

Public service outsourcing and its employment implications in an era of austerity: The case of British social care

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Utilising an institutional, inter-organisational and inter-personal framework, longitudinal qualitative data are used to examine the changing nature of state – voluntary sector relationships in the area of social care outsourcing and its implications for the terms and conditions of those employed by Scottish voluntary organisations. Over the period 2002 to 2008/09, against the background of funders seeking to pass on efficiencies to voluntary organisations, these relationships have become increasingly cost-based and ‘arms-length’. This has been accompanied by downward pressures on staff terms and conditions, which are intensifying because of more draconian public expenditure cuts. Consequently, voluntary sector employers are increasingly converging on an employment model based on low pay and more limited access to sickness, pension and other benefits that is informed strongly by narrow financial logics.

KEYWORDS: Outsourcing, non-profits, employment, austerity, longitudinal

Introduction

In an era of increased outsourcing of goods and services to external suppliers, attention has been paid to the implications this has for employees within supplier/provider organisations (Marchington et al, 2005; Rubery et al, 2003). This research has shown such implications to vary considerably. It has further revealed them to be contingent on the nature of the relationships between purchasers and providers that

are themselves shaped by a range of inter-related institutional, inter-organisational and inter-personal factors (Marchington and Vincent, 2004; Vincent, 2005).

Much of this research, despite its value, has been located within a fixed point in time, thereby limiting our understanding of the dynamics of change within the institutional, inter-organisational and inter-personal arenas. More particularly, it means that we have limited understanding of how these three dimensions of inter-organisational relations change during periods of economic and regulatory shocks and subsequently impact on employment conditions, especially in supplier firms.

This paper seeks to shed light on these gaps in our knowledge through an exploration of one of the most significant areas of outsourcing growth, both in the UK and overseas, namely the transference of public services delivery to voluntary organisations. It does so by drawing upon longitudinal qualitative research undertaken in Scottish voluntary organisations between 2002 – 2008/09 to explore the following questions.

- (a) How (and why) have state – voluntary sector outsourcing relationships been changing over the past decade, including during the current era of public sector financial austerity;
- (b) In what ways have voluntary organisations sought to adapt to the changes taking place? and
- (c) What has been the impact of these changes on the terms and conditions of employment of those working in voluntary organisations? (These questions might be more effectively placed right up front in the article)

Findings from the first phase of research revealed how voluntary organisations existed along a continuum encompassing varying combinations of ‘arms-length’ and obligational elements. This variation was, in turn, associated with differences in their ability to protect terms and conditions of employment from the cost saving tendencies of the New Public Management (NPM) based quasi-market in care. Later phases of

the research, however, illustrated that changing inter-organisational relations driven by austerity and retendering were leading to the imperatives of cost savings subverting institutional mechanisms that previously favoured the construction of obligational relations between the parties. As a result, the boundaries between organisations along the ‘arms-length’ (short-term, insecure funding, cost-based relations) – obligational (joint, mutuality based, partnership working, less emphasis on measurement, a greater acceptance of non-specific outcomes, and relatively high levels of funding security) spectrum were beginning to erode, with even previously relatively secure voluntary organisations converging around employment regimes based on low pay, and the erosion of other terms and conditions of employment.

What follows is divided into five main sections. In the first, we outline the institutional, inter-organisational and inter-personal framework developed by Marchington and Vincent (2004) to analyse the factors shaping contracting relations between purchasers and suppliers, along with its virtues. This is followed by an outline of how these factors shape British social care outsourcing and relations between state and voluntary sector against a background of current government austerity measures in the public sector. The potential employment implications of these changing relationships are then discussed, while sections three and four respectively outline the methodology of the authors’ study and report its key findings. Finally, these findings are drawn together and their implications discussed.

Inter-organisational relations: forms and determinants

Relations between the purchasers and providers of public services can, as with other supply chains, be characterised by power imbalances embedded in arms-length market exchanges that are of a price based, short-term, transactional nature – labelled ‘market bureaucracies’ (Considine and Lewis, 2003; Adler, 2001; Sako, 1992). Such relations, however, can also extend to encompass more long-term, qualitative obligational elements (Considine, 1996; Reeves, 2008; Lavoie et al, 2010).

As with similar classifications, such as that drawn between ‘arms-length’ and ‘obligational’ contracting, the available evidence indicates that these different types of

contractual arrangements should be viewed as lying at each end of a spectrum of relationships (Sako, 1992; Adler, 2001; Grimshaw et al, 2002). It further highlights such arrangements to be shaped by a range of institutional, inter-organisational and inter-personal influences (Marchington and Vincent, 2004).

