

The Role of Intermediaries – the Third Sector

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Introduction

Modern and efficient public services delivering high quality outcomes for families and individuals in areas such as health, education, childcare, social care, criminal justice and employment services, are at the heart of most Governments' vision of a society where economic prosperity and social justice provide stability, security and opportunity for everyone. The Third Sector has historically played a unique role providing public services, identifying needs, campaigning for change and delivering dynamic, innovative solutions.

The Third Sector makes a distinctive contribution through its focus on the needs of service users, its knowledge and expertise to meet complex needs and tackle difficult social issues, its potential to offer joined up services, its capability to earn users' trust and its ability to innovate.

Definition

The Cabinet Office in the UK defines the Third Sector as 'non-government organisations which are value driven and which principally re-invest their surpluses to further social, environmental or cultural objectives'. For the purposes of this paper a Third Sector Organisation (TSO) is defined as a not-for-profit (or non-profit) group which operates outside of institutionalised political structures and pursues matters of interest to its members and donors by lobbying or persuasion, or by direct action including service delivery. It includes voluntary and community organisations, charities, social enterprise and cooperatives. Such groups are frequently known as Non Government Organisations (NGOs), Non-State Actors (NSAs) or Not-for-Profits (NFPs). In Europe the sector is frequently referred to as the community and voluntary

sector. Regardless of the definition, there are some fundamental 'qualifications' for a bona fide TSO e.g. they should:

- (i) Be self-governing and independent of the state;
- (ii) Not distribute profits to shareholders;
- (iii) Benefit to a significant degree from voluntary work; and
- (iv) Publish annual audited accounts (which identify inter alia the percentages of income spent on administration and on service delivery).

Context

A great strength of civil society is the motivation that so many individual citizens have to give up their time to help and support others, to build communities, or to protect the environment. A significant proportion of volunteer activity is channelled through TSOs.

For decades TSOs have carried out activities that the population now tend to regard as public services. Charitable organisations (charities) often pre-dated, and prompted, statutory provision. For example in the UK, state education did not exist until the mid-19th century; and it was 1948 before the National Health Service was created. Prior to these developments, both schools and hospitals were provided by charities (now referred to as TSOs).

Public perception of what services government should provide has changed over time and definitions of what should be provided for 'common good' are subject to on-going refinement. Likewise relative levels of provision by the public sector and TSOs has changed. In response to changing public expectations and government policies, responsibility for a number of services has been taken over by public sector organisations. A more recent trend has seen the contracting out (or outsourcing) of some services to either private sector companies or TSOs and this trend seems set to continue. Public pressure to reduce the size of government and to improve its

efficiency increased the pressure on the state to organise new service delivery systems. (The latter involved significant outsourcing thereby circumventing public sector unions.)

Scale

In almost every administration there are TSOs operating. For example according to Wikipedia there are between 1 and 2 million TSOs in India and 400,000 in Russia. In the USA there are over 1 million TSOs employing some 11 million people. In the UK in 2005, more than 20 million people volunteered either formally or informally at least once per month; there are over 190,000 TSOs registered with the Charity Commission and they employ over 600,000 paid staff.

Furthermore, a number of TSOs operate internationally including for example the Red Cross, Greenpeace and Amnesty International.

Adding to the figures for full-time employees, the sizeable number of volunteers and the number of other people engaged in this sector, the overall expenditure is very significant.

'By the year 2000, the non-profit sector within the United States included more than 1 million organisations, about 6% of all organisations in the country. Together these organisations allocated and dispensed more than \$500 billion a year and employed 1 in 15 Americans.'

"Non-governmental Organizations, United States." [Encyclopedia of Public Health](#).

TSOs are a powerful force for good in society and the range of their work is vast. There are few areas of the normal lives of citizens that TSOs do not touch; for service delivery groups these include for example hospice care for terminally ill patients, childcare services in disadvantaged areas, care and resettlement of offenders, and advice and guidance for young people.

By focusing on a specific mission and drawing on the passionate support of local communities and loyal volunteers, TSOs are able to address issues that other organisations cannot (or will not). Perhaps most importantly, TSOs enjoy a unique independence in their service to the public. Unlike organisations in the public sector which are subject to political pressure and regulations, or those in the private sector which are beholden to their owners and shareholders, TSOs are accountable through their governing Boards mainly to the public's trust. This is a key differentiator i.e. while government agencies endeavour to provide the same level and quality of service to everyone (one size fits all), TSOs have the scope and endeavour to tailor services to meet individual requirements if necessary.

