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**Non-profits and the ‘hollowed out’ state: the transformation of working conditions through personalising social care services during an era of austerity**

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This article explores the impact of state reforms to increase customer authority in social care at a time of public sector austerity in Scotland. The article focuses on the implications of these reforms for state – non-profit relations and the latter’s employment policies. The study proposes a theoretical framework to explore these themes using insights from the ‘hollowing out’ thesis (Jessop, 2002; Rhodes: 1994) and the customer orientated bureaucracy concept (Korczynski, 2002). Non-profits respond to increased customer authority from personalisation and public expenditure cuts by adopting more competitive relations with each other. They also introduce contradictory ‘soft’ and ‘hard’ Human Resource Management (HRM) reforms. Workers face multiple demands to be more flexible and exhibit commitment to ‘fit’ with customer needs. Despite some increases in skills, the increasing influence of customer authority and efficiency savings mean employees experience multiple degradations in employment conditions affecting pay, job security, skills and work intensification.

**Key words:** Austerity, customers, employment, ‘hollowing out’, personalisation, the state, non-profits

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## **INTRODUCTION**

This article explores the impact on non-profits and their employment policies from Scottish government reforms aiming to increase customer authority through personalising social care services while implementing significant public expenditure reductions. Previous international studies of state – non-profit relations and their impact on the latter’s employment policies focus on new public management’s (NPM) apparatus of goal setting, performance monitoring, outputs and cost cutting on the labour process of care (Baines, 2004; Charlesworth, 2010). These studies reveal employment degradation, but provide limited insight into the implications of NPM’s notions of the service user as customer (see Hood, 1991) on non-profit working conditions. This gap is unsurprising given the aforementioned studies explore non-profit employment outcomes at a time when the apparatus of NPM brought a greater bureaucratisation and standardization of services and work organisation (Baines, 2004) allowing limited flexibility to users or workers to develop choice in service provision.

As a major plank of public service reform across Western industrialised countries (Needham, 2011; Osborne and Stokosch, 2013), personalisation in social care represents an opportunity to begin to address this knowledge gap. Despite ambiguity in its definition (Needham, 2011), personalisation is supposed to encourage greater customer authority in public services through tailoring delivery to individual needs rather than uniform, ‘one-size-fits-all’

provision for the ‘average citizen’ (Needham, 2011: Kessler and Bach, 2011). These changes are designed to challenge supplier dominance, assuming service recipients as customers can take control in their own lives (Duffy, 1996: Leadbeater, 2004: Kessler and Bach, 2011: Needham, 2011). Scotland represents a useful focus of study in this regard given the introduction in 2010 of a ten year strategy encouraging the personalisation of social care (Kettle, 2015).

In contemporary social care, however, the proclaimed improvements in service quality face challenges as outcomes are shaped by another state-inspired policy in Scotland – public service austerity. For the purposes of this study, austerity policies are understood to be a series of measures introduced across the UK from 2010 by Conservative-led governments aimed at reducing public expenditures (Bach, 2012: Clarke and Newman, 2012). These dual state-induced pressures on social care providers reflect the key tensions facing all contemporary service organisations - the need to secure customer satisfaction, while facing calls for rationalisation and savings (Korczynski, 2002).

Personalisation and austerity bring changing expectations regarding the behaviours and attributes of non-profits. For many years, non-profits have competed over contracts issued by various central and local government agencies. Under personalisation, competition is intensified as non-profits are expected to compete for income from individuals possessing personal budgets. Non-profits subsequently need to demonstrate greater competitive appeal through attracting and retaining thousands of current and potential service users on the basis of price and quality. The changing policy context, therefore, may exacerbate a tendency among non-profits to become more pro-market in their behaviours and practices. That is, in response to the state’s marketization of care, non-profits increasingly commercialise their practices and

engage in more competitive relations with each other (Van Til, 2000: Shields, Evans and Richmond, 2005: Shields, 2014).

To evaluate the impact of the aforementioned dual pressures on non-profits and their employment policies, this article proposes a two-part theoretical framework. The first uses the ‘hollowing out’ thesis (Jessop, 2002: Rhodes, 1994). The thesis provides a framework to understand the implications from the state ceding responsibility for direct public service provision to networks of external providers (Jessop, 2002). This study particularly uses the concept of ‘destatisation’ (Jessop, 2002) to evaluate how the state’s recasting of the identity of the service user to that of ‘customer’ at a time of austerity changes the role and behaviour of non-profits and other actors in the Scottish social care market.

The second part of the study’s framework then theorises the impacts of these changing state – non-profit relations on the latter’s workforce. The article argues that the full implications of the state’s policies of increased customer authority and rationalisation on non-profit work are best captured through Korczynski’s ‘customer-orientated bureaucracy’ (COB) conceptual framework (2002). The COB concept is useful here as it is used to evaluate how organisations apply Human Resource Management (HRM) policies in response to pressures for efficiency and rationalisation, while simultaneously attempting to deliver satisfaction and pleasure to customers (Korczynski, 2002)

The article proceeds with a literature section that explains in-depth the contribution of the hollowing out thesis and the customer orientated bureaucracy (Korczynski, 2002) to the study’s

objectives. After outlining research questions, the article then describes the method, followed by a presentation of findings, which uses qualitative data from interviews in six Scottish local authorities and eight non-profits. The final section provides a discussion and conclusion.

