

**Maintaining voluntary sector autonomy while
promoting public accountability: managing
government funding of voluntary organisations**

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**The evolution of funding, accountability and contractual
relationships between the government and the voluntary
and community sector**

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This working paper addresses three main issues:

1. The changing environment for the funding relationship between voluntary and community organisations and government.
2. The changing nature of the accountability relationship.
3. The role and nature of contracts and contracting.

1. A changing environment for the funding relationship between voluntary and community organisations and government

Before examining the nature of the funding relationship between voluntary and community organisations and the government, it is important to understand the context within which this relationship occurs. Domestically and internationally, both the management of government and the role of the voluntary and community sector are changing. These changes have important implications for the nature of the funding relationship.

Changes in the management of government

Public service management practice has changed significantly over the last twenty years. In countries such as the United States of America and the U.K, initially change was driven by a ‘new right’ agenda of rolling back the state, privatisation, and the importation of business management practices. Subsequently, public management reforms have tended to focus on issues such as strategic management, devolution and decentralisation of responsibilities, and the management of cross-cutting issues (see Boyle, 1995 and Boyle and Humphreys, 2001 for more details). Of particular concern to this study are two important and inter-related developments: a growth in performance contracting and an increasing emphasis on the management of networks rather than hierarchies.

Performance contracting is seen as providing “a framework for generating desired behaviours in the context of devolved management structures.” (OECD, 1999). Given new arrangements for the management and delivery of services (privatisation, contracting out, decentralisation), performance contracting is seen by many administrations as a useful way in which to achieve a clear definition of objectives and support management control, while also leaving managers freedom with regard to day-to-day activities. The OECD (1999) in a review of performance contracting, note that “performance contracts include a range of management instruments used within the public sector to define responsibilities and expectations between parties to achieve mutually agreed results.” Performance contracting is also seen as an important tool in

ensuring accountability for the use of public money in this decentralisation delivery scenario.

Managing networks of organisations involved in public service provision is part of a move which has been characterised as from government to governance (Boyle and Humphreys, 2001). This recognises that while government agencies are still key actors in service delivery, there is increasing involvement of others. The role of the private and non profit sectors is growing. An increasing voice for civil society is a common espoused value in many countries. There is recognition that government cannot act alone but must interact with markets, voluntary organisations, civil society and individual citizens to deal with issues of public concern. A decreasing emphasis on management through hierarchies and increasing focus on managing complex networks is an important part of this process. In this setting, public service managers:

... need a much greater tolerance for ambiguity, a willingness to take considerable risks, and to manage a myriad of different professional cultures in their search for co-operation between the constituent elements of the network. Moreover, they will need to be expert brokers of contracts and builders of trust (Jackson and Stainsby, 2000).

Changes in the role of the voluntary and community sector

The concept of active citizenship is one highlighted in the *White Paper on a Framework for Supporting Voluntary Activity and for Developing the Relationship between the State and the Community and Voluntary Sector* (2000). Active citizenship is defined in the White Paper as "... the active role of people, communities and voluntary organisations in decision-making which directly affects them. This extends the concept of formal citizenship and democratic society from one of basic civil, political and social and economic rights to one of direct democratic participation and responsibility." With regard to this concept of active citizenship, voluntary and community organisations are playing an increasingly prominent role in contributing to policy thinking in national and local partnership arenas. In Ireland, the representation of the voluntary and community sector in the development of recent national partnership programmes *Partnership 2000* (1996) and the *Programme for Prosperity*

and Fairness (2000) are expressions of this development. Similar developments are also evident in other countries such as Canada and Australia (National Institute for Governance, 2001).

At the same time, voluntary and community organisations in Ireland, along with others internationally, are increasingly active in speaking out on behalf of their constituencies and clients in public policy debates. This advocacy role has long been a feature of many voluntary and community organisations. But it has grown in importance as governments more actively involve the private and non profit sector in service delivery. The advocacy role has also increased as pressures from governments off loading services or from increasing inequalities in society are identified.