There are 50,000 voluntary organisations in Scotland, employing 120,000 paid staff, which in turn is equivalent to 5% of Scotland's workforce, and 12% of the part-time workforce, 200,000 trustees and 1.2 million volunteers. The voluntary sector in Scotland generated an annual income of £2.6 billion in 2004, which is equivalent to 1.2% of the annual turnover of the Scottish economy. Less than 40% of this income was generated from the public sector, with the majority coming from self-generated income through trading, rent and investments.

Manifesto for the Voluntary Sector in Scotland, 2005

At a different level some TSOs historically have played an important role in identifying gaps in service provision, campaigning for change and sometimes developing innovative solutions; examples in the UK include campaigning for the first laws to protect children from abuse and helping to create international humanitarian laws.

In recent years the UK Government has recognised that TSOs have an important role to play in the drive to improve public service delivery. In some cases (including the examples quoted above), TSOs may be best placed to deliver a service. This may be the case especially where a service needs to connect with clients who are either difficult to reach; or are distrustful of state agencies.

'The greater involvement of the Third Sector in delivery must not be about government abdicating its responsibility to fund public services. Instead it is about ensuring that, in the right circumstances, the Sector can deliver services where it is best placed to do so'.

Ed Milliband, Minister for the Third Sector, UK (December 2006)

In terms of those who are difficult to reach, one of the emerging issues in Europe is the 'migrant population'. The policy of 'free movement of people, money, goods and services', has precipitated an enormous increase in the number of people leaving their home countries to seek work abroad. This means that in the UK for example there is a large number of new residents for whom English is not their first language and who therefore have difficulties in communicating with public sector officials. Furthermore, it has been acknowledged in recent years that there is still a percentage of the indigenous population who have basic literary problems. For both of these groups the TSOs provide a very valuable service as an intermediary.

This also applies to those who are distrustful of state agencies. It is a sad fact that the loss of respect for government and its institutions has been steadily increasing. This has been exacerbated by negative reporting in the diverse communication channels including newspapers, radio and television and of course the Internet.

Given such broad coverage, categorization of the various organizations would be advantageous. While there are a number of different classifications of organization types within the Third Sector, for the purposes of this paper it would be prudent to consider 3 main classes.

(1) Service delivery/Charitable groups

These include organizations whose priority is to meet the needs of the poor e.g. distribution of food, clothing or medicine. Activities also include provision of housing, transport and schools. Such TSOs may also undertake relief activities during a natural (or man made) disaster.

Examples include OXFAM, the Salvation Army, International Red Cross and Christian Aid.

(2) Participatory or Community Action groups

These are largely community based organisations which are

characterized by self-help projects where local people are involved particularly in the implementation of a project by contributing e.g. money, labour, tools or land. In the classical community development project, participation begins with the need definition and continues into the planning and implementation phases. TSOs act as facilitators for these projects. For some the aim is to help the poor and under-privileged develop a clearer understanding of the social, political and economic factors affecting their lives, and to strengthen their awareness of their own potential power to control their lives.

(3) Advocacy groups

These groups seek to promote or defend a specific cause. Typically they try to raise awareness, knowledge, acceptance and support for a single issue by lobbying, media work and activist events.

Examples include protecting the natural environment or encouraging the observance of human rights and include organisations such as Greenpeace and Ban the Bomb.

As mentioned previously, some TSOs operate on a local basis while others function on a national or indeed international scale.

'Regulation' of TSOs

Present day TSOs are normally legal entities with full-time staffs and governing Boards. They have formal management structures and operate as businesses collecting and distributing funds either as cash or in kind. Many TSOs receive support from

government and for-profit organizations and they often work in collaboration with these groups, each bringing their competences to bear on a common issue.

Charities are free and independent organisations whose work is essential to society. But given the scale of the 'industry', a regulatory body which regulates on behalf of those who give to and benefit from TSOs, and on behalf of wider society would be prudent. Ideally its responsibilities would include:

- (i) to ensure that TSOs meet the legal requirements for being a charity, and that they are equipped to operate properly and within the law;
- (ii) to check that TSOs are run for public benefit, and not for private advantage;
- (iii) to ensure that TSOs are independent and that their trustees take their decisions free of control or undue influence from outside; and
- (iv) to detect and remedy serious mis-management or deliberate abuse by or within TSOs.

For example in the UK, The Charity Commission was established by law as the regulator and registrar for charities (TSOs). Its aim is to increase the effectiveness of TSOs and also public confidence and trust in these organisations and its role encompasses the activities outlined above. Registered charities are normally exempt from tax on the monies which they collect and distribute.

A similar function is administered by the Canada Revenue Agency and other administrations may also formally monitor and indeed regulate TSOs. Given the scale of the Third Sector, it would be prudent for each administration to consider the implementation of an appropriate regulatory body with terms of reference similar to those outlined above.

