

Purchase-of-service contracting, voluntary organizations, and civil society

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Author abstract

Governments around the world are making increasing use of contracting "technologies" to purchase services from voluntary organizations - both in privatizing (contracting out) previously government-provided services and in reining in (contracting in) more autonomous voluntary sector services previously supported by grants-in-aid. If voluntary organizations are as much about participation as provision, what is the impact on civil society of the widespread adoption of this funding technology? Voluntary organizations are frequently idealized as producing civic "golden eggs" of community resource mobilization and more appropriate and accessible services, as well as providing avenues for citizen participation and involvement. But does the tightening control of government funding contracts risk killing the goose that is laying these golden eggs?

Dissecting the Goose That Lays the Golden Eggs?

A VOLUNTARY ORGANIZATION GOES CORPORATE BUT DISCOVERS THERE IS NO SUCH THING AS A FREE LUNCH

Once upon a time in a small country on the other side of the world, there lived a large and reasonably successful national voluntary social service organization. It was the very model of a modern social service - gender sensitive, inclusive, concerned to be responsive to tangata whenua (indigenous people), preventative focused, and part of an integrated public and voluntary sector service system.

The organization grew from the heartfelt concerns of a few people into a national movement. They worked hard to convince the government of the importance of their cause, and from the mid 1950s the government worked closely alongside them - providing not only financial grants but also administrative support, exchange of personnel, sponsoring the visits of international experts, joint service planning, and access to consultation on policy. Many of the services provided by the organization were also of benefit to several government departments reaching people in a way they could not.

The organization flourished and the relationship with the government became close, even "intertwined" (Renouf, 1995). Both sides certainly saw it as a working partnership. However, this did not stop the organization also taking part (and sometimes taking a lead) in lobbying the government, not just or even mainly for its own grants but also about legislation that effected the people it served. Representatives appeared before public inquiries and even a Royal Commission, providing evidence that not everyone was comfortable with being uncovered.

Generally, however, both the government and the organization were in accord about overall directions and goals. Then, in 1981 came a "letter of understanding" setting out "mutual expectations" - putting

in more legalistic terms what had always been agreed by both parties. By 1985, the gentle winds of change turned into a hurricane that blew through an unsuspecting voluntary sector. Across the country, voluntary organizations receiving government grants were shaken and disheveled by the minitornadoes of contestability, accountability, the funder-provider split, performance indicators, and the overwhelming and icy winds of managerialism:

Where previously a close partnership and joint interests had shaped the relationship . . . , the emphasis was now put on independence and separate identity; on controlling and containing the relationship through formal contracts which initially specified inputs and then focused on outputs. The basis of the former partnership was irrevocably changed. (Renouf, 1995)

In 1991, the organization "began the task of becoming . . . more efficient, effective [and] business-like" (Annual Report, 1995). Although not formally imposed on the organization, these changes were very much in anticipation of major changes in the department that had once been a key "partner" and that was busy reinventing itself as a "purchaser" of outputs in line with a radical new Public Finance Act. Over the period of a 4-year transformation, the national voluntary organization

- * built up its internal management systems and controls, strengthening its planning, budgeting, monitoring, and reporting systems;

- * began to separately cost its different "products," paying more attention to income diversification, seeking out philanthropic trusts, corporate sponsorship, and avenues for the sale of goods and services;

- * reorganized so that the 30 affiliated but separate "branches" became a unitary organization under a flat management structure;

- * reduced overhead costs and produced 10% extra hours of service for the same money; and

- * moved to a totally paid workforce, replacing the many part-time, direct-service volunteers and as a result cutting the total number of counselors and tutors by 75%, ensuring a much more manageable workforce (Renouf, 1995).

Some of these changes, however, had contradictory effects. Almost all had impacts that were not intended. The organization soon discovered that its reforms were not without their costs. The following are examples:

- * Significant capital had to be invested in computer systems to generate information for reporting and financial control - reducing the organization's reserves and making it more vulnerable in an uncertain environment.