The article proceeds by using the ‘hollowing out’ thesis and the COB concept to understand the sociology of non-profit – state relationships, and their employment implications in an era of personalisation and austerity.

## **LITERATURE**

### **Destatisation and the non-profit sector**

A key component of the hollowing out thesis is the concept of ‘destatisation’ where states withdraw from direct service delivery and cede it to a variety of networks of local government, commercial and non-profit providers (Rhodes, 1994: Jessop, 2002: Jessop, 2003). Destatisation has two purposes. The first is to replace uniform public services in favour of more differentiated and flexible provision (Jessop, 1999), encouraging greater quality, choice and control for customers. The second is the utilisation of cheaper alternative providers to reduce welfare expenditures in order to improve competitiveness through public spending cuts (Jessop, 2002). The informal or third sector is seen as a central to the delivery of services in these networks (Jessop, 2002). Moreover, relations between the state and such external providers are fluid so that the former is able to alter the capacities and identities of the latter so they emerge as more suited to meet the demands from shifts in emphasis in the aforementioned policy priorities (Jessop, 2003).

Changes occurring in Scotland's social care market mean that relations between state and non-profit sector are undergoing transition. Non-profits are being steered by government towards adopting changes in identity and practice when delivering social care. This is in response to the combination of two contemporary manifestations of destatisation - the Scottish Nationalist administration's policy of personalisation and, in response to the UK government's deficit reduction programme, the accompanying public expenditure cuts.

The first manifestation of destatisation - personalisation - is operationalised through the distribution of individualised budgets (IBs) and Direct Payments (DPs) to service users (Boxall, Dowson and Beresford, 2009). Underpinning these budgets is a market ideology encouraging choice and control for users by allowing them to purchase services from a range of providers (Needham, 2011; Glasby, Glendinning and Littlechild, 2006). The Scottish Nationalist administration is furthering the personalisation agenda through a ten year strategy beginning in 2010 to drive '*a cultural shift around the delivery of care and support in Scotland, with self-directed support [personalisation] becoming the mainstream approach*' (Scottish Government, 2010, pp. 2). From 2010, this shift includes the development of pilot projects of DP-led services among networks of providers (Scottish Government, 2010) and introducing the Social Care (Self-directed Support) (Scotland) Act 2013 designed to encourage the increased use of DPs and IBs (Kettle, 2015).

The responsibility for distributing DPs and IBs is with local authorities (the second tier of government in the UK and Scotland). Local authorities historically facilitated service delivery through distributing block contracts to agencies through competitive tenders. Unlike DPs and IBs, block contracts distribute funding directly to providers to resource care for groups of vulnerable and disadvantaged people. In contrast, personalisation enables local authorities to

facilitate the empowerment of service users, to varying degrees, with the status of the customer through placing funding for services directly in their hands, rather than with providers (Needham, 2011: Ellis, 2007).

The ten year strategy occurs at a time of renewed impetus in Scotland behind the second plank of destatisation – the cutting of welfare expenditure under the UK Conservative-led government’s austerity policies (Bach, 2012). With a bigger budget deficit than the rest of the UK (8.1% of GDP, compared to 5.6%), Scotland faces challenging cost containment pressures. Scottish spending experienced a larger drop than the rest of the UK of around £300 per person, compared to £100 in 2013/14 (Scottish Government, 2015). Personalisation can potentially complement these public expenditure cuts, as pilot studies of DPs in England found local authorities are motivated by cost concerns rather than quality, leading to reductions in expenditure (Daly, 2002: Ellis, 2007: West 2013). During austerity, Scottish local authorities may use lessons from these pilots and exercise their power to reduce resources allocated to individual budgets.

Such local government actions would detrimentally affect the purchasing power of customers, but also the income security of non-profits in receipt of DPs. One of the outcomes of destatisation has been a blurring of public – private sector boundaries (Jessop, 2003). In this more financially precarious environment, continued blurring may occur as non-profits compete to attract potentially thousands of users with DPs and prevent existing ones exiting their organisation if dissatisfied.

The workforce is central to achieving organisational appeal in this competitive market, because care possesses the distinct characteristics of service work, i.e. simultaneous production and



consumption, intangibility in demands and the customer's presence in the labour process. Much of the customer's sense of satisfaction is gained from this direct interaction with workers (Korczynski, 2002). These common characteristics of service work, therefore, call for an appropriate blend of HRM policies to secure employee flexibility and commitment to the goals of customer satisfaction (Korczynski, 2002).

### **Work and employment implications**

A theoretical framework is needed to explore subsequent possible changes to non-profit employment policies from the above policy pressures of increasing customer sovereignty and cost control. This study uses Korczynski's 'customer orientated bureaucracy' (COB) (2002). This concept presents a useful framework as it recognises how workplace social relations in service organisations can be influenced by macro characteristics in society, such as shifts in the authority and identity of the customer (Korczynski, Shire, Frenkel and Tam, 2000). Moreover, the concept further recognises how increasing customer authority in service organisations inevitably coexists with demands for savings and efficiency (Korczynski, 2002). For non-profit COBs, personalisation and public sector austerity represent the sources of shifts in customer authority and demands for cost savings respectively that may increasingly influence their employment policies.