Voluntary and community organisations are also caught up in the general decline in trust in all public institutions that is occurring, both here in Ireland and elsewhere (see for example Panel on Accountability and Governance in the Voluntary Sector, 1999 for Canadian experience). Although the public in general has a high regard for the sector, there is a sense that more scrutiny is needed of how the voluntary and community sector works and how it spends the money it receives, both from donations and public funding.

Conclusions regarding the changing environment for state funding of voluntary and community organisations

The above brief discussion has highlighted a number of important environmental changes that impact on the funding relationship between government and voluntary and community organisations. From the perspective of the state, management reforms and in particular the growth of performance contracting are shaping thinking about the nature of the relationship between government agencies and voluntary and community organisations. There is an increasing emphasis on the need to specify and identify what will be delivered in return for public money rather than simply handing over a grant. Also, the active participation of voluntary and community organisations as part of a partnership network of organisations involved in the delivery of services is receiving growing prominence.

From the perspective of voluntary and community organisations, there is a balance to be maintained between their increasing direct role in policy development and implementation through the promotion of active citizenship, and maintaining an independent advocacy voice for the individuals and groups they represent. At the same time, voluntary and community organisations are under increasing public scrutiny in their use of funds.

A recent Canadian review indicates some of the implications of these changes:

Voluntary organisations have had to respond to these challenges in order to survive and thrive. From the smallest and informal to the largest and most sophisticated organisations, leaders in the sector have been thinking about how to be more responsive, how to do more (and better) with less, and how to work in more transparent ways. A central aspect of this self-assessment involves examining the basic principles of governance and accountability. (Panel on Accountability and Governance in the Voluntary Sector, 1999).

2. The changing nature of accountability

Given the general trends outlined above, accountability is a growing issue for voluntary and community organisations. In the context of this study, it is accountability for the use of public funds which is the focus. In the past, accountability was not seen as such a major issue. There were two main reasons for this, one rooted in morality and one rooted in economic theory. Morally, voluntary and community organisations were, in a sense, trusted largely because of their good intentions. As they were set up to ‘do good works’, this in and of itself was seen as providing an accountability mechanism. With regard to economic theory, Hansmann (1980) outlines what he terms the nondistribution constraint acting on non profit organisations, where:

... an organisation is barred from distributing its net earnings, if any, to individuals who exercise control over it, such as members, officers, directors or trustees... Net earnings, if any, must be retained and devoted in their

entirety to financing further production of services that the organisation was formed to provide.

This nondistribution constraint is seen as an important element in ensuring that non profit organisations act as they should. As such, the argument goes, the constraint itself acts as an accountability mechanism, reducing the need for other forms of accountability. As the profit element is absent, there is no logical reason or incentive for the non profit organisation to misuse the funds allocated to it.

However, changes such as the increasing focus by government on how public funds are being used and the general reduction in trust in public institutions, including voluntary and community organisations, have led to demands for more formal accountability for the sector. In terms of public accountability, Boyle (1998) notes that there are two broad aspects involved in ensuring accountability:

- giving an account, in terms of providing information and explaining the actions of the organisation so that the use of public funds is open to scrutiny
- being held to account, in terms of responding to comments and criticisms made, and taking the views of stakeholders on board.

These two aspects of accountability raise a number of questions as to how accountability is applied in practice with regard to the use of public funds by voluntary and community organisations. These questions are addressed below.

Accountability to whom?

While the focus of this study is on the funding relationship between government agencies and voluntary and community organisations, it is important to note that voluntary and community organisations are accountable to a wide range of stakeholders. These include clients, members, donors, staff as well as the general public. They are accountable in different ways to these interests. The funding accountability relationship has to be set within this wider context.

Accountability for what?