- * Many hours are now spent in writing grants and sponsorship applications for relatively small sums of money (\$5,000 to \$10,000).

* The organization finds itself trying to span discretely different "market niches" - providing services to low-income people (two thirds of the clients are outside the workforce or on low incomes) but also trying to attract corporate purchasers to cross subsidize other services, along with the constant focus on financial "break even," which made traditional welfare-oriented staff uncomfortable.

* There are insufficient resources to conduct research and development tasks, especially to test effective outcomes.

Now more than ever, the organization knows exactly how many units of service are provided in any one period, trends over time, unit costs, the demographic characteristics of those receiving services, and much more. However, there is even less time to worry about whether these are the right services or even if they are effectively provided. With the increased pressure to perform, there is, ironically, no time to stop and ponder about performance.

Perhaps most poignant, community involvement is totally replaced by professional management. The organization found that lay people giving 3 to 4 hours a month could no longer manage complex organizations in the environment of increasing and more sophisticated demands. Combined with the replacement of all direct service volunteers with professional staff members (who could be recruited from anywhere), the abolition of local committees led some to start seeing the organization as just one more outsider coming into their town.

An unintended consequence of providing all those volunteer opportunities in the past had been to offer a stepping stone for women back into the paid workforce - providing work-related experience, building confidence, and improving links with the job market. This also ensured a steady turnover of a large number of very part-time volunteers. But the organization always had put a high value on providing quality services and so gave a high priority to volunteer training. The high cost of the volunteer recruitment and training made it almost affordable to replace them with paid professional staff members.

What was hardly even realized was that this army of current and former volunteers had used the fruits of their training in lots of other settings - informally helping friends and neighbors. Some of the skills, confidence, and training also came in useful as members of the local sports and social clubs - helping as leaders in youth, church, and community groups; running existing voluntary organizations and special interest lobbies or starting new ones; being more active members of local branches of political parties; and even standing for local body elections. Now the organization is a very focused service provider, contracted to provide certain outputs, and cannot afford to be a training ground for the greater community good. Instead, the organization buys the skills it needed by employing professionally qualified staff.

This organization is not alone. A survey of organizations funded by New Zealand Community Funding Agency (NZCFA) (Ernst & Young, 1996), although only covering a proportion of voluntary organizations, suggests some broadly similar patterns, at least among other voluntary social service providers.(1)

Over the 3-year period since the establishment of NZCFA and the implementation of its purchase-of-

service contracting approach, 80% of NZCFA-funded organizations report that they have increased the quantity and quality of services provided despite the fact that 22% report a reduction in NZCFA funding, and a further 35% reported the same level of funding (despite cost increases and increases in demand in many cases). For 35% of organizations, their other fund-raising activities had increased.

Ernst & Young (1996) note that "the growth in service levels and quality has however been extracted at some price for the Not-for-Profit sector":

- * More than 80% of organizations report an increase in the time spent applying for funding (increased compliance costs),

- * more than 50% report that their financial reserves have decreased (cannibalization of assets), and

- * more than 30% report a reduced capacity to replace assets (questioning the viability of maintaining existing operations in long term). As the funding department delicately acknowledges, "Efficiencies have been maximized within the sector during the last four years and attention must now be given to achieving a sustainable balance between resourcing levels and output expectations over the longer term" (Department of Social Welfare [DSW], 1996).

Although organizations are still more likely to report an increase than a decline in "volunteer support," there is a perceptible shift to greater reliance on paid staff members. Organizations are more likely to report employing extra paid staff (42% of organizations) than increases in volunteer support (30% of organizations), and organizations are almost twice as likely to report a decrease in volunteer support compared to a decrease in paid staff (21% compared to 11% of organizations).