Within private service organisations facing similar pressures for customer satisfaction and rationalisation, Korczynski (2002) argues that COBs apply seemingly contradictory approaches to labour utilisation - 'hard' and 'soft' HRM (Storey, 1992). 'Hard' HRM sees labour as a factor of production and a resource to be exploited and manipulated. 'Soft' HRM

sees labour as a resource to be nurtured in order to encourage commitment (Storey, 1992). Combined, the two approaches are seen as helping to build the fragile social order and appropriate staff orientation, flexibility and commitment to ensure customer satisfaction in COBs (Korczynski, 2002).

The following summary presents potential outcomes for employment among non-profit COBs. The summary is not prescriptive, as Korczynski's analysis (2002) acknowledges that employment outcomes from similar pressures can vary in different settings. Furthermore, what follows does not suggest providers will pursue one or the other employment strategy. 'Hard' and 'Soft' HRM are not mutually exclusive as individual policies can be applied simultaneously in one organisation (Storey, 1992).

### *Soft HRM*

As local authorities distribute increasing numbers of DPs in the social care market, non-profits may have to appeal to newly empowered budget holders by offering some guarantee of customer satisfaction from services. Such appeal is seen to be acquired through COBs 'delighting' or 'enchanted' customers (Korczynski, 2002). Non-profit COBs may potentially achieve such levels of user satisfaction through the use of 'soft' HRM policies to build the necessary 'customer orientation' among staff (Korczynski, 2002). One approach may be to end anonymity in service provision characterised by users being served by multiple workers without any continuity or familiarity with their needs. Studies reveal how to end anonymity employers build more personal service encounters through constructing 'pseudo-relationships' between customers and workers (Gutek, 1995, pp 71). To develop such relationships non-profit

recruitment policies may be re-orientated to include the requirement for candidates to possess characteristics that include exhibiting a 'fit' between their own lifestyle interests and those of customers.

Other 'soft' HRM outcomes may arise from the unitarist 'win-win' rhetoric within the personalisation agenda, where reciprocal worker and customer satisfaction are viewed as essential for service quality (Needham, 2011). Personalisation reportedly achieves such mutuality by developing workforce skills through greater task participation and discretion to encourage commitment to customer goals (Needham, 2011). Again, to secure appropriate levels of customer satisfaction, non-profit COBs may implement 'soft' HRM policies to enhance training so workers exhibit the necessary orientation and practical skills. Such customer values and norms can be further cascaded into performance appraisal (Korczynski, 2002).

### *'Hard HRM'*

In contrast to the above 'soft' employee commitment inducing HR approach, Korczynski's (2002) COB concept also highlights how pressures for rationalisation and efficiency in services leads organisations to implement 'harder' HRM policies. This 'hard' approach potentially brings pressures for multiple forms of employment degradation, standardisation and bureaucratisation to non-profit COBs.

For example, greater insecurity for workers within non-profit COBs may come from several sources. Despite the distinctions between 'soft' and 'hard' HRM (Storey, 1992), ambiguities

are present because of the potential for a double meaning and purpose within Human Resource (HR) policies (Legge, 2005). Recruitment, for example, may serve a dual purpose that contains a 'harder' agenda. Specifically, in social care, time is a predominant characteristic in the employment offer and is characterised by extended and fragmented work schedules to allow employers to focus delivery during periods of high demand (Rubery, Grimshaw, Hebson and Urgarte, 2015). Personalisation exacerbates uncertainty around working time (Rubery and Urwin, 2011) because it places customer preferences regarding the timing of service interventions and their satisfaction at its centre (Needham, 2011). In this context, non-profits may follow the path of other COBs, by pursuing recruitment policies that encourage greater workforce temporal flexibility (Korczynski, 2002). State policies of personalisation, therefore, potentially encourage non-profits to further erode standard employment relationships through greater casualisation, bringing possible disruptions to the work – life balance of the care workforce.

Other 'hard' interventions may emerge within non-profits as customer authority influences the content of bureaucratic workplace rules and regulations. Here, non-profits may fashion a 'dual authority' or the perception of two bosses over employees. Customer sovereignty is strengthened through a process of bureaucratisation within COBs that formalises user priorities and authority within forms of management control (e.g. discipline, attendance, performance management) (Korczynski, 2002; Korczynski, et al 2000).

'Hard' HRM policies may also emerge within non-profits as a rational response to the state's demands for austerity cuts, and more efficiently delivered services disseminated through the newly emerging market of IBs and DPs. The expression of customer choices, competition

among providers to attract budgets, underpinned by expenditure cuts will exacerbate cost pressures in non-profits. Previous studies utilizing the COB concept have shown that service organisations apply ‘hard’ HRM interventions in response to such cost pressures through rationalisation and efficiency initiatives (Korczynski, 2002: Korczynski, et al, 2000). For non-profit workers, this suggests a degradation in employment conditions, jobs insecurity, and pressures on the labour process through work intensification, standardisation and deskilling.

