither efficiency nor effectiveness. The number of State-to-agency transactions should be reduced, by rationalising both the number of bodies and the number of State interlocutors. In this context, one State body should be responsible for 'core' funding of each agency and all State supports for the agency should be channelled through the one State body. This consolidated funding model will allow for greater clarity and accountability for results. Expenditure consolidation, which will be a feature of the period 2012-2015, should be coupled with reform of this nature in order to preserve services and mitigate impacts on vulnerable groups insofar as possible.

While there is some merit in rationalising multiple funding sources, overly simplistic commentary about 'rationalising the number of bodies' needs to be carefully considered, both in terms of its merits and how it might be done, as pointed out in the research in part 3. Otherwise it may serve little more than a desire for administrative neatness, while doing little to protect the interests of those supported by community/voluntary sector organisations. In Northern Ireland, it is interesting to note findings from the 2011 State of the Sector report which suggests that '63% of organisations anticipate working in collaboration with other organisations, while 7% indicated that they anticipate a merger between themselves and another organisation (NICVA 2011:10).

One further issue facing organisations in a situation of declining incomes is that of full cost recovery, i.e. being able to receive the actual costs of the service they provide, a problem observed in the report of the Central Expenditure Evaluation Unit in 2011. While comparable figures are not available in the Republic of Ireland, research from Northern Ireland noted that 'almost seven in every ten organisations (69.7%) stated that they have not been successful in securing full cost recovery' (NICVA 2010:17).

Pressure on service provision

Given the pressure on public and private funding, it is scarcely surprising that commentary on the sector would note a corresponding pressure on service provision. In a survey carried out by The Wheel in 2015, it was reported that 'Over two thirds (72%) of our members have reported an increase in demand for their services despite the economic recovery'¹⁵, an experience echoed in Northern Ireland (NICVA 2013). This survey also reported that that 33% of our member organisations have had to cut back or suspend services in the past year due to a lack of funding, while over 42% have reported a drop in their income over the same period'. However, while the level of service

15 <http://www.wheel.ie/news/demand-charities-increasing-despite-economic-recovery>

provision may increase, some organisations, have noted that the quality of service provision has deteriorated, with reduced face to face contact time being an immediate consequence (Harvey 2012). In addition, it is suggested that some core front line services have had to be abandoned or scaled down, as concluded by Brian Harvey (2012:32).

The growing pressure on services is readily apparent, with their true scale only now coming to light. Organisations working with the unemployed have witnessed a doubling of the client numbers, with no additional resources provided. As a result, they are able to provide each client with less and less, contrary to 'activation' policies touted by government.

Pressure on staff

The relationship between increased pressure on services and increased pressure on staff is readily apparent. As demand increases and as resources decrease, staff in community/voluntary sector organisations are the ones who must carry the increased burden. In 2006, Donoghue et al (2006:10) reported that 'over half of expenditure (54.6%) went on staff costs; followed by over one-third (36.9%) on operating costs. Just eight per cent went on capital costs'. More recently, it is suggested that salary costs comprise about 60% of expenditure for over a third of organisations, while for another 27%, salary costs of between 60-80% are recorded. For almost 10% however, salary costs consume over 90% of expenditure per year (The Wheel and Crowe Horwath 2014:5).

In reality, for most community/voluntary sector organisations their services are human resource intensive, and fortunately there is little option for automation or replacement by technology. In short, staff equals services. Furthermore, since the beginning of the recession, staff, like many in the private sector have faced pay cuts, pay freezes, reduced hours or in some cases increased hours for the same pay, with two thirds of organisations reporting actions to reduce spending on staff (The Wheel and Crowe Horwath 2014). Concern is now growing that as the economy recovers and staff mobility becomes an issue for some organisations the ability to attract and retain staff will become a serious issue (The Wheel 2014). These issues have already been highlighted in greater detail in the presentation of the research findings in Part 3 of the report.