It is a picture of a sector squeezed and under pressure, with the study concluding that organizations funded by NZCFA under its modified form of purchase-of-service contracting are "viable but vulnerable." The impact on these organizations' wider contributions to society is not assessed as the study had tellingly defined the sector's viability as "the capacity of the Not-for-Profit sector to continue providing services NZCFA wishes to purchase [italics added] to meet community needs" (Ernst & Young, 1996).

WHAT MAKES A VOLUNTARY ORGANIZATION?

The case study we began with can either be seen as a example of increased efficiency - reengineering to successfully achieve more with less - or the loss of something very important that had only cost 10% of the organization's total budget but that had many wider community benefits.

The organization had been making an important investment in developing a sense of community belonging and involvement, in developing skills for community benefit, and in building the confidence, hope, and sense of purpose of countless volunteers. By squeezing out these "noncore" activities, the organization became a more focused social services contractor but may also have moved from being a net contributor of social capital to being a net drain on the social capital of many communities across the country.(2)

Lyons (1996) identifies a useful distinction between two different - and perhaps competing - ways of understanding the voluntary sector and individual voluntary organizations. These are best captured, he argues, by the terms nonprofit sector and civil society. The idea of a nonprofit sector is essentially a modern (post-1960s) legal/economic paradigm born in the United States. It has at its heart an explanation of why nonprofit organizations exist and tends to focus almost exclusively on public-serving or charitable nonprofits, which it often conceptualizes as a special class of economic "firm."

The civil society approach, Lyons (1996) argues, is a less tightly coherent but much older tradition and is stronger in European scholarship. It draws mainly from sociology and political science to understand the role of "organisations that provide people opportunity to organize, to discover shared views and advance those views, to provide facilities or services to be used by themselves or by others" (Lyons, 1996). There is a particular interest in smaller, purely voluntary (in the sense of without paid staff) associations and especially those that are membership based.

As a result, the two approaches evaluate voluntary organizations differently. The nonprofit tradition evaluates the appropriateness and effectiveness of nonprofit firms by their responsiveness to environmental conditions and by their capacity to satisfy customers or clients. The contribution of the sector overall is evaluated by its employment size, level of expenditure, and contribution to gross domestic profit. By contrast, the civil society tradition evaluates organizations by their capacity to encourage active participation and by their ability to build social capital - even though measures for these are not nearly so well developed.

Volunteering and philanthropy are important to the nonprofit tradition as a means of resource acquisition or mobilization. Thus, in both philanthropy and volunteering, return-on-investment ratios are important. Once volunteers are no cheaper to manage than paid staff members, why use them? The civil society tradition is much more interested in membership and participation, which, although there is some overlap, is not the same as either volunteering or financial giving. The emphasis is not so much on what can be acquired from the community as what can help build stronger communities.

The reformed organization in our case study may have been a very successful nonprofit but a much weaker civil society organization.

THE DEVIL MADE ME DO IT: THE ROLE OF FUNDING

Funding has long been described as the Achilles heel of voluntary organizations-regardless of its public or private sources. Despite the myth of private philanthropy mainly sustaining them, voluntary organizations have increasingly turned to governments for funding, and governments have increasingly turned to voluntary organizations to provide social services. Thus, even in the bastion of private philanthropy, governments have emerged as "a major source of financial support for America's nonprofit sector, out-distancing private philanthropy by almost two to one" (Salamon, 1994). The data available in Aotearoa/New Zealand seems to show a similar pattern. Government funding represents about 30% to 35% of voluntary organizations' total income, compared to about 18% of income from personal donations, philanthropic trusts, and bequests (Robinson, 1996). Reliance on government funding appears to be especially important for social service providers (Ernst & Young, 1996; Hall, 1995).

In this context, contracting can be seen as a critical step in a long-term trend of tighter government controls over voluntary organizations. In Aotearoa/New Zealand, as in many other Organization for Economic Cooperation and Development countries, the pattern of development of government funding "technologies" has generally moved through a number of (largely) sequential stages:

1. donations to worthwhile organizations (list approach),
2. program grants in response to submissions (submission model),
3. program grants allocated on the basis of some form of service planning (needs-based planning),
4. tendering for contracts to undertake specified services (purchase-of-service contracting), and
5. funding to individuals to purchase services from accredited providers (vouchers) or the market (cash allowances).

