

Does a strong and independent third sector mean a strong and healthy civil society

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Thank you for inviting me to speak here today. I am very pleased to be part of the tenth anniversary celebrations for the Centre for Voluntary Sector Research. Over the last ten years the Centre has made an important contribution to our understanding of the sector and the environment in which it operates. Not least because of your commitment to interdisciplinarity; a key strength.

Your work has not only made a real difference to organisations on the ground, but you have promoted scholarship on voluntary sector issues through your links with national and international organisations and networks. Certainly at NCVO we very much value our links with you. And I can personally attest to the quality of your scholarship: last year I had the pleasure of awarding one of your colleagues the Campbell Adamson Memorial Prize at the 2007 NCVO / VSSN Research Conference.

This anniversary takes place against what continues to be a changing environment for the voluntary sector research community. Ten years ago few would have anticipated that the ESRC, OTS and charitable trusts would invest in not one, but two significant research centres: the Charitable Giving and Philanthropy Research Centre and Third Sector Research Centre. The overwhelming response to BIG's £25m research grants programme similarly demonstrates both the commitment of funders and the interest of the sector.

These investments are a fantastic opportunity for the voluntary sector research community. I hope they are not a once in a lifetime opportunity and that they will benefit the research community as a whole – not just the recipients of funding. It is essential that the noise from the two new centres does not drown out the excellent work being done by centres such as this. I am keen that this opportunity raises the profile of voluntary sector research overall; that all boats are lifted on this rising tide.

If these are not going to be the 'once in a lifetime opportunity' variety we have to show that investment in research activities and the evidence base are worthwhile. For me, that means we have to blend academic credibility and robustness with clear lessons for policy and practice. And I know that here in Sheffield you have an excellent track record in this regard.

Civil Society

My subject this evening is the sector's contribution to civil society and, more specifically, whether a strong and independent third sector can make society stronger and more civil.

By civil society I mean the space between state, market and family life where people come together to pursue shared interests; to help themselves and others. And do so voluntarily, because they want to, not because Government compels them to; nor simply to make a profit. It is the arena for collective action – where we come together.

As Nicholas Deakin has argued, this space is created – and continuously recreated – by the actions of people themselves. But it is also shaped by changes in each of the other spheres – by changes in family life, for example, or in the delivery of public services. Or, indeed, the wholesale collapse of international finance.

What I want to do this evening is examine this idea of civil society, drawing particularly on the work of Michael Edwards of the Ford Foundation. I want to highlight the vital role that the third sector does play within civil society. But also to suggest that society itself is strongest when all three spheres, state, market and civil society work together to make it so. To explore this further I will briefly examine the impact of the current financial crisis on civil society: and how civil society can help to shape the future of the economy.

What is civil society

I want to begin by saying a little more about what I mean by the term civil society. It is a complex and contested concept; the subject of continuing academic debate as well as political interest. In terms of the literature, there are three main strands of thought about what civil society is and what it means, as Michael Edwards has shown. And, like Edwards, I think it is perhaps best understood as a synthesis of all three.

Firstly, there is the idea of civil society as associational life: people voluntarily coming together, independently of government or commercial interests. Originating from 18th century ideas about rights and particularly the right of freedom of association, this strand emphasises people's relationships with each other; trust and reciprocity; civility.

Secondly, there is the idea of civil society as the public sphere, an arena for argument and deliberation. Where people discuss social issues, problems and solutions; where they identify their common interests and negotiate their differences. In this strand an active and vibrant civil society is seen to be essential to a healthy democracy and a vital check on the power of the state, as writers from de Tocqueville onwards have argued.

And thirdly, there is the idea – or ideal - of civil society as the *good* society; the world as we would like it to be. It is in this sense both normative and descriptive. It suggests a more civil, as well as a more cohesive society. It reflects ideas about social progress and social values; it is a goal to aim for.

So to summarise, an active and vibrant civil society helps to:

- build connections within and between communities, as well as between individuals;

- strengthen democracy by promoting participation; holding governments to account;
- provide a counterbalance to the power of the market and the power of the state;
and
- focuses our attention on how we might build a better world.

The VCS within Civil Society

So what of the role of the third sector within civil society? Does a strong and independent VCS mean a healthy civil society? As importantly, does it make society stronger and more civil? I want to explore these questions in relation to the three aspects of civil society I've identified: associational life; the public sphere and the good society.