What international experience tell us

More widely, it is not surprising that the recent global financial crisis has had a significant impact on public sector employment, public sector wages, the provision of public services, and statutory funding of community/voluntary organisations in many OECD states (Bach 2012). Government financing of this sector has reduced significantly since the 2008/2009 financial crisis and has raised questions about the sustainability of the sector (Cunningham 2015). The recent economic downturn has had a profound effect on the functioning and operation of many organisations including human resource management, staffing, employee terms and conditions, the quality of services provided as well as the nature of the sector's relationship with funders and government agencies.

The relationship between government and organisations involved in the provision of public services is increasingly contract dependent in which organisations exist under a constant threat of defunding. While the "marketization" and professionalization of the community/voluntary sector predates the recent fiscal crisis many organisations have come under further pressure in the face of increased demand for services, a reduction in philanthropic donations, and reduced public funding. Internationally, as in the Irish case, public funding of the sector is considered ad hoc, undependable and in decline (Phillips and Hebb 2010, Cunningham and James 2014, Cunningham 2015).

Internationally, the contracting out of social services as well as the impact of the recent fiscal crisis has had significant implications for employment and employee terms and conditions within the sector. Work in community/voluntary organisations is marked by a growing precariousness. Existing research identifies commonalities in the increasingly "marketized" not for profit sector including an intensification of the pace and volume of work tasks, a decrease in worker autonomy, a developing impermanent labour force, an increase in workplace stress and illness, and higher staff turn-over (Baines, Charlesworth et al. 2014). Moreover, the role of voluntary organisations in the contracting for the delivery of public services influences human resource management strategies within organisations. An increased professionalization of human resource management staffing and policies, increased job insecurity, so called 'flexibility' and a diminution of employee terms and conditions for employees of voluntary organisations is evident (Cunningham, Hearne et al. 2013). Consequently, employment in managerial positions and in front line services is dependent on short term contracts with employment in the sector being considered increasingly insecure, uncertain and vulnerable (Baines, Cunningham et al. 2014). For example, in the UK, the contracting out of health services to voluntary organisations has coincided with a reduction in the terms and conditions of employees involved in the provision of services (Cunningham 2008, Cunningham and James 2009).

The reduction of employee numbers, hours and pay is a key method for organisations to meet costs and continue to provide services and operate with reduced statutory funding (Chouinard and Crooks 2008, Cunningham and James 2014, Cunningham 2015). Research from Scotland, for example, indicates a diminution of the terms and conditions of staff of voluntary sector organisations involved in the provision of social care. This is connected to a harsher funding environment in the wake of the recent financial crisis and the attempt by the British government to reduce its budget deficit. More specifically, many voluntary organisations in Scotland have introduced changes to terms and conditions of employment including pay, pensions, sick pay entitlements and various types of allowances (Cunningham, Hearne et al. 2013). In Canada, employment in Ontario based social service organisations has been characterized as a situation of 'permanent temporariness' with employees' terms and conditions weaker than those employed in the public sector (Baines, Cunningham et al. 2014).

In addition to the reduction of employment terms and conditions for professional staff, many organisations have increased the use of volunteers to maintain services. The shift towards the use of volunteers has had many human resource implications including the nature of working relationships between employees and volunteers within organisations and the overall skill levels of volunteers involved in the provision of key social services (Bach 2012). In addition, the increased use of volunteers in the provision of public services has raised concerns in relation to the growth of unpaid internships within the labour market. In the UK, moreover, volunteers employed in charitable and voluntary organisations are exempt from receiving payment under minimum wage legislation (Bach 2012).

International research also identifies a blurring between paid and unpaid labour within the sector and increased 'staff volunteering' in which paid staff performs additional unpaid volunteer tasks (Baines 2004, Baines 2006, Knutsen and Chan 2015). Staff volunteering is understood as the engagement of employees in the wilful performance of voluntary tasks for which they receive no remuneration (Knutsen and Chan 2015). Four types of unpaid labour have been identified. These include paid staff who perform unpaid overtime, paid staff who perform volunteer work, paid staff who are also volunteers, and staff who due to the nature of the service provided perform additional unpaid after hours work (Baines 2004).

