



Unite's response to the Public Administration Select Committee inquiry into the "Big Society" - March 2011

Unite is the UK's largest trade union with 1.5 million members across the private and public sectors. Unite represents over 250,000 public sector workers, including 60,000 in the Community, Youth and Not for Profit Sector. This submission particularly concentrates on the implications for the Community, Youth and Not for Profit sector.

Executive Summary

- The Government's Big Society reforms cannot be separated from the severe, rapid cuts to public spending which will have critical consequences for public service users, particularly the most vulnerable, and workers.
- Outsourcing and privatisation of public services will result in increasing fragmentation of important services, an abandonment of universal access in key areas and increased inequality.
- The not for profit and third sector adds value to core public services with a different role to that of the public sector and privately run organisations. It brings advocacy and a strong independent campaigning voice to represent the most vulnerable in society.
- Unite supports genuine social enterprises and cooperatives as valuable contributors to social and community development. However, the union has serious concerns about the impact the push towards social enterprises in public services will have on services, their users and employees.
- The proposals to give public sector employees "rights to provide" raise serious concerns, not least in respect of real and meaningful staff engagement.
- The move towards more 'marketised' systems of funding and payment raises concerns about appropriate national minimum standards and growing inequality.
- The *collective* dimension to public services necessitates a democratic accountability and transparency that cannot be delivered by contracts in a market.

- Short-term funding builds insecurity into the third sector, prevents strategic planning of services and can be detrimental to service users. It introduces a 'race to the bottom' on contract price and quality as organisations cut costs to succeed in the procurement process.

1. Background and Introductory Comments

- 1.1. Unite welcomes the opportunity to contribute to the Committee's inquiry, something we have called for, and will provide additional oral evidence if necessary.
- 1.2. Unite is clear that the Government's proposals to promote its flagship Big Society policy cannot be separated from severe and rapid public spending cuts which will have severe consequences for service users, particularly the most vulnerable¹, and public service workers.
- 1.3. Our members in the Community, Youth and Not for Profit sector face serious cuts within their organisations which will have serious impacts on service quality, service users and charities' staff and volunteers. Many of these organisations serve the most marginalised in our communities. To cut their funding will entail many service users being returned to insecure environments without support. To salami slice cuts to the sector will mean thousands of people on the edge will be pushed over it. Funding in the sector is essential not a luxury. Our members working in the front line say any cuts will have a serious impact on the communities they serve
- 1.4. Unite concurs with Sir Stephen Bubb, head of the Association of Chief Executives of Voluntary Organisations, who said charities and social enterprises have already had to make redundancies and scale back their work as a result of funding decisions: You can hardly build a bigger society if the very people at the heart of that vision are cutting back on the work they do.

2. A definition of what the 'Big Society' is or should be.

- 2.1. Unite refutes the rhetoric of the 'Big Society' and has said that "the funding crisis in the not for profit sector will mean there is no edifice to support the 'Big Society'². Good examples of volunteering already exist on a massive scale in the UK, as exemplified by the good practice of the NHS Blood Service, combining an excellent public service and voluntary blood donation.
- 2.2. Without the necessary support, infrastructure, funding and clear aims for what is to be achieved it is nebulous.

¹ See for example TUC (2010) *Gender Impact of Cuts* - <http://www.tuc.org.uk/extras/genderimpactofthecuts.pdf> and Tim Horton and Howard Reed (2010), *Where the money goes* - <http://www.tuc.org.uk/extras/wherethemoneygoes.pdf>

² http://www.unitetheunion.org/news_events/latest_news/big_society_fantasy_turns_in.aspx

3. The impact and consequences of reductions in public expenditure on the Government's ambitions to deliver its vision for the Big Society.

- 3.1. Unite has warned that if the funding crisis facing the not for profit sector is not addressed, many charities will go to the wall and it will be the death knell of the 'Big Society'.
- 3.2. The issues of funding are also addressed in earlier paragraphs 1.2-1.4 and 2.1-2.2.
- 3.3. The move towards more 'marketised' funding and payment systems raises concerns about appropriate national minimum standards and growing inequality.

4. The role of and capacity for the voluntary and community sector to deliver local public services including the appropriateness of using charitable income or volunteer labour to subsidise costs