More specifically, Marchington and Vincent identify how obligational type relations are produced and reproduced as a consequence of institutional forces forging common obligations on both parties. That is, there is a mutual dependency between the parties based upon a degree of trust, risk sharing, information disclosure and sharing, joint problem solving and long-term relationships. Mutuality between the parties is based around strong dependency by purchasers on a provider's niche, quality products/services, and the latter's need to retain the former as a customer. These relations are further supported by long-term contractual relations and agents from each party having close personal ties and working on joint projects including secondments (Sako, 1992; Adler, 2001). At the same time, the character of inter-organisational relations, most notably the nature of the goods and services being supplied and the relative dependency of the contracting parties, are also seen to be highly influential. These two factors although recognised as the most dominant, are, in turn, seen to be influenced by the activities of boundary spanning agents and how they develop practice and relations between organisations over the long term (Marchington and Vincent, 2004).

Research lends clear support to this framework. For example, it shows how the wider institutional contexts within which supply chain relationships are established can differ considerably with regard to the extent to which they facilitate collaborative, as opposed to more adversarial, relations between buyers and sellers (Sako, 1992; Lane, 1997). Meanwhile, the interplay between the cultural and material characteristics (and associated interests) of the contracting parties, as well as the history of past relations between them, have been found to exert a crucial influence in this respect (Hunter et al, 1996). There is evidence, for example, that purchasers are less likely to seek 'arms-length' relationships where relevant suppliers are in short supply, the goods/services to be supplied are of relatively high strategic importance, and there is a good deal of mutual dependency between purchasers and suppliers (Gereffi et al, 2005; Cousins and Lawson, 2007). Finally, it has been noted that such institutional and

inter-organisational influences can potentially not only structure the nature of the interactions occurring between boundary-spanning agents working across organisational lines, but also be mediated by them (Williams, 2002): even to the point where such interactions potentially lead to the sustaining of otherwise dysfunctional business relationships (Van de Ven et al, 1989).

From an analytical perspective, this multi-level approach highlights the need to analyse inter-organisational contractual relations, not only in relation to the economic rationales and related market forces, but also in the context of the way in which these interact with surrounding institutional structures and norms, as well as the activities of boundary spanning agents. The framework's authors, nevertheless recognise that there remain gaps in our understanding of inter-organisational relations. In particular, it has been argued that more information is needed on how such relations, and their employment implications, adjust in the face of specific types of regulatory change (Vincent, 2005) and also in periods of economic downturn, where it is likely that the weaker party (usually the supplier) becomes more vulnerable and exposed to the risks in the market (Marchington and Vincent, 2005). The next section therefore outlines how the voluntary sector, and more particularly the Scottish social care market, provides a useful focus of analysis for these issues.

Inter-organisational relations in the Scottish social care market and its employment implications

Outsourcing to voluntary sector organisations has been shaped by powerful institutional pressures (DiMaggio and Powell, 1983) flowing from a neoliberal, New Public Management (NPM) agenda. That is an agenda encompassing the advocacy of market based competition in public services, demands for cost savings, efficiency and value for money, and the encouragement of a more 'business-like' approach to management (Cunningham, 2008; Hemmings, 2011). At the same time, it has also occurred alongside other competing institutional pressures from the state, leading to conflicting demands and a fragmentation of state controls (Oliver, 1991). The NPM agenda in the UK has, for example, existed alongside a desire to capture a number of alleged virtues of voluntary organisations in delivering public service provision, such

as closeness to clients, independence and innovativeness, through the promotion of closer, 'partnership working' (Davies, 2009). Consequently, the NPM agenda has co-existed with government attempts to influence, not to say constrain, some of the contracting behaviour of service commissioners that can undermine these virtues. This has been undertaken through institutional rhetoric around 'partnership' with the sector and mechanisms intended to support the development of more obligational relationships. These are contractual relationships that are relatively lengthy, marked by a substantial degree of mutuality, and embodying high levels of trust, and which accord a priority to quality (rather than just cost) issues (see e.g. Sako, 1992). These mechanisms having included the advocacy of longer term funding arrangements, the co-production of services and the promulgation of the principle that funding should provide voluntary organisations with 'full cost recovery' (Audit Commission, 2007; National Audit Office, 2005; H.M Treasury, 2002; Home Office, 2005).

Data shows a substantial degree of dependence in the UK voluntary sector on state income. Thus, in England the sector's income during 2007/08 stood at £35.5 billion, with that from statutory sources accounting for £12.8 billion of this – a little over one third of the total (Funding Commission, 2010; NVCO, 2010). In Scotland, where the focus of this study is located, public sector funding was higher constituting just over 40 per cent during the year 2008-9.