Associational life

Civil society is much more than the voluntary and community sector – or even the wider third sector. Nevertheless a diverse and independent sector is a vital element of civil society as associational life.

Our sector is a catalyst for collective action, bringing people together as members of voluntary and community organisations; faith groups; political parties; trade unions. Or simply as loose, informal associations, such as book clubs or baby sitting circles.

These organisations and associations help to build connections between people, perhaps on the basis of their faith or values; their sense of justice or fair play; their concerns, passions or enthusiasms. And in so doing they provide the glue that binds society together.

In an increasingly diverse world, where people have cross-cutting identities, allegiances and interests, a healthy associational life is more important than ever. By bringing people together on the basis of common interests, voluntary and community organisations also give them the space to explore their differences. To develop a regard for others, including others who may be unlike them in many ways, but who share their passion for the arts or their concern for the environment.

Without these organisations society becomes more fragmented and less civil.

The Public Sphere

And in bringing people together VCOs and other civil society organisations create opportunities for conversations about the world: how it is; how it could be; or how it should be. Contributing to a vibrant public sphere.

As campaigners and advocates, VCOs bring new issues and perspectives to public policy debates; encourage others to engage in these debates; and help to challenge power relationships. Indeed campaigning by charities across a broad spectrum of issues, from environmentalism to disability rights, has often energised and provoked public debate in a way that has sometimes left traditional politics in their slipstream.

These organisations have also played a crucial role in creating space for dissent; championing unpopular causes – from unmarried mothers in the 1960s to migrants and asylum seekers today. And they help to ensure that a diversity of voices are listened to, not

just those who find it easiest to make their voices heard. Reaching out to marginalised groups, such as refugees or people with mental health problems, and doing so in non-stigmatising ways. In this way they give people the skills, confidence and support to participate in decisions that affect their lives and in the life of the community.

Debate and discussion is the lifeblood of any democratic system; VCOs and other civil society organisations play a key role in promoting this. But as Michael Walzer has argued *'the associational life of civil society is the ground where all visions of the good are worked out and tested, and proved to be partial, incomplete and ultimately unsatisfying ...'*

A strong and independent third sector is vital to the health of the public sphere; but so too are strong representative institutions. A point I will return to later.

The good society

Which brings me on to the third element of civil society: as an idea or ideal of the good society.

From the comments made already, you have probably realised that in, my view, third sector organisations do contribute to the public good and to a strong and healthy civil society. Indeed, they are a vital part of civil society.

The third sector encompasses a broad range of organisations: From big household name charities to small grassroots organisations. From mutual societies to community anchors. But the common factor that unites these organisations is their motivation: what they are *for*, not what they do. They exist for public benefit, not private gain; to make a positive difference to people's lives; to their communities; and to society as a whole. The diversity of the sector reflects the different ways of making a difference.

And in working with colleagues across this wider third sector it has become apparent that we share a commitment to values such as social justice; empowerment and participation. And to people's right to be treated with fairness, respect, equality and dignity. That is not to say that other sector's do not share these values, but it is not the central force for them that it is for our sector.

Limitations

But we must also be clear that the good society cannot be created by voluntary action alone. While I believe passionately in the ability of our sector to transform people's lives for the better, I am also aware of its limitations. Third sector organisations are partial and specific; they exist to meet particular needs, to further their mission or cause. That is their strength but also their weakness, potentially creating outcomes that are ultimately unfair, contradictory or chaotic.

Public decision-making involves meeting, reconciling and sometimes rejecting particular interests, in the interest of all. Therefore we also need strong representative institutions to act on behalf of all citizens; to ensure equality, fairness and due process; and with the legitimacy to take decisions in the wider public interest.

And we need a functioning market system to generate economic wealth; to create jobs and to generate the surpluses needed to meet human needs and achieve social goals.

A strong and independent third sector helps to create a strong and healthy civil society. But by itself it cannot make society stronger or more civil. It is an essential pre-requisite, but not sufficient. What is needed is across all three spheres of state, market and civil society.

Relationship with Government

Over the last ten years there has been a step change in the relationship between the Government and the sector. From the production of the Compact, which celebrates *its* tenth anniversary next month, to the Third Sector Review and beyond, there has been a recognition of the role that our sector can play. As partners and as providers of public services. Some have argued that, as a consequence, our sector has become too close to Government; others that it has led to us becoming too like government, or business, in what we do and how we do it. We are no longer an independent sector. I disagree.