Caution has to be applied regarding the aforementioned outcomes, as state – society relations in processes of ‘hollowing out’ represent an arena of struggle where government policies are prone to challenge and failure (Kjaer, 2011). Non-profits may resist state pressure to reconfigure missions, ways of working and employment conditions. Customers, additionally, may be constrained by barriers such as producer power and expertise or by their own unwillingness or incapacity to express choice (Boxall, et al, 2009: Osborne, Beattie and Williamson, 2002).

In the light of the above, the article has three concerns. Firstly, to what extent do contemporary processes of destatisation – personalisation and austerity – steer non-profit identities and roles towards more pro-market behaviours? Secondly, what changes do non-profit COBs bring to their employment policies as a result of increasing pressure to respond to customer authority and austerity? Thirdly, what are the gains or losses for workers from these changes?

## **METHOD**

The study originates from concerns regarding how personalisation and austerity impact on the management of employment in non-profit organisations. Research questions were developed from the inter-organisational, hollowing out, personalisation and customer – orientated bureaucracy literatures. The fieldwork was undertaken throughout 2011- 12 using semi-structured interviews in six local authorities and eight non-profits. The fieldwork occurred at a time of considerable changes to the Scottish social care market. The Scottish government’s ten year strategy was underway (Scottish Government, 2010) and a number of local authorities were involved in pilot personalisation initiatives or had been undertaking efforts to personalise services for some years. In addition, the 2013 Act was passing through the Scottish Parliament, and was subject to significant publicity in the care sector.

Table 1 outlines a profile of local authority (LAs) respondents selected because of the variety of approaches and timescales for moving towards personalising services. Interview schedules were developed from the aforementioned literatures, and undertaken with personalisation leads and contract managers (12 interviews). Pilot interviews were undertaken in LA2, and the schedules were subsequently amended.

***Table 1 here***

Semi-structured interviews occurred with non-profit (NP) Chief Executive Officers (CEO’s), Human Resource (HR) and senior operational managers (24 respondents), outlined in Table 2. Organisations were chosen because of their participation in developing personalisation programmes, as well as diversity in service setting, i.e. learning disabilities, mental health or multiple providers. Interview questions were developed from themes identified in the

literature. Pilot interviews were undertaken in NP1 and research instruments were amended. Additional scrutiny was made of organisational documents and websites.

All interviews were transcribed verbatim. Analysis was undertaken through identifying patterns related to research questions and themes in the literature. Sub-themes were then identified, and codes generated (Miles and Huberman, 1994). The first iteration of coding involved exploring local authority efforts to enable customer empowerment, austerity measures, changing expectations and financial implications on providers, and their workforce consequences. The second, was concerned with broad change to non-profit HR policies across the 'soft' and 'hard' dimensions outlined above. A third coding iteration involved gaining a more robust picture of the implications of personalisation and austerity in non-profits which included identifying tensions and contradictions.

*Table 2 here*

## **FINDINGS**

### **Changing roles and identities in social care in an era of personalisation and austerity**

This section addresses the first research question by exploring changing identities and roles among actors within the social care market. Local authorities implementing personalisation in the social care market were attempting to steer service users and non-profits towards different behaviours. The pace and extent of change varied across regions. Local authority approaches ranged from participation in Scottish government pilot personalisation programmes (LA4 and

LA5), early cautious projects (LA2, and LA3), rapid large scale transformation (LA1), and the continuation of a ten year programme of developing personalised services (LA6).

Further diversity in policy implementation was apparent when respondents discussed attempts to alter the behaviours of service users to that of customers. Here, authorities distributed DPs to encourage users to begin to express choices in the selection of providers and services. Due to the complexity of change, this distribution of DPs was undertaken with one service user group at a time, e.g. beginning with physical or intellectual disabilities and later to others such as mental health services. LA1, LA3 and LA5 envisaged that their actions were building a free market of autonomous customers exercising choice among networks of providers based on assessments of price and quality. In contrast, LA6 and LA4 felt the transition to customer-like behaviour was more constrained, because service groups such as older people could have strong attachments to existing providers and staff. This contrasted with younger users with more limited histories of institutional or provider services, and little loyalty to organisations or their staff.

Consistency was apparent in several other respects, however. All authorities brought non-profits together for a series of information events to promote change. Moreover, irrespective of the aforementioned variability in implementation, ‘customer empowerment’ through the distribution of DPs and IBs was strictly within the confines of local authorities simultaneously implementing unprecedented funding reductions in social care. Indeed, financial measures (distribution of budgets, cuts etc.) represented the key tool with which authorities altered the behaviour of other social care actors under personalisation.



Cuts were justified through claims that personalisation represented an opportunity to reassess some services that were over-funded with the aim of reducing welfare dependency.

Reassessments involved local authorities following a format familiar to negotiating block contracts. Specifically, discussions were primarily focused on deciding how many hours of care were to be provided and then determining the price per hour. Once these criteria were established there appeared limited emphasis on the quality of life outcomes prescribed under personalisation. Providers confirmed this process and stated how in many cases such reassessments involved a reduction in support. Each local authority also introduced shrinking eligibility criteria for users regarding access to services and imposed personal charges for those over certain income levels.

For LA2, LA3, LA4 and LA5 savings targets under personalisation were vague. LA1 and LA6, however, specifically established targeted percentage spending reductions as key performance indicators through the distribution of DPs. LA6 implemented 5 percent savings in this way, but LA1 was the boldest estimating expenditure reductions from its personalisation programme of 20 percent.