Against the background of an overall rise in statutory income over the period 2000/01 to 2007/08 the English voluntary sector saw a growing proportion (from 50 to 71 percent) of this income arising from contracts rather than grants, with the former type of funding amounting to 26 per cent of total income. While a similar detailed breakdown is not available for Scotland, available statistics indicate that contract income rose as a proportion of total income from 18 to 23 percent over the period 2006-7 to 2008-9. They also, however, indicate that, in contrast to England, grant income remains slightly higher than contract income (SCVO, 2010).

It can be further seen that significant employment growth has occurred as funding from the state has increased. Thus, over the period 2001 to 2010 the UK voluntary sector workforce increased from 547,000 to 765,000, a rise of two-fifths (Clark et al,

2011) The majority of employees in the sector are situated in the larger organisations, with women accounting for over two thirds of that workforce. Moreover, almost four in 10 of those in the workforce are part-timers. If attention is focused more narrowly on social care, there has also been significant change in workforce numbers over this period. For example, the period 1996 – 2008 saw a significant increase in the number of sector workers employed in social work activities – from 202,000 to 374,000 – an increase of 85 percent (Clark and Wilding, 2011).

This increase in employment is seen to reflect the transfer of social care services from the public to the voluntary sector (NCVO, 2009). It has consequently also coincided with a significant growth in the role of voluntary sector and other independent providers. In 1992, two percent of home care hours in England were delivered by private and voluntary organisations, but by 2005, this had increased to 73 percent. Moreover, by March 2006 80 percent of domiciliary care agencies were owned by voluntary or private providers (Davies, 2011).

It does also, however, need to be noted that Scotland's social care market has generally developed at a slower pace than England's. Nevertheless, policies such as Best Value were introduced through the Local Government in Scotland Act (2003), along with various regulatory bodies such as the Care Commission and Scottish Social Services Skills Council (Harrow, 2009). In addition, the Scottish quasi-market between purchasers and providers, as in England, has been operationalised through service contracting, involving a competitive tender and contract mode, negotiated tenders, and to a lesser, but growing, extent individualised funding to service users through Direct Payments (Scottish Government, 2010).

Several regulatory changes have more recently added further complexity and tensions to the institutional environment of Scottish voluntary organisations. One has been the pursuit of a personalisation agenda in social care (Kessler and Bach, 2011; UNISON, 2009), which commits local authorities and providers to transform social care around the objectives of choice, person-centeredness and individual care, via the provision of Direct Payments and Individual Budgets which enable people accessing services to choose and switch providers/carers (Leece, 2010). Although sharing characteristics of NPM, such as 'choice', power to the user and lower costs, personalisation also has

strong civil rights elements emerging in response to demands for recognition and autonomy from the disability rights movement (Needham, 2011). These latter civil rights aspects of personalisation can be seen to represent a potential ideological force promoting common interests between local authority service commissioners and voluntary sector providers.

Another external regulatory change threatening to push the parties to more arms-length relations has been the Public Contracts Regulations 2006 (and Public Contracts (Scotland) Regulations 2006), introduced to transpose the Public Contracts Directive 2004/18/EC. Thus, in supporting the re-tendering of services from one provider to another, these regulations add to the NPM inspired climate of insecurity faced by providers, while also increasing opportunities for purchasers to obtain competitively generated reductions in contract prices (Cunningham and Nickson, 2009).

In this contradictory institutional context, it is useful to distinguish between two different levels of pressure. The first of these relate to the meta-environmental level that embody overall societal frameworks and attitudes to the voluntary sector, including national government policies. The second refer to macro-level ones which operate within the immediate organisational field of organisations such as local councils. Here local authorities by providing much of the sector's funding also provide a range of locally generated quality standards to which voluntary organisations must adhere in order to gain legitimacy in regional markets. (Osborne, 1998). NPM and 'partnership' represent meta-environmental influences shaped by central government, which are to some degree contradictory. The key contradictions being how on the one hand 'partnership' involves joint purchaser- provider discussions around quality of service provision, while NPM on the other involves an emphasis on the contradictory priorities of cost-cutting and continual drives for efficiencies asking 'more for less' from providers (Davies, 2011). Meanwhile, at the macro-level, local authorities are charged with operationalising this contradictory framework, as well as contributing to the construction of the 'institutional/organisational fields' that provide access and legitimacy to voluntary organisations in the social care market through, for example, the quality standards previously mentioned. The term 'organisational fields' being defined in this context as a group of organisations that constitute a recognised area of institutional life, i.e.

producing similar products and services, overseen by common regulatory agencies, and involve interaction of professional groups through the proliferation of various forums (DiMaggio and Powell, 1983). As regulatory agencies, local authorities can therefore be seen to not only act as individual purchasers, but also as architects of local contracting market places; a role that in turn highlights the need not to view contracting organisations as merely passive recipients of surrounding institutional pressures (Marchington and Vincent, 2004).