Where government and third sector organisations have shared goals and aspirations, it is right that they should work together to achieve these. Independent does not mean separated or isolated. We should be able to work with others without losing our ability to determine our own affairs. For most organisations the real issue is learning to manage their relationships effectively while retaining their autonomy. It is about interdependence.

Third sector organisations can play a crucial role in both shaping and delivering public services that better meet the needs of individuals and communities. And where they can they should be able to do so on their own terms; in ways that respect their independence and expertise. And the services that they provide should be properly costed and paid for.

However, we also need to be clear how far it is appropriate for us to take on the mantle of the state, particularly in relation to its coercive functions. There is a world of difference between empowering someone and having power over them. Between giving them the skills and confidence they need to find work; and taking away their benefits or their rights to financial support. Taking on such roles would change the relationship we have with our clients, and the public, for the worse. And, in so doing, undermine public trust and confidence in our sector.

Relationship with business

Yet while some are concerned about our relationship with Government, others look to business as a model for our sector. It is suggested that, if we are to be taken seriously, third sector organisations should be not only more business-like, but more like business. For example, in the way we govern our organisations.

But such views fail to take account of the distinctiveness of the sector. It has long been a key principle of the sector that VCOs are governed by a voluntary trustee board or management committee, that is they are unpaid and take on this role in the public interest,

not self interest. This principle of voluntarism defines the sector and contributes to public trust and confidence in it.

That doesn't mean that we should not also be accountable or competent in what we do or how we do it. However, we must recognise that our success is not determined by the financial bottom-line or shareholder value. But by how effectively we meet the needs of our members and beneficiaries, within the resources available to us. Therefore we need to develop systems of accountability and measures of value that are appropriate to our sector.

While we can learn from other sectors, there is much that others can learn from us. Particularly at this time of economic crisis, when checks and balances within the financial sector have been found wanting. The wisdom of the late 20th Century has been that only free markets can deliver economic stability and a strong society; that the self-interest of individuals will maximise the common good. Clearly now is the time for new thinking. The economic crisis has highlighted the interdependence of Government, market and civil society. Therefore it is essential that all sectors work together to build a new vision for social and economic stability.

Any future economic strategy must not simply mitigate the damage done during this downturn, or patch up the failing system that created it. It is right that those who bear the risks should reap the rewards; but we need a better understanding of how those risks are distributed. The credit crunch is having a huge impact not only on the economy or across government, but throughout civil society. This demonstrates that these risks were not borne solely by City traders, but by all of us.

Today we need to find solutions that work across this broader landscape: a tripartite deal encompassing the state, market and civil society.

As a society, we must move away from a situation where money itself is the measure of public good, to one where economic growth is a means of achieving demonstrable social and environmental outcomes. And we must take action to combat financial exclusion and ensure that money continues to circulate at a local level, as well as increasing the supply of money circulating nationally and internationally.

In my view, the real challenge facing Governments today is not just the fall out from the financial crisis, but the consequences of climate change and the need to reduce global poverty. Economic security cannot be achieved without social and environmental security. The G7 and other Governments have agreed to a series of meetings to discuss the future of global financial institutions and develop a new deal for international financial security and stability. Now is the time to ensure that the Millenium Development Goals and climate change agreements are an integral part of any international new deal.

Worklessness

At home, employment policies need to change. Currently the assumption is that there are jobs out there and unemployed people just need the right incentives and support to find

them. On this basis the government has introduced tough targets and a system of payment by results for organisations providing this support.

With more than two million people on the dole queues by Christmas, as has been predicted, this system simply will not work. It will not help unemployed people nor those who are there to help them. What is needed is investment in the social economy to create jobs and up-front payments to organisations supporting people back into work.

We must also not overlook the role that housing associations can play in supporting local communities and tackling problems of worklessness and financial exclusion, alongside their role as providers of social housing. Many see this as an important means of working with their tenants to identify and address their needs in a holistic way. Moreover the dramatic downturn in the housing market will mean that the numbers of individuals and families in housing need will increase.

Again there is a need for partnerships between all three sectors to stimulate house building, creating new jobs and new homes.