The budget savings target under personalisation is the biggest single savings target this council has ever had to make in its existence (Personalisation lead, LA1).

These same savings targets were then transmitted by these authorities to providers through equivalent reductions in the new hourly rate for DPs.

Local authorities were anticipating and advocating changes to the roles of non-profits in this changing social care market. LA1, LA3 and LA5 advocated that non-profits no longer receiving income security through local authority block contracts would have to 're-invent themselves'. This reinvention would be to cope with the uncertainty of customers possessing the ability to change providers. Non-profits failing to build a competitive appeal and be responsive to customer needs would not survive.

The best of them will remain and the ones that are not quite as able will not. To me personally, in some ways that is a good thing... If they are not prepared to engage and see that they have to change then they are not going to survive. I don't see that as a bad thing, that is the competitive market (Personalisation lead, LA5).

Indeed, in the long-term the three respondents quoted in this section anticipated the end of large-scale employment among non-profits and a move towards the development of brokerage organisations, linking customers to accredited, self-employed Personal Assistants. The other local authorities felt that change would not be as profound as some service users were reluctant to change providers.

All local authorities, however, anticipated significant changes to non-profit employment policies and worker roles. Respondents wanted the sector's workforce to embrace a stronger commitment to customer service, satisfaction and flexibility in return for acquiring new skills. One such skill involved community integration, where staff attempted to build lasting personal relationships between customers and residents in their local area. LA1, LA3 and

LA5 also predicted greater job insecurity for workers from customers' ability to switch providers if dissatisfied with services. Moreover, it was further anticipated that austerity meant that providers would have to make savings to employment costs.

Some non-profit organisations have got conditions of service that mirror the public sector...but it's not sustainable. They need to think about the terms and conditions of their workforce (Personalisation lead, LA1).

#### *Changes to the non-profit operating environment*

As a result of changes described in previous sections, from 2010 non-profits experienced financial difficulties. NP1 experienced annual funding cuts of 4 per cent. Between 2008 – 2012, NP2 reported a loss in turnover of 20 – 25 percent. NP4 refused to bid for particular tenders because the funding was unsustainable. Finally, NP8 had major contracts reduced by the equivalent of 5-6% for concurrent years 2010-2011. NP1, NP2 and NP8 were increasingly vulnerable to cuts because the bulk of their funding came from LA1, which implemented 20 percent expenditure reductions through DPs. These respondents noted how LA1 used a rhetoric of 'customer affordability' to justify cuts without acknowledging its responsibility in determining resources available to users.

Personalisation it seems to be getting lost. We understand the council's got an impossible job to balance the books... One of the senior officers of the council [LA1] said - "Personalisation is not the cause of the cuts, but is the vehicle through which we will achieve the savings we have to make." (CEO, NP1).

The following two sections address questions two and three regarding HR change and gains and losses for workers. The sections are not mutually exclusive as each contains data pertaining to both questions.

### **The impact on non-profit employment policies**

As a result of the pressures outlined above, organisations made efforts to change their employment policies to secure customer satisfaction. Table 3 reveals the changes across ‘soft’ and ‘hard’ HRM policies among non-profit COBs.

#### ***Table 3 here***

As outlined in the literature, workplace processes, procedures and rules came to reflect the influence of customer sovereignty. To appeal to new customers, for example, all non-profits changed their recruitment policies. Non-profits attempted to recruit candidates that, in addition to possessing the traditional sector values (e.g. a desire to care and serve the interests of vulnerable people, and altruism), had a close ‘fit’ with customer lifestyles and hobbies. In line with this, recruitment processes included service visits by potential employees to interact with users to establish whether there was ‘fit’ between the two (six cases except NP5 and NP8). Non-profits further introduced direct user involvement in selection panels (except NP2 and NP8); personalised job descriptions and person specifications; and personalised adverts (except NP1 and NP3).

The competencies are different, we might say. “We have a particular need within a service we are looking for somebody who enjoys swimming.” Whatever the particular specification from the service user is (Senior Operational Manager, NP4).

Where utilised, relief staff underwent similar recruitment processes so that in cases of absences and holidays there was continuity in customer orientation.

It means we're never in a situation where someone is going out to support someone that they have never met before (Senior manager, NP5).

Organisations further introduced ‘soft’ HR interventions such as upskilling, team working and task participation so their workforces developed appropriate ‘fit’ with customer lifestyles. The aim was to encourage ‘win – win’ outcomes for workers and customers. NP3, NP5 and NP7 recruited staff into small, self-managing teams allowing input into rotas, tasks and participation with customers in designing services. NP4 piloted direct customer involvement in the design and delivery of aspects of training, leading to reports of positive feedback from workers and users. NP3 piloted a job role designed to coach service users into improving their mental health. The workforce implications included up-skilling through the development of new career paths. NP3, NP4, NP5 and NP7 trained employees to work with customers using ‘outcome-based reviews’ (OBRs). OBRs attempted to give the respective parties a voice in developing ‘softer’, individual quality of life outcomes rather than uniform services for users.