Alongside such institutional dynamics, the inter-organisational dimension of social care contracting has itself been undergoing transformation. Many of the charities engaged in the delivery of public services are highly dependent on income derived from this activity (Clarke et al, 2009). Against this background, research suggests that they are often not well placed to act proactively by taking the initiative and shape the nature of the relationship they have with service commissioners (Johnson et al, 1998), many operating on a restricted geographical basis and therefore reliant on obtaining income from a relatively small number of (often much larger) local authority service commissioners (Charity Commission, 2007).

This vulnerability has arguably been exacerbated by deteriorating market conditions arising from governmental responses to the 2008 financial crises. In June 2010, the UK coalition government of Conservative and Liberal Democrat parties announced £1.2bn of cuts in local government grants. Reports from the voluntary sector indicate that pressure for related cuts from funders quickly emerged as a consequence of this reduction in central government support (NCVO, 2010). In particular, a survey in 2011 showed that 65 per cent of voluntary sector organisations expected their financial situation to worsen over the next twelve months (NCVO, 2011).

Meanwhile, in Scotland, the devolved administration pledged to make £3.3 billion in savings over three years (almost 10 per cent of current spending) (Carrel, 2010) and similar cost saving pressures were anticipated.

These shifting institutional and inter-organisational features can be reasonably anticipated to impact in turn on employment arrangements in non-profit organisations given evidence as to how supply chain relationships can have both positive and negative implications for employment regimes within provider organisations (see e.g.

Scarborough, 2000; Beaumont et al, 1996; Truss, 2004; Parry and Kelliher, 2009; Wright and Lund, 2003; Cunningham and James, 2009). Thus, on the one hand, research has shown that purchasers can positively shape the management of provider staff by specifying training requirements, (minimum) pay rates and other employment conditions, and requiring the introduction of more empowering work systems and processes (Truss, 2004) . On the other hand, however, (other or the same research?) other research has also highlighted how, conversely, cost, delivery and quality pressures can more indirectly lead suppliers to marketise (McGovern, et al, 2007) their employment conditions through worsening working time arrangements, increased casualisation, intensified workloads, and reduced staffing levels, pay and other employment conditions.

In the context of the voluntary sector, it would consequently seem reasonable to postulate that the aforementioned changing patterns of inter-organisational relations will be leading to significant changes in employment conditions.

Method

The data for the study were gathered during two phases of fieldwork undertaken over the period between 2002 and 2008/090. Their longitudinal nature consequently both enable the shortcomings of ‘snapshot’ case studies to be overcome while also facilitating a rich understanding of the dynamic processes shaping the operation of the social care market place and its employment-related implications.

Sixty-three semi-structured qualitative interviews were undertaken. In addition, supporting background information was obtained on the organisations within which interviews were conducted (see Table 2) and a range of relevant organisational documentation, such as annual reports, financial statements, and marketing and publicity materials, scrutinised.

Table 1 outlines the profile of organisations within which these data were collected in terms of their activities. In the two phases of fieldwork, participants covered a range of services, while in each of them the majority of organisations claimed to recognise a

union. Similar to the wider voluntary sector (see Clark and Wilding, 2011), the workforces within these organisations were largely female (with proportions ranging from two-thirds to eighty percent). In all of them front-line care work was delivered by paid staff, with volunteers involved largely in retail outlets and fund-raising.

Insert table 1 here

Phase one of the research (2002) involved interviews in 24 voluntary organisations. Those interviewed primarily encompassed either human resource (HR) staff (22 cases) or operational managers responsible for personnel issues (2 cases). Further interviews with managers responsible for negotiations with local authorities were additionally undertaken (11 cases). Phase two of the research was undertaken in 2008/09 and involved interviews within 18 of the original 24 voluntary sector organisations. Those interviewed comprised HR respondents (17 cases) or managers with that responsibility (one case), as well as managers who were responsible for negotiating with local authorities (10 cases).

In order to address the study's central research questions, the interviews conducted during the first phase of fieldwork were designed to (a) elicit background profiles of the organisations within which they were undertaken, (b) provide data on the nature of the contractual relationships that the organisations had with service commissioners and how (and why) these were changing; (c) obtain information on how the organisations were reacting to such change; and (d) gather details of the way in which these (changing) relationships were impacting on employment policies and practices.