Conclusion

It would be easy to look at the issues raised in this report and simply assume that they began with the arrival of the country's most recent economic crisis. However, while cuts in funding can be clearly linked with the deterioration in the state of exchequer resources, other trends in the delivery of public services have a deeper origin. The use of voluntary organisations in the provision of social services through Section 65 of the 1970 Health Act and Section 39 of the 2004 Act indicates the historic separation of the funding and administration of vital social services in Ireland. Internationally, this separation has become more widespread with the introduction of New Public Management and the so-called culture of the contracting out of public services. Thus, the provision of health services (broadly defined) represents a historic interdependency and blurring of the boundaries in the relationship between the state and community/voluntary organisations in Ireland (Donoghue 2002).

APPENDIX 1

The changing world of public service provision – contracting out and the role of New Public Management

Since the 1980's OECD states have contracted out public services resulting in reduced government spending on human services, a lowering of workplace conditions and protections and an explicit role for the private sector in the resolution of individual and societal issues (Cunningham, Baines et al. 2014). In addition to the private sector, the broader 'third sector' is now a key engine of public service delivery as well as a driver of economic growth (Phillips, Laforest et al. 2010). Many governments have attempted to effectively privatise public services through contracting out to the non-profit or community/voluntary sector. The potential advantages of community/voluntary organisations in the delivery of public services are numerous including its flexibility, innovation, proximity to services users, and lack of bureaucracy.

The contracting out of public services to community/voluntary sector organisations is widely considered a pillar of neoliberal governance and the New Public Management (NPM) paradigm of public administration. Research conducted in Australia, Canada and the United Kingdom, for example, identifies the extension of New Public Management and neoliberalism to the sector through its increased role in the provision of public services (Chouinard and Crooks 2008, Hemmings 2011, Bailey and Robertson 2015). This approach to governance utilizes the community/voluntary sector in a minimalist and targeted approach to the provision of social services (Baines, Cunningham et al. 2014).

Contracting out reduces the size of the public sector and involves support for market-based competition in public services in which governments demand cost savings, efficiency and value for money (Cunningham and James 2014). Consequently, the community/voluntary sector is considered an instrument of government providing key social services, once the primary responsibility of the state, to all strata of society at a lower cost (Cunningham, Baines et al. 2014). The state's changing relationship with the sector, built primarily on the principles of neo-liberalism and NPM, has had significant implications for many organisations.

While contracting to non-profit organisations is considered a component of NPM, non-profit organisations had been an important feature of the Keynesian Welfare State's provision of social services where the community/voluntary sector expanded alongside the administrative state or public sector. While often the role of the sector went unacknowledged, the provision of public services was characterised by significant state/voluntary relationships in a so-called mixed social economy and system of public service provision (Evans, Richmond et al. 2005). Although the voluntary sector is a significant feature in both the Keynesian and NPM models, a number of key differences are evident in the relationship between state and non-profit organisations and its broader operational environment. During the Keynesian period, for example, state funding of organisations was primarily base or core type funding. This backing was longer term and relatively stable. Consequently, the primary relationship between the state and the sector was based on trust not contract financing in which non-profit organisations filled gaps in the state's provision of public services (Evans, Richmond et al. 2005).

One of the consequences of community/voluntary organisations involvement in social service provision, it is argued, has been a compromising of the autonomy and advocacy function of many organisations (Evans, Richmond et al. 2005). In addition, the community and/or social justice ethos of the sector built on notions of community care and community service has been challenged in the face of increased professionalization and the growing importance of business logic. The community based services provided by many voluntary organisations are built upon a holistic approach to caring (Cunningham 2008) as well as a focus on outcomes. This holistic approach, it is argued, is challenged by the NPM contract mechanism which serves to hollow out the type of services provided by organisations (Baines, Cunningham et al. 2014) and narrow their focus towards a more narrow set of output oriented metrics. Consequently, the traditional values of the sector such as fairness and social justice exist alongside NPM imperatives such as efficiency and value for money (Cunningham, Baines et al. 2014).