Pollitt (1999) identifies three main aims defining an accountability relationship between an accountant (who gives account) and an accountee (who receives it) in the public sector:

1. Control, where the focus is on the organisation giving an account showing compliance with procedures and control of abuse. The main interest here is in ensuring probity in the use of public funds.
2. Assurance, where the focus is on demonstrating that the organisation is functioning as intended, in terms of the pursuit of plans and commitments. The main interest here is accounting for the processes and activities used to deliver services provided by public funds.
3. Performance improvement, where the focus is on showing economy, efficiency and effectiveness in the running of the organisation. In particular, the main interest here is on accounting for the outcomes achieved through the use of public funding.

Pollitt (1999) also notes that the spirit of these three aims is different. A control mentality, for example, tends to place less emphasis on performance improvement. Balancing these aims, and managing the tensions between them, presents challenges for both the accountant and the accountee. From the perspective of voluntary and community organisations, traditionally more emphasis has been given by government agencies to the control and assurance aims, in terms of ensuring that the public money allocated was used for the purposes intended. Increasingly, however, the question is also being asked of the impact of that expenditure in terms of the outcomes achieved by the organisation.

Accountability by what means?

Apart from the organisational form and nondistributional constraint mechanism, voluntary and community organisations must use a variety of accountability methods to meet the demands placed on them. These include:

- Social governance arrangements, often by the board of an organisation
- the use of professional standards and accreditation
- the application of codes of conduct and ethics
- the use of contracts.

The degree of formality attached to such mechanisms and the reporting on their application will vary, depending on the size of the organisation and the scale of public funding involved. The smaller the organisation or the amount of public money, the less formal and onerous needs to be the subsequent accountability arrangements.

Conclusions regarding accountability developments

Voluntary and community organisations are facing increasing accountability demands. The non profit nature of voluntary and community activity is no longer enough in and of itself to provide evidence regarding the prudent and effective use of public funds. Government agencies are increasingly looking for information on the outcomes achieved by voluntary and community organisations.

This down playing of trust and increasing emphasis on checking up on the operation of organisations poses challenges for the voluntary and community sector. There is a danger of accountability becoming overly mechanistic in such circumstances, with an over-burdening of regulations and reporting requirements. There is also the need to recognise the great diversity that exists in the voluntary and community sector, with a vast array of different sized organisations with differing mandates and means of operation. Applying a single, standard accountability approach is unlikely to work in such circumstances. Rather, it is a case of choosing the most appropriate accountability arrangements from the range that is available as described above.

3. The role and nature of contracts and contracting¹

The increasing prominence of the role of contracting in the relationship between voluntary and community organisations and the state has been illustrated. Governments are increasingly choosing to implement policies and deliver services

through contractual relationships with agencies. This ‘outsourcing’ of government services, as it is sometimes referred to, has long been in practice for those public services with a clear commercial orientation or equivalent. Thus for services such as refuse collection and cleaning, competitive tendering and awarding of contracts is well established in many jurisdictions. This practice has increasingly spread to the provision of social services over the last decade or so. As Chalmers and Davis (2001) note: “the new view of welfare services ... signals an outsourcing of services to organisations with roots in the community and a commitment to providing assistance for the needy. For instance, the Salvation Army, rather than a government agency, becomes the characteristic face of state welfare.”

But often this move to contracting of social services occurs without a full understanding of the nature of contracts and contracting, both on the part of voluntary and community organisations and state organisations. To address this issue, a discussion of the different types of contracts and contracting follows, together with an analysis of some of the implementation problems and issues associated with a move to the contracting of the funding relationship between voluntary and community organisations and the state.

Types of contracting

Many people see contracts as agreements which are enforced or recognised by law. It is also common for people to view a move to contracting as automatically being associated with a move toward the competitive tendering of services. In fact, there are a range of contracts, of which the legal, competitive tendered type are only a subset. Essentially, contracting can be thought of as occurring along a continuum from extremely ‘discrete’ to extremely ‘relational’ (Macneil, 1974). Table one compares the two types of contracting on a number of important dimensions.