All interviews were transcribed verbatim. From the first interviews the process of coding data into a framework began with a 'start-list' of codes, around the themes outlined in the previous paragraph. To aid this process, and influenced by Miles and Huberman's approach (1994), 'marginal remarks' (pp, 67) were frequently used to highlight, clarify, reflect, and question various pieces of data. This led to revisions to the original codes.

Findings

Shifting institutional, inter-organisational and interpersonal boundaries of voluntary sector state relations

In 2002, the institutional influence from the NPM agenda on the sector was apparent. Using the processes of constructing ‘approved provider lists’ (APLs - a list of organisations that had to be on to be considered by authorities to take on/bid for a contract), local authorities operationalising NPM were requiring voluntary organisations to adhere to new quality standards in service provision and become more ‘business like’ in their HR policies and practices, notably in relation to discipline, recruitment and equal opportunities. Consequently, such processes were forging uniformity in such practices across organisations eager to gain legitimacy and acceptance onto funders’ APLs.

The competing institutional pressures of NPM and ‘partnership’ were producing a pattern of relationships between purchasers and providers characterised by complexity, and varying degrees of vulnerability among the latter to cost pressures from the competitive market. Nevertheless, government policies that encouraged three year contracts, discussions on quality of service and full funding of overhead costs, were found to generally be having a relatively limited impact on the climate of relations between service commissioners and providers.

Table 2 outlines the variability in vulnerability to cost pressures from NPM among respondents from Phase 1 of the research. It can be seen that three Types of organisation could be identified, with Type 1 being the most vulnerable, and Type 2 and 3 less so. State – voluntary sector relationships at this point were, therefore, like other inter-organisational relations, operating on a continuum, with providers being able, under certain conditions, to influence their position along it.

The existence of these different organisational Types pointed to a varying capacity to resist powerful pressures from funding bodies. This capacity, and hence an organisation’s location on the above continuum, depended on the extent to which it was able to deploy one or more of the following methods to reduce resource dependence, and improve market and funding positions:

- Building reputations as experts in niche services (e.g. children's services)
- Offsetting funding shortages in one area through subsidies from more generous contracts secured elsewhere.
- Turning down 'arms-length' short-term, cost based contracts because of sufficient amounts of alternative work.
- Drawing from their own resources (financial reserves, or the donation of a building) and using these resources to embark on 'partnership' projects with local authorities.

Column 3 of Table 2 illustrates how the scope that existed to utilise such strategies varied. Only Type 3 organisations with more interdependent relations were able to make use of them all. In contrast, Type 2 employed one or two of them, while Type 1 struggled to apply any. It was also notable among Type 3 (and to some degree Type 2) non-profits that their reputations as experts in niche services, and efforts to build partnerships were carefully developed, supported and sustained by close personal ties between organisational agents and representatives of various social service departments. This included incidences (among Type 3 respondents) of receiving phone calls asking about developing and establishing new services in partnership rather than embarking on a competitive exercise with other providers.

Insert Table 2 here

The 18 organisations that participated in Phase 2 of the fieldwork reported elements of continuity and change in the purchaser-provider relationship in 2008/09. Continuity came in the form of a continued dominance of the principles of NPM characterised by on-going funding insecurity through service commissioners not providing full-cost of living increases or imposing cuts or freezes in funding while demanding the same or improved levels of service. Other contributory factors were the short-term nature of the contracts awarded and the failure of organisations to receive 'full-cost recovery'. The impact of these practices was often severe, with one organisation reporting how

one in four of its eighty projects were operating on a deficit, compared to just four in 2002.

The EU Public Contracts Regulations 2006 were found to have added further NPM-style pressure through introducing more competitive tendering and retendering for contracts. As a result, it had become more likely that organisations would experience the open tendering of their existing contracts, with the consequent greater risk of their loss and related financial and workforce consequences, or feel the need to bid for those held by other competing organisations. Private sector competitors were, for example, increasingly gaining contracts, including in children's services. Re-tendering and associated contract losses had at times resulted in significant financial losses, with one adult services respondent (Type 2) reporting a £4 million loss of income and over one hundred staff transferred to another organisation. Indeed, retendering and competition could threaten the survival of some organisations. Thus, one Type 1 respondent was facing the prospect of all of its projects being retendered.

Greater competition, in turn, commonly diminished previously close inter-personal relationships between purchaser and provider organisations. Several of the children's services providers (Type 3 organisations) reported that not only had several existing services been retendered, but that they were now less likely to receive a phone call from close contacts to pilot new services as a member of a select group of providers. Instead, contracts were increasingly awarded on the basis of cost, with professional procurement teams from the finance and accountancy departments of local authorities managing such processes, rather than familiar officials from social services. Indeed, one provider outlined how having received the traditional phone call asking for advice on how to establish a new service (which was duly given), the purchaser then put the service out to tender and awarded it to another provider at a lower cost.