The first stage is identified as the list approach as frequently a list existed - either officially or unofficially - of the voluntary organizations considered sufficiently reputable to receive an annual donation from the government. Generally, the government behaved like many private donors. Causes it considered to be worthy were supported. It may have been difficult for new organizations or new causes to get on the list, but once there they were usually assured of support for life. Grants were relatively modest but also largely untied - such organizations could be expected to put the funds to good use.

Viewed separately, each of these stages can be seen as an important step forward from the previous funding "technology." For example, the introduction of formal submissions - although later berated as favoring areas with the best submission writers over those with the greatest needs - was an important development in opening up government funding to a whole range of new voluntary organizations, especially those arising from the women's, self-help, community development, and other "activist" movements.

Each of these stages, at least to some extent, also has the seeds of the next already embedded in it. For example, once government funding agencies took it on themselves under a needs-based planning regime to identify and define need, it is a short step for these same funders to begin to identify and define the types of service responses they consider appropriate. And once that is done, a tender specification is virtually written. Whether or not formal tenders are sought, the government funder soon begins to conceive of itself as "purchasing" services from voluntary organizations.

The pace of change in the development of the funding technologies has accelerated over time - becoming increasingly sophisticated and the intensity of their impact on voluntary organizations also increasing. Perhaps the increasing sophistication of the funding tools, as Max Weber observed with bureaucratization, is part of the process of modernization. However it is important to recognize that, as in any other field, technologies are not value free. The developments in funding technologies

reflect and reinforce identifiable changes in how the relationship between government and voluntary organizations is conceived in the literature (see, for example, Salamon, 1981). Nyland (1993) also tracks the shift away from voluntary organizations being regarded as autonomous representatives of the community and toward being treated merely as convenient conduits for services to the community - "little fingers of the state."

Overall, as we move down the funding continuum, there are certain built-in features packaged with the funding tools:

- * There are increased transaction costs for both voluntary organizations and the government funding bodies as more specification, supervision, and reporting is required;
- * there are increased administrative or overhead costs for voluntary organizations as they need to manage separately earmarked income, keep closer track of different cost centers, and manage more complex financial flows;
- * there is an increasing emphasis on the initiative coming from government-determined priorities and a diminution in the importance of the initiative of voluntary organizations;
- * there is a shift in the locus of control from voluntary organizations to government funders, in terms of determining what services are provided, for whom, and in what way;
- * there is an increase in the fiscal risks to which the voluntary organizations are exposed (and a resulting decrease in government funder exposure); and
- * there are increasing expectations on and requirements for voluntary organizations to behave competitively.

We need to be cautious about ascribing all changes toward formalization as a result of changing funding arrangements. There are certainly many internal and external factors at work in the unfolding of any organizational change. Salamon (1987) reminds us that "pressure for improved agency management, tighter financial controls, and the use of professionals in service delivery do not, after all, come solely from government." An organizational life-cycle perspective, in particular, is likely to stress that it is characteristic of voluntary organizations to begin their life as voluntary associations and then become more complex and formalized if and when they seek to provide some social services. However, the organization in our case study was already a large and formally structured organization. The speed and direction of the changes suggest more than just long-term inherent tendencies. Indeed, the testimony of the CEO herself suggests a direct link with the immediate funding environment (Renouf, 1995).

CONTRACTING OUT, CONTRACTING IN: COSTS AND OPPORTUNITIES FOR CIVIL SOCIETY

Contracting is usually used to refer contracting out of previously government-provided services. However, contracts have also been used to convert grants-in-aid for voluntary organizations to

contracts. Although both involve greater use of market-related principles for the delivery of services, the former involves a change in auspice, whereas in the latter case there is a change in the funding technology employed but the auspice remains the same. In the United States and the United Kingdom, the debate may very well primarily be about services and programs that were previously provided by governments being contracted out. To date in Aotearoa/New Zealand (Nowland-Foreman, 1996) and Australia (Lyons, 1994), contracting only rarely has been used to privatize social services - although this may now be changing, with some important and growing exceptions in child welfare and health services.