A 'harder' HR environment also emerged from personalisation and increasing customer authority. This HR approach reflected the contradiction at the heart of COBs between aspiring to deliver customer-orientated services through a committed workforce, but in a financial context which compelled organisations to degrade employment conditions. Recruitment processes, for example, reflected the increasing unpredictability and intangibility of customer preferences over when services were delivered. A number of providers (see Table 3) increasingly recruited staff on flexible, casual contracts or introduced more fragmented shift patterns.

With personalisation we'll have to change dramatically. So we've been increasing our relief workers, and also zero hour contracts and different variations of that... What I'm getting from some of the services as well is that we might start looking at split shifts. It's all going to be for the person we're working for, which might not be quite so good for employees (HR Manager, NP2).

'Harder', coercive measures included instilling fear among workers by increasing perceptions of job insecurity from the risks associated with customers exiting services if dissatisfied. Each organisation reported diminishing capacity to redeploy staff if a customer exited. Redeployments would, again, be dependent on a close fit between customer and worker interests. This presented a pressure on workers to align themselves closely with the lifestyles and choices of particular customers to ensure continued employment.

Employees are able to think this person has got an individual budget... if they don't like my support then they can say "I would prefer some other organisation". It allows an employer to reinforce the idea that there is a shift in power going on (CEO, NP5).

NP6 re-interviewed existing staff for their roles to ascertain their 'fit' with customer lifestyles. Employees failing these interviews could be redeployed, but others were 'performance managed' out of the organisation.

Measures reflecting employers' desire to find a 'fit' between customer needs and the workforce had further implications for traditional bureaucratic workplaces processes rules and processes. NP5 and NP4 introduced customer authority in bureaucratic procedures such as performance appraisal. Here, users in discussions with management and workers, established lifestyle choices in their OBRs. These initial opportunities for workers to be involved in establishing priorities in service provision were overtaken, however, by pressures for bureaucratisation, standardisation and monitoring, as local authorities demanding value for money sought evidence of such outcomes being achieved. Subsequently, workers became accountable for helping achieve these lifestyle choices as management categorised them as key performance indicators in their appraisals. Management then required workers to write records of daily activities with users as evidence of their progress towards achieving outcomes.

Changes to absence management similarly reflected the organisational quest for customer satisfaction. A desire to provide consistency of service for users meant long-term absences

came under more scrutiny and workers facing undue pressure to return to work when long-term sick. NP1, NP2, NP4 and NP6 reported difficulties accommodating long-term absences, in the face of threats from DP holders to exit services because key workers were missing.

They go off sick but what that then means is that the people we work for, they aren't getting the consistent staff they should be getting. There's a bit of conflict. Our responsibility is to the people we work for, so we have to say, if you're not able to attend work on a regular basis, that's no good to this individual, so you have to go and work somewhere else (Senior Operations Manager, NP2).

### **Implications for employee terms and conditions**

Threats to non-profit efforts to sustain and encourage staff commitment to customer goals were undermined by contradictory cost pressures that, again, demanded a 'harder' HR agenda. As local authority respondents predicted, austerity cuts had significant workforce implications leading to further degradation of employment conditions. In NP1 twenty workers were re-interviewed for posts at a lower paid support assistant level due to LA1's cuts to hourly rates for DPs. NP8 made redundancies in LA1's area. NP1, NP2 and NP7 delayed management functions, intensifying the work of those remaining and removing promotion opportunities. Managers across the other organisations reported how workers directly linked public expenditure cuts to personalisation and the diminishing value of DPs, causing increased anxiety.



The workforce has found it very difficult because they think personalisation is just about job cuts. It's about the council saving money and putting it in a fancy way. They have really struggled because some of them are the only wage earner (senior operational manager, NP6).

All respondents reported how anxiety was additionally linked to stricter local authority eligibility criteria and charging policies. These measures meant some customers for reasons of being denied a service or because of affordability issues exited services threatening organisational stability and jobs.

Austerity and personalisation also influenced changes to working time. Providers labelled new local authority Framework Agreements as '*zero hours contracts for organisations*' (CEO, NP1). Here, organisations were guaranteed a few hundred hours of service provision, with additional time contracted on a casual basis in accordance with demands from customers with DPs. This contrasted with block contracts that usually guaranteed several thousand hours. In response, NP1, NP2 and NP7 recruited workers on zero hour contracts passing insecurity and risk onto the workforce. Furthermore, the introduction of split shifts could reflect service cuts rather than customer choices. Local authority service reviews using the rhetoric of encouraging independence meant customers previously in receipt of continuous service, e.g. for 10 – 15 hours per day, had them cut to perhaps a single or two blocks of 2 – 3 hours. Such changes could impact on service quality as users were left isolated without any support between visits. Moreover, to cover such fragmented services managers were forced to deploy workers on split shifts. These shifts driven by cuts added to the precariousness of

workers in NP2 and NP8 as the subsequent reductions in hours meant some reportedly had insufficient income to cover living costs.

In contrast to the promises of upskilling from personalisation, the demands for savings meant deskilling occurred in some roles as NP1 and NP2 began recruiting zero hour contract workers at the starting grade of support assistant, rather than the previous practice of hiring higher grade support workers. These providers additionally made redundancies in their training functions. NP4 and NP5 further doubted their capacity to build skills, as block funds had contained finance for training but resources allocated through DPs were more uncertain. Furthermore, some of the staff gains from the upskilling associated with new roles in NP3 came at a price. The project which developed new preventative roles (e.g. community integration) had previously undergone a process of retendering replacing traditional services and causing redundancies within the old provider. Moreover, the CEO reported part of the resources to pay the enhanced salaries of workers in the new roles were funded by removing the top two increments from its senior support worker pay scale.