In response to this changed funding environment in 2008/09 organisations invariably recognised the need to diversify funding and reduce resource dependency. Five had recruited 'business development managers' (BDMs) to respond to new tenders or retendering and another six had devolved responsibility for such matters to regional service managers/directors. Moreover, as part of moves to further commercialise and

introduce more business-like cultures, regional managers were commonly provided with additional training in finance, negotiation and presentation skills:

A lot of our core values remain the same, but the one that probably has come on-board is this notion of being more business-like. We need to start thinking about not just the quality of the service we deliver, but how do we deliver that quality of service in a value for money cost effective way (HR Director, children's services).

Other rare, but apparently effective, strategies included one respondent's report of a collaboration between the Chief Executives of four organisations that led to them to refuse to apply for a tender because they had made an independent judgement, as heads of experienced providers, that the price at which the local authority was prepared to pay for the contract was too low to sustain an effective service. The respondent reported how these organisations were able to do this because they represented the 'big five' providers in children's services, and hence had considerable market power.

More generally, despite the 'credit crunch' one or two (Type 3) organisations continued to sustain themselves because of a high level of financial reserves.

I think financially we have been fairly well off in terms of we do save for a rainy day. We have had good investments over the years. We have had good legacies that we have used to maximum effect (HR Director, children's services).

Others, however, continued to struggle and to face a situation in which market pressures led to cuts that in turn acted to compound them. For example, one Type 1 organisation had, rather than cut front line services, dismissed its BDM, but subsequently faced difficulties gaining new business.

The impact on employment policies

Table 3 highlights how purchaser - provider relations were having a significant impact on pay and other terms and conditions of employment over the two stages of fieldwork. In 2002, the majority of organisations had moved away from public sector pay scales and introduced new rates based on some nominal notion of a 'going rate', sometimes with no associated increments, or with increments tied to skills acquisition. Where unions were present, collective bargaining could still occur if management was able to award some form of cost of living increase. Table 3 also reveals how in 2002 not all of the 24 organisations were equally vulnerable to this shift away from public sector pay.

Table 4 shows how in Phase 2 of research - 2008/09, eight respondents were drawn from the group that in Phase 1 had moved away from using national local authority (SJC) pay scales (a mixture of Type 1 and 2 respondents), while the remaining 10 organisations were drawn from those that had remained aligned to public sector terms and conditions (mixture of Type 2 and 3 respondents). It also, however, shows how all those in this second group were considering changing their approach to pay because of tighter funding regimes by setting pay rises, where they could be offered, at a lower percentage rate than in the local authority sector and/or introducing new pay bands.

The aforementioned organisation that was running deficits in one in four of its projects, and previously had maintained the link with public sector pay scales '*through thick and thin*' (HR Director) was anticipating being unable to do so in 2008/09, and was also recruiting lower paid support assistants, rather than support workers. There were also problems emerging among organisations from Type 3 organisations that were on the 'inside track' of funding. In one of these, where a new reward structure was being introduced at the time of the interviews, the senior accountant outlined how the introduction of narrower pay bands was designed to reduce future pay inflation to secure '*the long-term survival of the trust*' (Senior Accountant).

In addition, all eighteen organisations, whether they paid public sector rates or not, were striving to make savings to wider employment conditions including through pensions, sick pay, downtime and travel allowances, and the recruitment of lower paid

and skilled support assistants. Changes to pension and sick pay arrangements targeted new starts, for example, through removing entitlements that mirrored the public sector and introducing 'waiting days' (no pay for the first three days of absence). More robust attendance management was also commonly linked to more business-like cultures among respondents driven by financial pressure from funders.

I think the social work ethos has always been somebody is ill, they need time to rest and recuperate, but the business side is saying this is costing us a great deal of money, we cannot sustain that level of sickness because its having an impact on the way our finances are working. So it's a bit more hard-nosed...the financial pressures are greater and greater and you have to be a lot more unscrupulous (HR Director, Adult Services).

Local authorities were also reportedly scrutinising the balance between front-line service work and opportunities for workers to be supervised, fulfil administrative responsibilities, and participate in team meetings.

Now you're having to account for every hour basically. Like workers' time. If somebody is employed full time, thirty-six hours, the local authority wants to see thirty-six hours. And so where do the additional bits come in, the supervision of staff, the team meetings, the admin, those bits? (Manager, Adult services provider).