The final bullet point in the list of proposed responsibilities is very important as there have been instances where particular TSOs have been very inefficient in that a

significant percentage of donations was spent on administration rather than service delivery.

Challenges for TSOs

The crucial role played by TSOs in society, and their relationship with both the state and its citizens, is changing at an ever-increasing pace. Thus far this paper has defined the Third Sector, considered the scope of the services it provides and identified the scale of the 'industry'. Furthermore, from a UK perspective in particular, the paper has identified the key role that TSOs provide in delivering public services. But in terms of going forward there are some fundamental issues have to be addressed.

(1) Service delivery/Charitable groups

Firstly, do those TSOs that deliver services provide an alternative to state services? Or are they an extension of the state? Or do they complement the state?

The basic adage applies here of course i.e. that if two organisations are doing the same thing, one of them is not necessary. So the first principle should be that no service should be duplicated by the state and TSOs. This means that TSOs do not provide an **alternative** to state services (such that the citizen should not have the option of deciding whether to take a service from the state or a similar service from a TSO). Also, in real terms, given their independent status, TSOs are not really an **extension** of the state but rather they **complement** the state through their particular services to society.

(There is a dichotomy of course in that there may be some overlap in the services offered by a number of TSOs. This presents a particular challenge for governments seeking to outsource specific services.)

To be effective in circumstances where the state provides funding for TSOs, the relationship between the state and TSOs must be clear. A healthy relationship is only conceivable when both parties share common objectives; for example if the government's commitment to abolishing poverty is weak, TSOs will find dialogue and collaboration frustrating or even counter-productive. Likewise, repressive governments will be wary of TSOs which represent the poor or vulnerable.

In essence, TSOs need to be treated as service providers similar to private sector suppliers. This means that appropriate contracts need to be put in place defining what needs to be done and at what price.

Each TSO therefore has to address the same issues as any other organization in terms of capability and capacity; capability in terms of attracting and retaining the appropriate skills and capacity in terms of having sufficient resources to deliver their services.

One of the major challenges for TSOs is of course sustainability i.e. securing sufficient funds to enable them to continue in business. As mentioned earlier in this paper, funding may come from voluntary donations from the public or from for-profit organisations. Such donors are unlikely to be amused if their donations were to be used to deliver services which should be delivered by the state. Equally government funding to TSOs is likely to be given for specific programmes; and this raises the question which has been mentioned already, of how governments contract with TSOs. A recent report in the UK identified four main problems for government contracting with TSOs. It concluded that too many contracts with TSOs:

- are short-term making it difficult for TSOs to recruit, retain and develop staff;
- place excessive risk on TSOs causing some to decline potential opportunities to deliver services;
- set unrealistic prices; and

- involve an excessive burden of monitoring and reporting, which diverts expensive resources away from front-line service delivery.

To address these specific issues, the UK Government identified a programme of positive action for engaging with the Third Sector. Four key actions were articulated and some of these actions may also be applicable to the other two TSO groups and in other administrations in their dealings with TSOs.

(i) Commissioning

This is particularly important for TSOs which deliver services on behalf of the state. The cycle of assessing the needs of people in an area, designing and then securing an appropriate service; inter alia the government will introduce a specific training programme for officials likely to be involved in commissioning services from TSOs. Dialogue with potential service providers was also recommended (see (iii) below).

(ii) Procurement

The specific aspects of the commissioning cycle that focus on the process of buying services - from initial advertising through to appropriate contract arrangements; a principal focus will be on improving access to government contracts for smaller TSOs including streamlining the processes.

Commissioning and procuring services will be directed such that they enable providers to meet the needs of individual communities and service users and incorporate local innovations. Furthermore, contracts should ideally be for a minimum of 3 years.

But of course in contracting to deliver state services, some TSOs

need to ensure that they do not compromise their independence and their wider charitable objectives.

(iii) Learning from the Third Sector

One of the key strengths of TSOs is their closeness to their customers and their deep understanding of their needs. Four areas where TSOs could impact on public service provision are:

(a) prompting organizational improvements within the public sector e.g. to deliver joined up services;

(b) developing innovations in existing services;

(c) developing innovations in service interfaces – the relationship between service providers and their users; and

(d) establishing innovative new services.

Such innovations from TSOs could be fostered and learning shared by brokering dialogue to ensure that public services learn from the best of the Third Sector. This dialogue extends to consulting with potential provider organisations particularly those from the Third Sector, in advance of commissioning new services; and working with them to set priority **outcomes** for that service.