Far more frequently, contracting of social services in Aotearoa/New Zealand has represented the reverse of what is usually characterized as privatization or contracting out. In what could be described as contracting in, social services previously provided much more autonomously by independent voluntary organizations are standardized, more narrowly specified, and brought under tighter government control and supervision through the vehicle of purchase-of-service contracts replacing grants-in-aid.

The government's purpose in replacing grants-in-aid with contracting in Aotearoa/New Zealand was to achieve greater accountability of voluntary organizations to government; more competition among service providers to ensure increased efficiency; more freedom for the government to switch funds, or at least threaten to do so, to ensure compliance with government requirements; more choice for clients among different services; and the growth of specific services tailored to meet the needs of specific groups (Shipley, 1991). This is not inconsistent with the approach suggested by nonprofit theory (in Lyons's, 1996, terms). Presumably, its advocates would be pleased with the reformed and restructured organization in our case study, but what of the impact on civil society? As Lyons (1996) observes regarding the policy of compulsory competitive tendering,

while there may be grounds to object to the methods many governments use (particularly their abuse of their monopoly position by the use of fixed price tenders), from the point of view of nonprofit theory, there is no reason to object to this practice.

By contrast, from the perspective of civil society such a policy could be coherently condemned as diminishing a capacity to co-operate between organizations and between organizations and government. . . . It could also be seen to favour organizational governance of the corporate model rather than the "messy" democratic approach of civil society. Finally, and relatedly, it could be argued that such an approach focuses on service outcomes at the cost of reducing social capital.

To what extent does this shift to contracting affect voluntary organizations' capacity to encourage active participation, to mobilize internal and external resources, to promote and develop leadership, and to enhance cooperation and trust?(3) In short, how might contracting influence the capacity of these organizations to contribute to social capital and developing stronger communities?

ENCOURAGING CITIZEN PARTICIPATION?

Contracting in might be seen as potentially reining in or at least constraining opportunities for participation (both directly in the voluntary organization and through fewer opportunities for enhancing

skills, confidence, and networks for wider participation in other areas of community life), whereas increased contracting out could potentially provide greater avenues for participation - compared to services previously directly provided by government.

However, the model of purchase-of-service contracting itself gives preeminence to service delivery over participation. In principle, there does not seem to be any reason why contracts could not specify participation and community involvement outputs to be purchased as much as service outputs. In practice, this seems to have rarely occurred, and in any case the rigid determination of participation outputs may not necessarily be desirable.

Voluntary organizations frequently report that the emphasis on maximizing (narrowly defined) efficiency along with the generally increased paperwork and the increasingly sophisticated management requirements in particular all tend to make it both harder to recruit board and committee members and to generally shift the balance of effective control from part-time, honorary committee members to "professional" management. Several studies have reported that the role of professional management takes on much more importance when voluntary organizations are involved in contracting and also reported that there is a decline in the role of volunteers both in governance and in service provision (Fabricant & Burghardt, 1992; Stone, 1991). Similar pressures are likely to lead to organizations moving toward smaller, tightly focused, corporate-style boards and away from larger and more diverse management committees, which also aim to be vehicles for participation (Cornforth, 1996).

This has particular implications for the role that many voluntary organizations have previously provided of developing leadership skills and providing opportunities to "practice" leadership.

A participatory model has been a significant part of the work of many, although not all, voluntary social services (Davey & Dwyer, 1984). In many organizations, the helped become the helpers in their turn. Higgs (1997) identifies that the literature of community development and civil society suggests the voluntary sector is adept at integrating people into the community and

empowering disadvantaged groups rather than merely planning for their needs. . . . The problem, however, is that the voluntary sector functions best to integrate people into the community precisely through work that, within the new funding relationship, is in danger of being crowded out, namely, preventative, developmental and advocacy work.