- 4.1. The demands of 'more for less' have resulted in people working excessive hours or having their terms and conditions of employment cut. These issues should be part of a commissioner's considerations as they impact on service delivery. Quality investment in the workforce is a prerequisite for quality public services delivery.
- 4.2. On top of cuts, the voluntary sector has to manage a fall in voluntary income as people have fewer resources to donate. Corporate donations are down and there are much greater demands on foundations and trust funding.
- 4.3. Recent announcements mean approximately £5bn being cut from the sector (according to Dame Suzi Leather of the Charities Commission) – a 40% cut given the total public sector spend to the sector is £12.8bn. The Government proposes replacing this with monies from the Big Society Bank (£200m of which is coming from Project Merlin and £100m from dormant bank accounts) and an additional £100m transition funds for organisations. This still leaves a £4.6bn cut to the sector.
- 4.4. The National Association of Voluntary and Community Action (NAVCA) estimate 26,000 jobs from small and local organisations funded by local authorities will be cut by the end of the financial year.
- 4.5. It is worth following through some of the lines of the cuts. For example, Housing Benefit is cut, Supporting People funding is massively cut, so people cannot get support for dealing with changes. Legal aid and advice cuts mean there is no claw back yet demand for services is rising rapidly.
- 4.6. Volunteer England reports a third of volunteer centres are due to close. NAVCA is losing half its funding which will seriously impede organisations being able to facilitate volunteering opportunities.
- 4.7. Many authorities are moving from grants to contracts which mean small niche and expert local organisations are missing out altogether on the chance to engage in the process. Some are simply closing.

5. Possible problems and challenges from increased commissioning of public service provision from the voluntary and community sector as envisaged by the Government.

- 5.1. The Government's drive to increase independent provision in key public services does not appear to be based on any evidence it will lead to better public services nor acknowledge the important role that properly funded, directly delivered public services play in the economy and society.
- 5.2. A recent TUC paper exploded a number of privatisation myths³. It found:
- Public money is best kept within the public sector during a downturn;
 - There is no evidence the private sector is more efficient than the public sector;
 - Public services are too important to compete on price;
 - Only the public sector can respond to society's collective needs;
 - Public services create public value – but this is hard to measure;
 - In reality, support functions are just as important as the front-line.
- 5.3. Outsourcing and privatisation of public services will result in increasing fragmentation of important services, an abandonment of universal access in key areas and increased inequality.
- 5.4. Contracting out and the drive to make profits and reduce costs will lead to reduced staff numbers. This will mean ending some service provision and increased staff workloads for those employed. Unite believes reduced costs also threaten staff terms and conditions.
- 5.5. The contracting out of services can have a substantial detrimental impact on quality of service delivered. Associated with this are significant recruitment, retention and sickness absence problems and high staff turnover with contracted out services. This is likely to lead to further decline in the quality of service delivered.
- 5.6. Efficiency savings often translate into cutbacks in services and staff rather than genuinely engaging staff about how services and work can be redesigned.
- 5.7. Marketisation of services means voluntary organisations have to compete against the private sector for contracts, who sometimes can bid on a loss leader basis.
- 5.8. In local government, research published by the Association of Public Service Excellence (APSE) identifies a range of evidence-based reasons as to why dozens of councils are returning services that have been delivered by private and voluntary sector contractors in-house and that benefits are being reaped from doing so⁴.
- 5.9. The not for profit and third sector needs to be recognised as having a different role to the public sector and private organisations. The universal provision of services enabled the charitable sector to bring additionality, innovation, advocacy and a strong independent campaigning voice to represent the interests of the most vulnerable in society. In this sense it adds value to core public services.
- 5.10. Open competition for funding in the sector has caused many organisations to change their emphasis or undercut the true value of the contract in the bidding process, to guarantee winning contracts over increasingly poorer providers or private enterprises.

³ TUC (2010), *Exploding privatisation myths* - <http://www.tuc.org.uk/extras/speakupprivatisation.pdf>

⁴ APSE (2009), *Insourcing: a guide to bringing local authority services back in-house*

5.11. Unite condemns the Government's recent announcement to withdraw the code of practice on workforce matters (the 'two-tier code') in respect of Government contracting-out of services. This will only serve to chip away at the public service ethos and the pay and conditions of public sector employees.

6. The right to form employee-owned public service co-operatives including the resources available to co-operatives, proposed powers, and rules governing their operation.

6.1. Unite is supportive of genuine social enterprises and cooperatives as valuable contributors to social and community development and regeneration. Trade unions have a long history of support for such organisations. However, Unite has serious concerns about the push towards social enterprises in public services and the impact this new emphasis will have on services, their users and employees.

6.2. The union has particular concerns around public service reform where social enterprises are being used as a tool to privatise significant parts of the public services. The union is clear there is a significant difference between an organically created social enterprise set up to fill a need in a community or a gap in public services and social enterprises created with the sole purpose of taking on provision of outsourced public service work.

6.3. The push to have more social enterprises and cooperatives/mutuals provide public services can be seen as part of a wider policy framework of privatisation leading to the fragmentation of public services and collapse of cooperative working between providers.

6.4. The proposals to give public sector employees "rights to provide" their services to their current employer under contract raise serious concerns, not least in respect of real and meaningful staff engagement.

6.5. Staff involvement not transfer of employment is crucial. Public sector workers should be more involved in the running of and participation in decision making in their services. That can happen without the wholesale transferral of services and employment out of the public sector.

6.6. In respect of communities providing public services, a recent report identifies some of the challenges concerning the public's appetite for participation in public services. It shows that whilst the public supports the idea of individuals and communities playing a role in public service design and delivery, they also think the state should continue to be the main provider of services. Whilst the public might have a desire to get involved, it is not, "at the price of the state absenting itself and leaving individuals and civil society to get on with it"⁵.