International research indicates that despite some regional and country variation, the broader third sector operates in a mixed economy of funding with government a vital source of financing (Phillips, Laforest et al. 2010). Governments and state agencies are the primary funders of such organisations and three models of third sector financing have been identified: charity financing, direct welfare state funding, and the citizenship model (Phillips, Laforest et al. 2010). The direct welfare state model involves the procurement of public services from voluntary organisations by government. Others highlight the prevalence of a so-called 'project funding regime' in which funding is short term and precarious. Most commonly, short term projects are built upon a competitive bidding process in which organisations compete for contracts. The rationale of this model from the perspective of funders is efficiency and value for money. However, concerns have raised concerning the corresponding 'race to the bottom' ethos this promotes within organisations (Baines, Cunningham et al. 2014).

The characteristics of the 'project funding regime' that separate it from the core funding model are significant. First, core funding tended to be long-term and relatively stable while project funding is short-term (generally yearly) and unstable, since it is built upon a competitive bidding process on service delivery contracts issued by government. Compelling competition among non-profit organizations is intended to "marketize" caring services and drive down costs in a bid to get the 'best value for the dollar'. The concern is that it also easily leads to a 'race to the bottom' dynamic among non-profit contractors (Cunningham and James 2011: 229).

NPM in Ireland

There are different perspectives on the degree to which NPM has become a feature of the Irish landscape. It is suggested that Strategic Management Initiative (SMI) is "the Irish version of NPM" and moreover, "the ideas that informed NPM are the well-entrenched orthodoxy" (Litton 2012:32-33). Begg (2012) has no doubt about the degree to which the public sector has embraced NPM ideas. He states 'they have embraced new public management that's for sure. Funny enough though, they embraced it as an idea, I'm not sure they actually implemented it terribly well but they have embraced it, that's the language they talk'. The exact nature of how NPM manifests itself will inevitably vary. However, in the context of a discussion on service delivery, it often emerges as an emphasis on individual initiative and individual responsibility. However, not all would agree that NPM, as it might be understood by comparison with countries such as the UK and New Zealand, has had a significant influence in Ireland, the suggestion being that many of the administrative reforms that have taken place owe their origins more to a concern with administrative efficiency rather than any particular ideological commitment to the ideals of New Public Management (Hardiman and McCarthaigh 2008). These issues are explored in more detail in a research paper by the Institute of Public Administration on values and attitudes in Irish public administration (Boyle 2014).

Beyond New Public Management

Whatever about the position of New Public Management or others in Ireland, internationally many are suggesting that there is a need for a new approach towards delivering outcomes that are of value to the public. One such approach is known as Public Value. This has variously been described as a new paradigm for understanding the public sector (Stoker 2006), as a post New Public Management paradigm, as a blueprint for improving how the public sector operates (Williams I. and Shearer 2011), or as a 'rediscovery of government' (Smith 2004, p. 71). Implicit in these is an assertion that the core of traditional public administration and the more recent New Public Management are no longer sufficient (if they ever were) to guide the operation of public decision making. At a time of considerable economic and social turmoil, New Public Management finds itself under increasing scrutiny; with some suggesting that 'its longevity has also exposed its weaknesses and revealed its ideological moorings. Greater efficiency and effectiveness have come at the cost of increased centralisation, reduced trust in government, and an increasing distance between the rhetoric of target regimes and their actuality' (Pearce 2012:45). Asserting the sometimes contested paradigmatic distinctiveness of public value (Shaw 2012), Stoker (2006:49) proposes that whereas traditional public administration is concerned with 'establishing core bureaucratic disciplines' and new public management has focused on developing 'systems of allocating contracts and money', public value is more centrally concerned with 'reflection, lesson drawing, and continuous adaptation'.

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CORK

Father Matthew Quay, Cork. Ph: 021-425-5210
Email: impactcork@impact.ie

DUBLIN

Nerney's Court, Dublin 1. Ph: 01-817-1500
Email: info@impact.ie

GALWAY

Unit 23, Sean Mulvoy Business Park, Sean Mulvoy Road,
Galway. Ph: 091-778-031
Email: impactgalway@impact.ie

LIMERICK

Roxborough Road, Limerick. Ph: 061-319-177
Email: aodonoghue@impact.ie

SLIGO

Ice House, Fish Quay, Sligo. Ph: 071-914-2400
Email: impactsligo@impact.ie

www.impact.ie

IMPACT