Emphasis on stronger and stronger accountability toward government funders, which is also frequently associated with contracting, subtly shifts responsibility away from the voluntary organization's board, members, and other stakeholders. An international review of externally imposed evaluations suggests this can effectively disenfranchise and undermine legitimate governance structures - ultimately leaving committees and members as mere bystanders in the process (Smillie, 1995).

On one hand, contracting can be associated with increased diversity, especially in providing ethnic and other minority groups with the chance to bid to operate services - potentially providing increased opportunities for participation and leadership development among those groups. And there is some

evidence to suggest that, at least initially, this may have occurred in Aotearoa/New Zealand, especially with the increased funding of Iwi (tribal) social services and other Maori-controlled services.(4)

On the other hand, in the longer term there has been a general trend internationally for contracting to be accompanied by an increase in the size and scale of operation and a greater normalization and bureaucratization of voluntary organizations (Kramer, 1994). For reason of economies of scale, risk management and capacity to absorb increased compliance costs, the bigger organizations get even larger, and the smaller ones get bigger, if they survive. Therefore, smaller community-based organizations often seem to survive in the contract culture by modifying the qualities that might have made them attractive in the first place as contractors: being smaller, more informal, and perhaps more accessible. These are also likely to be the characteristics that might make participation easier.

Finally, it is sometimes argued that purchase-of-service contracting "thrusts nonprofit organizations into the public arena and requires the ability to maneuver politically" (Kramer, 1994), thus improving the opportunities that voluntary organizations can provide as vehicles for wider civic participation. Although there may be increased public engagement where voluntary organizations are being funded for the first time and have previously had very weak relations with governments, the reverse can equally be the case if there is a shift from seeing voluntary organizations as autonomous representatives of the community toward seeing them as merely convenient conduits for the purchase of services. Many formal consultative mechanisms with the sector were abolished in Aotearoa/New Zealand (Kelsey, 1996), consistent with a contracting model that requires that transactions to be "arms length."

MOBILIZING RESOURCES?

The potential for access to increased external resources for voluntary organizations is clear in the case of contracting out or privatization - where resources are transferred from public sector direct provision - even when there may also be competition with for-profit providers. However, it can also occur with contracting in. For example, a tighter and more "accountable" purchase-of-service contracting regime can provide a more defensible rationale for purchasing services closely aligned to core government responsibilities when all expenditures are under close scrutiny. There is some evidence to suggest that this may have been the case over the past 3 or 4 years in Aotearoa/New Zealand, with contract-based funding programs growing while the few remaining grant-in-aid programs stagnate (DSW, 1996).

Sosin (1990) and others have made the similar point that contracting enabled the extension of the welfare state in the United States, particularly when it was first under attack in the late 1970s. At the same time, however, there is clear evidence that privatization and devolution in the United States, despite a provoluntary sector rhetoric, has more recently been accompanied by a reduction in government resources available to voluntary organizations in key social services (Salamon & Abramson, 1996).

At least in some cases, it might be expected that volunteers and donors are more likely to be mobilized when they are involved in developing and are able to feel some sense of ownership over

the services or activities to be supported. Thus, to the extent that government funding priorities are imposed on communities ("requiring the alignment of their service provision with departmental outputs," NZCFA manual quoted in Smith, 1996) and opportunities for participation are reduced under a contracting regime, it might be more difficult to mobilize the community commitment, enthusiasm, and resources. The "take it or leave it" attitude frequently reported of funders under the contracting regime (for example, Leigh, 1994) could also be expected to have a deadening effect.