7. Governance and accountability issues arising out of different organisational forms of social enterprises and co-operatives; and the participation of voluntary sector and community groups in greater public service provision.

7.1. The *collective* dimension to public services necessitates a democratic accountability and transparency that cannot be delivered by contracts in a market. Transferring public services out of the public sector detaches public institutions from the

⁵ <http://www.ippr.org.uk/pressreleases/archive.asp?id=3870&fID=284>

democratically elected state bodies that own and govern them, including local councils.

7.2. Elected councillors and robust, properly resourced arrangements for local scrutiny are critical in ensuring properly accountable public services at a local level. The fragmentation of public services and multiplicity of providers resulting from the Government's proposals will stretch councillors' capacity to hold service providers to account.

7.3. In health, Unite believes the NHS White Paper's proposals will erode democratic accountability and structures through which local people can change the direction of local health policy and action, the services that are delivered, by whom and how.

7.4. The 'choice' in the proposals is not needs or user based – it is a narrowly defined, market based choice. The actual choice about who to commission and, therefore, the determination of what is available in a local area lies with Commissioners. Unite does not believe there will be meaningful democratic oversight of this power.

8. The implications for central government and for the civil service of policies which require them to promote and to enable, rather than to manage and to direct, public services.

8.1. The most vulnerable in society risk losing an important aspect of continuity of care as they find those on whom they depend will often change or a service closes.

8.2. For the not for profit sector, the issue of short-term contracts and funding means organisations are unable to strategically plan services and campaigns because short funding cycles result in service users and employees being put at risk.

8.3. A holistic service is being reduced to a tick box culture. Without funding stability, strategic planning is being replaced by a short-term approach to meeting long-term needs. Stability is essential for the sector to perform and is being denied by the way funding is organised⁶.

8.4. The potential for organisations to fail to provide a service in the longer term could result in a discontinuity of service with often severe consequences for the user of that service and the need for local or central government to provide an interim or emergency service which may prove to be short of the service required and more expensive.

9. The place of local authorities in the transfer of power from Whitehall to communities and the role democratically elected local councillors should play.

9.1. Local authorities play a key role in public service delivery and ensuring local accountability. Part of their strategic role is to ensure proper planned provision of services including those provided by the not for profit and voluntary sector (see also Section 7 above).

⁶ Unite's recommendations for funding in the not for profit sector are available at http://www.unitetheunion.org/sectors/community_youth_workers/campaigns-1/funding_campaign/unite_recommendations_for_fund.aspx

- 9.2. Elected Councillors should play the lead role in ensuring this accountability by both representing the views of the people they represent and representing the views of the Council.
- 9.3. Transferring powers from Whitehall should embrace this democratically elected level of accountability and scrutiny.
- 9.4. Unite is concerned by the Prime Minister's desire to create "an army of community organisers, independent of the state, to build the Big Society." He appears to be talking of small, local groups of people coming together to help the common good above and beyond natural inclinations to be good neighbours. However, there is no focus for this responsibility and elected and legally responsible bodies may be bypassed. People in need have an expectation the state and the voluntary sector will provide.

10. Potential conflicts with other aspects of public service delivery, such as individual focus of personalised public services or universal provision and uniform standards of public services (i.e. avoiding postcode lotteries).

- 10.1. In a network enterprise with statutory obligations, consistency and conformity is critical. Fragmentation and decisions taken in isolation may impact negatively on other parts of the network or levels of service.
- 10.2. Government reform proposals contain a number of risks to continuity and quality of service. The 'marketisation' of public services will undermine universality of provision and create an environment of constant upheaval and uncertainty for public service users and workers and risks expense to the taxpayer to deal with market failure or provider withdrawal.

11. Conclusion

- 11.1. The level of cuts proposed for the not for profit sector is inconsistent with the rhetoric of the 'Big Society'. Unite has warned that with the cuts programme "there will be no big society, no little society, there will be no such thing as society".
- 11.2. Services will disappear from the end of this financial year meaning vital services to help build and support the community will go. The only way to save these organisations, which help people to engage in their communities, develop confidence and responsibility, and help people identify their skills and potential, is to stop the cuts.
- 11.3. With the very organisations disappearing which may have facilitated the Big Society, it is hard to envisage how it can exist.
- 11.4. All local authorities should be mandated to, at the very least, freeze next year's budget to enable a proper review of services that are needed. Central government funds to the sector should be frozen for next year. Every penny cut will not only make the Big Society a pipedream but a nightmare as demand for services soars without the resources to respond.
- 11.5. Unite has clearly said the 'Big Society' is rhetoric for cuts imposed on public and voluntary services. If the shortfall in income is not remedied in the Budget, the Big

Society is over and the poorest, weakest and most marginalised in our society will suffer the consequences.

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