Other problems with pay, included NP1 cutting salaries by 5% and reducing sickness entitlement because of LA1's new hourly DP rate. NP2, NP4, NP7 and NP8 doubted the future sustainability of their pay scales as DPs became more common and local authorities used them to save costs. Finally, work intensification emerged through the unpaid extension of the working week from 37 and a half days to 39 (NP1 and NP2) and the removal of two days holiday entitlement (NP1).

The above changes impacted on non-profits' ability to recruit suitable employees with the appropriate customer orientation, with NP2 reporting it was unable to recruit qualified nursing staff and even zero hour's contract workers.

It's really hard to get people because they don't see it as a career any more. Support work is the new retail. There are no barriers to entry, so where people historically would go and work in pubs or shops and stuff like that. We are catching that bit of the workforce now. People will come in and work for us until they find what they really want to do (Senior Manager, NP4).

Tensions emerged within non-profits from the above outcomes. The first related to contradictions between the goal of customer satisfaction and worker rights. Respondents reported employee concerns over the need for work-life balance, allowing sufficient absence periods for those suffering genuine illness, concerns over the deskilling of certain roles, and reassurance and protection under traditional disciplinary procedures from arbitrary customer actions as a result of the latter's involvement in appraisal. Reports further emerged of employees being frustrated about the promises of improved provision of care, but the reality of reduced service quality because of cuts.

Austerity funding led to tensions over pay as some providers (NP5 and NP6) wanted to sustain their salary scales to protect employee morale, and pointed to their ability to gain multiple sources of funding as a factor that may help in this regard. Management in NP5 and NP6 felt that a variety of funding settlements across the public sector, confidence in the

organisational ability to secure business from among DP holders, and the emergence of other income streams would allow them to avoid the worst of austerity and its negative employment implications.

## **DISCUSSION**

This study's use of the 'hollowing out' thesis and COB concept provides a useful framework to understand the sociology of non-profit – state relationships in an era of personalisation and austerity. The literature identified personalisation and austerity as contemporary manifestations of the key goals of destatisation. To implement the two policies, the state intensifies competition in the social care market through expanding the enabling role of local authorities to supposedly empower service users through the allocation of personal budgets. As highlighted in the literature (Daly, 2002; Ellis, 2007; West 2013), the state's policies of austerity and personalisation are complementary as local authorities use individualised budgets to reduce expenditure in the name of customer affordability. These findings link to concerns regarding how customer sovereignty can be a way by the state to engineer reductions in public expenditure (Ellis, 2007; Thompson, 1995). Non-profits, in response, are expected to move further on a trajectory of becoming more pro-market (Van Til, 2000; Shields, Evans and Richmond, 2004; Shields 2014), as they attempt to enhance their competitive appeal to customers with DPs.

The impact of the central state's actions are variable, however. This is because hollowing out processes represent an arena of struggle (Kjaer, 2011), where waves of destatisation breed new problems for states in steering groups of actors towards adopting the requisite identities

and behaviours (Rhodes, 1994). Local authorities implement personalisation and austerity at different paces, or differ in the degree to which they link cuts to the distribution of DPs. Service user groups vary in their engagement with change. Moreover, non-profits exhibit varying degrees of vulnerability to these state pressures. Finally, some of these actors have concerns regarding the impact of these changes on service quality and potentially resist.

The second and third research questions concerned changes to non-profit employment policies and subsequent gains and losses for workers from these altered state sector relations. The findings add to debates within the sociology of work about how customer sovereignty is a threat to working conditions (Korczynski et al, 2000: Bain and Taylor, 2000). Here, the state as the fourth actor in the employment relationship uses the macro-construct of customer sovereignty at a time of austerity to attempt to shape the behaviour of employers, customers and employees in outsourced public services. In using the COB concept to evaluate subsequent employment outcomes, data reveals how under state pressure non-profits introduce a range of ‘soft’ and ‘hard’ HRM interventions that bring demanding performance expectations for staff as their roles are subordinated to customer sovereignty. As outlined in the literature (Korczynski, 2002) to achieve customer satisfaction, employers expect closer ‘fit’ with the lifestyles and interests of users. ‘Soft’ HRM approaches to recruitment facilitate such goals by focusing on candidates’ potential to ‘fit’ with customer lifestyles. ‘Soft’ HRM does, moreover, bring advantages to some employees through skills acquisition, and increasing participation in shaping services (Needham, 2011).

Yet, the state’s calls for personalisation at a time of public service austerity brings multiple forms of employment degradation for non-profit social care workers. Non-profits increase the

disposability and insecurity of workers through 'harder' HRM interventions. In accordance with the concerns outlined in the literature (Rubery and Urwin, 2011) under personalisation recruitment processes exhibit a dual agenda (Legge, 2005) by introducing greater casualization through the increasing use of zero hour contracts. 'Hard' HRM also enhances customer authority over traditional areas of bureaucratic management control such as absence and performance management (Korczynski, et al 2000 and Korczynski, 2002), leading to intensifying job insecurity if employees fail to fit with customer needs. This study further reveals how the combination of personalisation and austerity causes significant degradation through implications for pay and holidays, the deskilling of roles, changes to working time, standardisation and increased performance monitoring.