Although contracting is frequently linked with themes of choice and responsiveness, its success actually depends on rigid specification of funding requirements and greater control over voluntary organizations. As was recognized by the (then) head of NZCFA, a pure competitive-tendering model risked the volunteer contribution on which services rely (Waitangi Tribunal testimony quoted in Smith, 1996). A legalistic contract approach can be useful for clarifying expectations but risks reducing the "gift relationship" of the volunteer to a transaction and consequently undermining the intrinsic motivations of volunteers, members, and other supporters (see, for example, Woods, 1996).

This is exacerbated by the widespread persistence of "contribution" models under a contracting regime, under which services are only partly funded by the so-called contract. NZCFA contracts, for example, typically cover 45% to 55% of the direct costs of the services being purchased and as little as 25% of the cost when voluntary and in-kind contributions are also taken into account (DSW, 1996). This has the effect of sucking volunteers and private sources of income into subsidizing government-defined priorities. In the immediate, this is a net drain on an organization's internally generated resources. In the longer term, it can lead to disenchantment among donors and volunteers, who may want to have some room for choice; they may be more interested in adding value than substituting for government priorities.

ENHANCING COOPERATION AND TRUST?

The contracting approach is built on a competitive ethos - in theory and practice. Its aim was to tackle the problems of "provider capture" by breaking up too close a cooperation between purchaser and provider (through use of standardized and arms lengths procedures) and by promoting greater competition among voluntary organizations. In practice, it has certainly led to less cooperation, greater secrecy (commercial in confidence), distrust, and a less integrated service system (Nowland-Foreman, 1995).

The move to using contracts that aim to specify and control a relationship through a legalistic model assumes a low-trust environment. It can also erode trust, particularly where organizations are embedded within cultures dependent on the exchange of goodwill and in which there are large elements of discretion about the way in which work is carried out.

In an otherwise largely favorable review of public sector reforms commissioned by the New Zealand Treasury and State Services Commission, Schick (1996) concludes that the new system relies too heavily on formal contracts. The virtue of a contract-based approach is that things are itemized and can be checked off as delivered. The problem is that things not itemized may not be done. Too much can fall between the cracks, and managers can too easily confuse accountability ("I'll do it because the contract says I must") with responsibility ("I'll do it because it needs to be done"). Kearns (1996)

also found in the U.S. public and voluntary sectors evidence that too much emphasis on narrow accountability can undermine responsibility and broader notions of responsiveness to public needs and adherence to moral principles.

Bernstein (1991) describes in an ethnographic study the ways in which 17 New York executives of voluntary organizations "play the game" against the staff of the government agencies with whom they have contracts. The participants have evidently decided that, because there is such a conflict between the rules and expectations of purchase-of-service contracting and reality as they perceive it, behavior suitable for a game is the only appropriate way of coping with its absurd and onerous requirements. Bernstein also found that this led to the development of dual systems, one superficial to maintain expected feedback to funding bodies and the other more comprehensive to assist the organization get on with the real work, thus completing the cycle whereby a low-trust approach justifies itself and requires even tighter checks and increased accountability.

CONCLUSION

From a civil society perspective, purchase-of-service contracting - and the way it has been implemented in countries like Aotearoa/New Zealand in the 1990s during a period of major economic and public sector restructuring and retreat of the welfare state to a reluctant and reduced role and dominance of neo-liberal economic ideologies - has had the following impacts:

- * Although there are some increased opportunities for citizen involvement in newly contracted-out areas, overall there is pressure to sideline if not undermine opportunities for participation and leadership development.
- * This risks reducing both the quantity and the quality of participation facilitated by such organizations.
- * Although accountability (and especially counting) activities may multiply, responsibility to local members, proper governance structures, and the clients served is likely to be eroded in favor of stronger accounting to the funder(s).
- * The organization risks being no longer seen as autonomous representatives of (a segment of) the community as it is increasingly treated as a convenient conduit for the provision of public services, also reducing its wider political legitimacy.
- * Contracting does not necessarily result in more or less government funding for voluntary organizations as this seems much more dependent on the political and economic environment.
- * In the longer run, there may be some risk to the volunteers and private philanthropy that voluntary organizations can mobilize, but this is likely to depend on just how aggressively government agendas and "market" models are imposed and how much latitude voluntary organizations are allowed or claim.
- * Involvement in developmental tasks, including leadership development, prevention, advocacy, and

network building, are likely to suffer with increasing emphasis on discrete and measurable service outputs.