There were additionally suggestions of more radical changes to employment conditions as a consequence of the emergence of the personalisation agenda. The Type 1 organisation experiencing the retendering of all of its services reported how it had gone as low as it could with making cuts to its current approach to terms and conditions. Management was therefore considering moving to administering Direct Payments (DP). That is, asking people accessing its services to move out of the local authority's block grant provision by requesting an individual (DP) budget which they could use to purchaser services from a provider of their choice. At the time of the study the number of DPs in Scotland was low and it was the exception for providers to switch to their provision in a context where many local authorities were reluctant to adopt them because of the administrative difficulties they caused and their association

with the privatisation of care. The HR respondent in the aforementioned organisation reported however, that, by reacting to individual service user demands for care at a time that suited their needs, considerable savings could be made. Specifically, staff could be moved onto an hourly rate of pay rather than receive an annual salary, and self-governing teams could organise shifts and rotas, thus leading to the removal of a layer of management. In terms of the implications for job security the HR Director stated:

Up until if the individual no longer wanted you, we look to redeploy somewhere else, but the future may look a bit more scary. The actual contract may be more – that's your job and if something goes wrong we might look to have another job for you, but we might not.

In addition, a Type 2 organisation was implementing dramatic changes to pay and conditions, including pay cuts as a consequence of one of its key local authority funders linking the move to personalisation with austerity cuts of 20 percent. Unlike the aforementioned case, this local authority was taking the initiative because it was one of six of Scotland's 32 authorities piloting the expansion of such individualised forms of funding.

Within this context of deteriorating employment conditions, although 10 of the organisations recognised trade unions, there appeared limited opportunities for workers to express discontent through collective bargaining. Tensions were, however, apparent, with one organisation having experienced a ballot for industrial action and the above Type 2 organisation having suffered two strikes between 2007- 2009 over pay cuts and changes to contracts and sick pay. Each of these actions led to concessions by management, but not without reports of tensions with union representatives and workers: the latter fearing the impact of their action on service users.

In all but a few of the other workplaces union organisation struggled to make an impact, with membership density reportedly not reaching higher than 10 – 15 percent. Reasons put forward for this included problems recruiting shop stewards, and the difficulties of organising a geographically dispersed workforce. There were also

examples of anti-unionism. Thus, one organisation was reported to be actively considering de-recognition. The HR director of another, a traditionally non-union organisation which had acquired a union agreement and union members from another organisation following a successful tender, admitted that it was waiting for current membership to diminish through natural wastage, rather than encourage a further union presence.

Conclusions

Using an institutional, inter-organisational and interpersonal framework (Marchington and Vincent, 2004), this paper has utilised longitudinal data, gathered through three phases of fieldwork over the period 2002-2011, to explore the changing nature of social care outsourcing and its implications for employment conditions within Scottish voluntary organisations. Findings from phase 1 illustrated how the inter-play between institutional, inter-organisational and interpersonal factors created relations between service commissioners and voluntary sector providers which varied in terms of how far they encompassed obligational dimensions, and how far the latter were dependent on the former and consequently capable of resisting unfavourable demands from them. In doing so, these first phase findings allowed early papers from this study (Cunningham, 2008) to argue that in terms of theorizing voluntary sector – state relations there was a need to move away from the dichotomy of ‘partnership’ versus ‘control and subordination’, and to instead recognise that, like other inter-organisational relations, they exist along a continuum encompassing varying combinations of ‘arms-length’ and obligational elements. In effect the study’s initial findings therefore showed that voluntary sector providers could at times utilise favourable market conditions, as well as long-established inter-personal relationships, to influence the nature of the contractual relationships they had with service commissioners.

In contrast, the evidence presented from the latter stages of the research highlighted that this capacity to influence had markedly declined against the background of a shift in the ‘negotiated order’ of inter-organisational relations in the social care market

place (Truss, 2004). Central to this shift had been a tougher financial and competitive climate. Austerity had reinforced a tendency towards NPM inspired prescriptions and encouraged the pursuit of more 'arms-length', cost-based contracting. As a consequence, the paper revealed the way in which the boundaries between organisations exhibiting varying degrees of obligational and 'arms-length' relations in an area of activity were becoming eroded, and leading to convergence around employment conditions.

Marchington and Vincent's (2004) framework therefore proved, as anticipated, a useful analytical tool for understanding the evolving dynamics of social care outsourcing. Indeed, the findings obtained can be seen to lend substantial support to its validity. At the same time, however, they also served to further reinforce the argument that contracting parties should not be assumed to be mere passive recipients of institutional pressures by highlighting how local authorities, acting as market architects, had played a crucial role in operationalising, and prioritising between, wider (governmental) institutional pressures. The fact, moreover, that their actions in this regard were, for the most part, of a similar nature additionally suggests that in exploring how meta-level institutional pressures impact on the contracting behaviour of outsourcing organisations account potentially needs to be taken of the way in which horizontal learning and other linkages between them can serve as an important channel of mediating influence: at least in market monopolistic or oligopolistic market contexts.