The sociological concept of the COB (Korczynski, 2002) also illuminates the contradictions between the 'soft' and 'hard' HR policies within non-profits. Non-profit workers expected to exhibit commitment to customer goals face diminishing employment conditions. Opportunities for greater involvement in planning services are transformed into standardised, bureaucratic performance management monitoring procedures. Tensions arise between increasing emphasis on customer sovereignty in workplace rules and processes and worker rights. Employees share doubts raised by other stakeholders concerning the supposed service quality gains under personalisation. Such tensions within these workplaces are inevitable and irreconcilable when the state cedes responsibility for public services to networks of non-profits at a time of demands for greater customer sovereignty in delivery, but when resources are sharply constrained under austerity.

The findings raise doubts concerning whether employees are successfully steered into the behaviours, attitudes and identities required by the state. The study, however, relies exclusively on management and local authority respondents, providing limited insight into the lives of workers effected by destatisation. For the purposes of future research, the COB can further act as a framework to explore the outcomes of such tensions and contradictions on worker behaviours and attitudes. Specifically, whether such pressures lead to worker resistance that disrupts the fragile social order of non-profit organisations and the state's aims in social care (Korczynski, 2002).

## **Conclusion**

Personalisation and austerity are pushing non-profits to varying degrees towards more pro-market behaviours. Findings, however, suggest difficulties for the state in steering non-profits and other social care actors towards the type of behaviours needed to fulfil its policy goals. Differences in local authority implementation, service user engagement with change and provider vulnerability lead to variable outcomes across the sector. To respond to state pressures for rationalisation and greater customer authority, workforce reforms involve non-profits implementing 'soft' and 'hard' HR policies. Workers experience some benefits, but also significant employment degradation. At the same time, the workplace consequences of personalisation and austerity influence the success, or otherwise, of state efforts to introduce such market-orientated reforms. To gain a fuller understanding of the outcomes of these workplace dynamics, further research on the impact of employee attitudes and behaviours is needed. Research using this article's theoretical framework should also extend into other outsourced public services facing similar reforms.

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**Table 1: Local authority Respondents**

<b>Respondents</b>	<b>LA1</b>	<b>LA2</b>	<b>LA3</b>	<b>LA4</b>	<b>LA5</b>	<b>LA6</b>
<b>Urban/Rural</b>	Urban	Urban	Urban	Rural	Rural	Urban/Rural
<b>Participants</b>	Personalisation lead and Finance Officer	Personalisation Lead and Contracts Manager	Personalisation Lead and Contracts Manager	Personalisation Lead	Personalisation Lead and 2 Contracts Managers	Personalisation Lead and Head of Social Services

**Table 2: Profile of participating Non-profit organisations**

	<b>NP1</b>	<b>NP2</b>	<b>NP3</b>	<b>NP4</b>	<b>NP5</b>	<b>NP6</b>	<b>NP7</b>	<b>NP8</b>
<b>Service users</b>	Mental health	Mental Health, addictions, learning disability	Mental health	Learning disability	Learning disability	Learning disability	Learning Disability	Physical disability
<b>Numbers of local authority funders (participating authorities in brackets)</b>	1 (LA1)	7 (LA1, LA2, LA4, LA6)	14 (LA1, LA2, LA3 & LA6)	3 (LA3)	14 (All six participating authorities)	16 (LA1, LA2, LA3, LA4 & L6)	5 (LA1 & LA2)	12 (LA1 & LA3)
<b>Workforce numbers</b>	100 (approx.)	400 +	300 +	450-500	1500 +	1000 +	Less than 250	350
<b>Senior Management interviews (incl. Chief Executive Officer (CEO))</b>	4	3	3	3	3	3	2	3
<b>Union recognition</b>	Y	Y	Y	Y	Y	Y	N	Y

**Table 3: Changes to ‘soft’ HR Policies as a result of personalisation and austerity (√ = In place, P = Proposed)**

	‘Soft’ HRM policies		‘Hard’ HRM Policies						
	Training and development reflects customer input	Team working, multi-skilling	Appraisal focused on customer outcomes	Recruitment and selection focusing on ‘fit’ with customer lifestyles	Redeployment opportunities limited	Absence policies reflecting customer authority	Increase in Zero hour contracts & split shifts	Relief staff recruited to ‘fit’ with lifestyles	Pay reflecting changes to direct payments etc.
<b>NP1</b>	-		P	√	P	√	√	-	√
<b>NP2</b>	-		P	√	P	√	√	-	-
<b>NP3</b>	√	√	-	√	√	√	√	√	-
<b>NP4</b>	√	√	-	√	√	√	√	√	-
<b>NP5</b>	√	√	√	√	√	-	-	√	-
<b>NP6</b>	√	-	√	√	√	-	√	√	-
<b>NP7</b>	√	√	√	√	√	-	√	-	-
<b>NP8</b>	-	-	P	√	P	√	P	-	-