* Cooperation between voluntary organizations and government funders and among voluntary organizations is likely to be more difficult and less common; trust and transparency is also likely to diminish in these relationships.

This is not a pretty picture. It is not to ignore efficiency gains that may also be achieved and management improvements that may be made. Services may be standardized and quality improved. But if we believe that voluntary organizations also have a wider role to play in society - are as much about participation as provision, as much about citizenship as services - these will not be satisfactory tradeoffs. We will have lost much that is valuable about this unique form of social organizing called voluntary organizations.

Voluntary organizations never operate in isolation from the societies in which they operate. Alone, it is unlikely they will be a panacea for citizen participation or for building stronger communities. They are just one of the building blocks in that process and cannot replace the need to address the social, economic, and cultural barriers to participation; the political processes and structures to enable participation; and the personal skills and resources required.

However, the goose still needs to be nurtured. Governments around the world are increasingly making use of voluntary organizations for the delivery of social services. And there is some evidence that this wider role is not just recognized by voluntary organizations themselves but is also part of what public funders expect. A major cross-country study found that although the various welfare states differed considerably in the extent of their reliance on voluntary organizations for the provision of social services, officials shared a basic perception of what voluntary organizations are expected to deliver:

these agencies are expected to be innovative and flexible, to promote particularistic interests, to promote citizen participation, to meet needs not met by government. Through the provision of opportunities for citizen participation, sponsoring of social services, dispersal of social power, and an increased sense of civic efficacy, voluntary agencies are believed to strengthen the pluralist and democratic forces of society. (Kramer, 1981)

On one hand, voluntary organizations are valued for the "golden eggs" they can produce - specially of participation, resource mobilization, leadership development, and encouragement of cooperation and trust. However, the predominant funding technology used to keep them - purchase-of-service contracting - looks suspiciously like the ax being sharpened. It is clean, efficient, and sharp, but a dissected goose is soon devoured and lays no more eggs.

NOTES

1. The New Zealand Community Funding Agency (NZCFA) provides funding to more than 1,200 organizations - including probably most social service providers apart from aged care and to a lesser extent disability support services (the funding responsibility for which is being transferred to Health

Authorities).

2. Social capital has been popularized by Putnam (1993) to describe "features of social organization, such as trust, norms and networks, that can improve the efficiency of society by facilitating coordinated actions." Volunteering, membership, and other forms of participation in voluntary organizations have been presented as indicators of social capital - the outcome of a cohesive and participative society - but are also seen as a key structure within which social capital is generated. A dense network of voluntary associations is important, according to Putnam, in fostering rich networks of "organised reciprocity and civic solidarity," building social trust, and providing networks of social relations that can be mobilized for civic action.

3. These questions are based on a schema developed by the [New Zealand] Department of Internal Affairs (1997). On the basis of a range of organizational and community studies, it identifies four dimensions - participation, resources, leadership, and cooperation - that are important to the strength of any community. A strong community is defined as one that is able to mobilize commitment and resources to achieve common goals and to solve problems. The department has developed an interesting model based on these four factors that illustrates how they interact and reinforce each other and how they may also be applicable to whakapapa-based (ancestral) and nonwhakapapa-based Maori communities, based around the central concepts of tangata (the people) and whenua (the resources).

4. Some of this increased funding for Iwi and other Maori services from mainstream health and social service budgets has elements of a pea-and-thimble trick, as it was offset by major reductions in dedicated funding previously administered by the former Department of Maori Affairs and the Iwi Transition Authority (Te Puni Kokiri, 1994).

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