More specifically, the findings revealed how operating in a context of austerity local authorities have commonly been creating market dynamics whereby softer institutional pressures designed to forge collaborative relationships between purchasers and providers have tended to become subverted to meet the paramount objective of cost savings. In particular, they were shown to have been utilising Approved Providers Lists (APL) PL processes, previously designed to regulate quality standards and human resource policies and processes, to exert downward cost pressures, while also dismantling the antecedents of 'partnership' through replacing close personal ties between voluntary organisation boundary spanners and purchaser personnel with more distant links with experts in finance and procurement. With regard, for example, to the introduction of personalisation, it appeared that potentially

common purchaser – provider interests in such goals as user choice and person centeredness, were tending to be undermined by NPM style demands for efficiency and value for money.

In this environment of austerity, retendering and an emerging focus on personalisation, the capacity of voluntary organisations to protect staff terms and conditions had declined as the boundaries between the different types of organisation eroded. A trend highlighted by the fact that all of the organisations that had persisted in paying local authority terms and conditions in the first phase of fieldwork were now considering or were definitely moving away from retaining this linkage. As a result, the notion of voluntary organisations mimicking public sector employment conditions was found to be evaporating. Instead, they appeared to be being increasingly dragged towards a converging employment model based on low pay and skills, and limited access to sickness, pension and other benefits.

This weakening of the market positions of voluntary sector providers had occurred alongside a limited ability on the part of unions - where recognised- to significantly counter the downward trend in employment conditions. As a result developments in the social care market can be seen to add weight to the argument of Greer et al (2011) that the employment implications of public service outsourcing are fundamentally shaped by the nature of the funding regimes involved, rather than the surrounding industrial relations institutions. Insofar as this is correct, it consequently points to the importance of unions focussing their activities beyond the workplace and organisational levels in order to more effectively influence funding arrangements both directly and indirectly through the regulation of external labour markets and the related taking of terms and conditions out of competition (see e.g. Cunningham and James, 2010; Wills, 2009). For example, by pursuing such actions as the re-establishment of the recently rescinded ‘two-tier code’ that extended public sector terms and conditions to those working on transferred public services in the voluntary sector, and the promotion of bi-partite/tri-partite ‘sectoral forums’ which engage in collective bargaining over pay and conditions, skills and training (Short, 2011; UNITE, 2011).

Two (somewhat contradictory) caveats to the above analysis must, however, be voiced. The first is that it is uncertain to what extent all of the noted employment-related changes in the sector are permanent. Such changes to employment conditions in the sector, particularly reducing pay in response to competitive financial pressures, eradication of other employment benefits, and dilution of skills do admittedly resemble changes associated with the marketisation thesis (Sennett, 1998). However, other studies have highlighted how pressures to marketise employment conditions are particularly acute in times of recession as employers react to short-term turbulence. In times of recovery, however, there may be efforts by employers to recover and reinvest in things such as internal career systems because employees commitment and loyalty continue to need to be nurtured (McGovern, et al, 2007). In the case of this study there may be some, albeit limited, recovery in employment conditions. In general, however, such a process of recovery would appear unlikely given the apparent permanence of the changes to pay and other terms and conditions within the organisations that first experienced them in phase 1 of the fieldwork.

In a similar vein, it is necessarily unclear how far the present findings can be extrapolated to other areas of public service outsourcing. It cannot, for example, be simply assumed that external providers, particularly where they comprise large private sector organisations, will always occupy vulnerable market positions vis a vis public sector commissioners (Grimshaw et al, 2002). This said, the analysis provided does suggest that public service commissioners in times of austerity have leant towards price-based, short-term 'arms-length' contracting that is not easily challenged by 'soft' government prescription, particularly in a period of significant financial stringency. Given also the existence of much international and domestic evidence pointing more generally to how the competitive dynamics involved in the outsourcing of public services commonly lead to downward pressure on workers' terms and conditions (Baines, 2004; Baines, 2011; McDonald and Charlesworth, 2011; Wills, 2009), it would therefore seem at least reasonable to argue that this study's findings may be a harbinger of things to come in some other areas of public service outsourcing.

What does seem clear, however, is a continued need for research centred on the changing nature of public service outsourcing and its impact on employment

conditions in areas of expanding public service externalisation. On the basis of this study, it would also seem important that this research agenda encompass a strong longitudinal dimension given the capacity of such research to provide valuable in-depth insights into the dynamics of such outsourcing and its employment-related implications.

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