(iv) Accountability

To hold public services to account it is vital to engage citizens to capture their views. The Third Sector plays a key role by empowering

communities and citizens to have their say, particularly those whose views would normally be marginalized.

Sharing Personal Data

A second key issue for governments and TSOs is the sharing of personal information across organizational boundaries. Given the requirements of data protection legislation, this is already a problem in delivering joined-up services in some administrations. But as TSOs are by definition outside of government, this adds a new dimension to the problem. The principle of 'informed consent' may be a solution in some cases but given that most TSOs jealously protect their trust relationship with their users, this is a very sensitive area and one that needs to be addressed in the interests of joined-up service delivery.

There are potentially 3 separate issues here. Firstly, to respect the rights of the TSO's customers in terms of their personal information and how it is shared with government, appropriate safeguards need to be put in place such that assurances can be given that such rights will be protected. Conversely, similar safeguards are required for information being passed to the TSO by government. And thirdly, there may be technical (IT) issues to be resolved in terms of how information, particularly personal data, is stored and how it is transferred (securely) between the various players.

In Australia TSOs (NGOs) complement the government's activities. By 2010 the Australian Government will provide widespread access to government services through participating non-government providers. By 2010 citizens will be able to opt to have their government registered details updated automatically when they interact with participating non-government service providers.

(2) Participatory or Community Action groups

Since the principal focus of these groups is normally in under-privileged or low income communities, partnership between government and TSOs is vital. Education and training is usually a priority and TSOs that centre on educational and occupational issues, indirectly address public health issues by empowering individuals with new skills and competencies, thereby improving their own standard of living.

The principles of dialogue to identify specific outcomes, identify appropriate programmes or projects, together with proper commissioning and contracting, are all important for the on-going survival of these groups.

(3) Advocacy groups

Positive changes in society are driven by citizens and communities not by governments alone. It is when people come together to seek to improve or change something that they care about, that things start to happen. This coming together can be as large as the Make Poverty History Campaign and the Live Aid concerts, or as local as campaigning to improve road safety in a neighborhood. It is often about campaigning or lobbying government but can also involve people coming together to resolve problems on their own, seeking to change their own environment and influence others within it.

As advocates and campaigners, TSOs make it possible for community views and concerns to be expressed. This may happen directly by supporting self-advocacy and equipping people with the skills for citizenship and campaigning; or indirectly drawing on the knowledge gained by working in the community and representing the views of the community.

The increasing availability of access to the Internet from home is being used by a number of single-issue advocacy groups for example to increase their 'membership'. This trend is expected to continue with the claim of increased numbers supporting a

particular cause adding to the pressure on government to respond.

TSOs can also play a key role in bringing about improvements to services that citizens receive (regardless of whether they actually deliver those services), by using their experience of citizens' views and needs. The latter includes identifying barriers to accessing services and influencing the design and delivery of public services.

Where TSOs provide advice about the design and delivery of public services, governments need to give serious consideration about how best to grant aid these 'common good' organisations.

Conclusions

Strong and prosperous communities able to bring people together to deal with common concerns are a vital part of the renewal of civil society. The active involvement of communities in improving their quality of life is critical to achieving the best outcomes in neighborhood regeneration. Governments therefore need to ensure that all communities have the capacity to participate, to develop and to work with others.

Taking action to build strong communities of course presents a clear challenge for governments – the wrong kind of intervention could stifle and interfere with the innovation and work of individuals and communities; whereas too little support could leave communities excluded. Furthermore, the promotion of connected and cohesive communities cannot be forcibly imposed by governments but has to be achieved by community members and groups (TSOs) working together for the benefit of all.

One channel for governments to foster relationships is to work with the Third Sector consisting as it does of TSOs that can provide a platform for the delivery of services, for bringing about change, and for developing strong and positive relationships

between people of different backgrounds. Working with TSOs is part of building strong and connected communities.

Actions going forward

1. Acknowledging the key role that TSOs play in complementing government service delivery, it would be important to identify and address those issues which jeopardize their sustainability.

2. Services will continue to be delivered by the organisations best placed to do so including TSOs. The pressure on governments to reduce headcount will also be a driver to outsource services to TSOs.

3. Given the scale of the Third Sector, it would be prudent for administrations which depend on TSOs to deliver services, to consider the implementation of an appropriate regulatory body with terms of reference similar to those outlined earlier in this paper.

4. The issues around commissioning, procuring and contracting services from TSOs need to be addressed and resolved.

5. For TSOs that are contracted to deliver specific services on behalf of government, the issue of sharing personal data needs to be addressed satisfactorily including the implementation of appropriate safeguards.

6. Governments need to consider how best to grant aid those TSOs which provide advice regarding the design and delivery of public services.

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