Social investment

There is a strong case for greater social investment to enable civil society organisations to develop and become more resilient. Many organisations would benefit from access to appropriate financial capital, from providers that understand their needs, to help them achieve their social impact.

In the UK we do have an emerging social investment market, but its role is not well understood either by financiers or by organisations themselves. We need to better understand the barriers to and opportunities for social investment in order to develop a robust market, building on the work of co-operative and mutual financial institutions.

When the dust eventually settles, it will become clear that the financial institutions best placed to face the future include those which put as much emphasis on social returns, as well as on financial returns.

The Unity Trust Bank, Co-operative Bank, CharityBank and Triodos Bank are good examples of that. Unity Trust Bank, for example, competes on equal terms with privately owned banks, but remains socially focused. It has not been affected by the collapse of sub-prime investments because it has never traded in them. In my view, more account needs to be taken of the economic and social benefits that mutual institutions provide and more incentives given to enable mutual solutions to thrive and flourish.

Microfinance

There also needs to be a system of microfinance available to ensure that every person has access to some financial services, including loans, insurance and savings schemes. This will enable people in the poorest communities to raise income and build up assets, thereby gaining a degree of security and self-respect.

But the emphasis must be on sustainability and stability: what is needed are local institutions that are there for local people, for the long term. For example, building on the experience and expertise of credit unions. Government can help by putting in place measures to support effective planning and management to ensure the long-term viability of local mutual organisations, as well as help with start up costs.

Impact on the sector

At NCVO we have been trying to find out the effects on the voluntary and community sector and how we can help. We know from what our members are telling us that in the coming months they expect to have to do much more with less, as resources shrink and needs rise.

But it is important that we don't panic: our research so far suggests that the situation is not as bad as some are making out. What we need to do is work together to find constructive ways forward in these difficult times.

That is why I have called a summit meeting in November to bring together a number of experts, sector leaders, the OTS and the Charity Commission to find out more about how civil society is likely to be effected and how we can help. The aim of the summit will be to identify the practical steps that we can take ourselves, to build our resilience in the face of these pressures, as well as provide concrete public policy recommendations to address the long term health of the sector.

Coming after the longest period of economic growth for many decades, and the more recent experience of relatively high levels of government support for and investment in the VCS, organisations may have little experience of, or expertise in managing such uncertainty. It will therefore be important that NCVO and other uses its experience and expertise to build the resilience of VCOs and other civil society organisations. For example, providing advice and support to help organisations collaborate to share costs.

Government can also help by ensuring that it

- provides a sustainable funding mix, including grants as well as contracts; and recognises the need for security of funding;
- keeps its promise not to divert any more Lottery money from our sector to the Olympics; and
- works with the sector to make Gift Aid easier to implement. In the current crisis charities need to make donations work as efficiently as possible, perhaps by creating new partnership funds which mix donations and a proportion of government monies.

But while we work together to find solutions for our own organisations, and for the sector, we should also work with Government and private sector leaders to identify long term solutions for society and for the economy as a whole. As well as measures to build the resilience of voluntary organisations, we also need mechanisms that will give us a say in shaping the future. Not because of who we are, but because of the real difference that

VCOs and other civil society organisations can make to individual lives; to creating cohesive communities and a strong society.

Conclusion

The voluntary and community sector exists within civil society and is a vital and vibrant element of it. VCOs, like other civil society organisations:

- are a catalyst for collective action, bringing people together to make a difference to their lives and the lives of others, generating solidarity;
- give voice and support to a diversity of opinions and interests within civil society, giving voice to the voiceless and reaching parts that other sectors simply do not; and
- are driven by people's concerns and enthusiasms – their vision of the good society.

Identifying our organisations as part of civil society also enables us to define ourselves, rather than be defined by others (particularly Government). And to do so positively. We are not simply non-governmental or not-for-profit. We are for people and communities. This is a powerful way of asserting our identity and independence; our distinctive purpose and sphere of influence.

But as I have said before, absolute independence is a myth: no organisation, or sector, is an island, adrift from the rest. The turmoil in financial markets has made that patently clear. We need to be confident about our role and the positive difference our organisations make: a strong and independent third sector does mean a healthy civil society. But to create the good society we also need to work with other sectors; as equal partners. The risks of economic failure affect us all. As we seek to rebuild the global economy we must work to ensure that the rewards of future economic success are also shared more widely than in the past.

Thank you.