Table one: Differences between discrete and relational contracts

Element	Extreme Discrete Contract	Extreme Relational Contract
1. Measurability and actual measurement of exchange	One side of exchange is money; other side is easily monetised. Both are measured	Difficult to monetise or otherwise measure either side of the exchange
2. Duration	Short agreement process; short time between agreement and performance	Long term; no finite beginning; no end to either relation or performance
3. Commencement and termination	Clear, agreed start and finish dates	Gradual
4. Planning	Focus on substance of exchange; very complete and specific	Focus on structures and processes of relation; limited specific planning of substance, extensive specific planning of structures and processes
5. Future cooperation required post-commencement	Almost none required	Success of relation entirely dependent on further cooperation in both performance and planning
6. Obligations and sanctions	Specific rules and rights applicable	Non-specific; based on customs or general principles.

(Based on Macneil, pp. 738-740)

The ‘discrete’ extreme of contracting is typified by very clear criteria: the contract is measurable, short-term and focused on the substance of the exchanges which take place. The ‘relational’ extreme, on the other hand, is typified by a long-term contract where exchange is not susceptible to measurement and where the focus is on the structures and processes that determine the nature of the contractual relationship. As one moves towards the relational extreme, the emphasis shifts from detailed contract specification to statements of the process to be followed when adjusting the contract: rules determining the length of the relationship, rules determining the response to unexpected factors that arise in the course of the contract, and rules concerning the termination of the relationship (Goldberg, 1976).

For voluntary and community organisations and the public sector, the implication of the above is that there is unlikely to be one ‘right’ contract or means of contracting. The decision as to which contracting method to use will be influenced by the answers to the following key questions:

- What are the characteristics of the external environment, and in particular the number of potential service suppliers?
- What organisational resources are available on both sides – funds, time, personnel and expertise – to manage the contracting process?
- Is it possible to specify clearly service outputs and desired outcomes in the contract?

De Hoog (1990) has suggested three contracting models for public service delivery to cover the range of possible approaches in response to these three questions: the competition model, the negotiation model, and the cooperation model.

Competitive contracting: This model is of the ‘discrete’ contracting type and is used where there is a choice among several bids and where the one which provides the specified service at the lowest cost can be selected. There are two variants of the competitive model (Rimmer, 1991):

- *Franchising* – here, the government acts as the sole buyer on behalf of consumers and, through a legally binding contract, confers temporary monopoly rights onto a producer. This process involves ‘competition for the field’. With franchising, income usually exceeds costs and the contractor pays the tendering authority for the right to deliver a service.
- *Contracting-out* – involves ‘competition within the field’. Expected costs usually exceed income generated in delivering the service, so the tendering authority pays the contractor to deliver the service.

The competitive model is likely to be successful where (a) there are a range of organisations that can bid for the contract, (b) the government agency and suppliers have the staff, time and expertise to engage in the complex contracting process of specification, monitoring and evaluation, and (c) where the nature of the service to be delivered and performance required can be specified with some degree of precision.

Negotiated contracting: This model is a form of ‘relational’ contracting. Here, the suppliers are often previous contractors or agencies which have expressed an interest in the contract. The desired services are not specified in great detail. Potential suppliers submit their proposals, the government agency chooses the preferred plan, and then negotiations begin on specific aspects of the contract, principally the price and the type and extent of services to be provided. In this model, the government and the contractor operate on a more equal basis than in the competitive model.

The negotiation model (a) can be used in service areas where there are few suppliers, (b) uses fewer organisational resources in the tendering process, but may be more costly in terms of monitoring and evaluation than the competitive model, because the contract does not clearly specify performance standards, and (c) deals with uncertainty and complexity by negotiating many of the details of the contract with suppliers in a flexible manner, allowing room for manoeuvre should conditions change.

Cooperative contracting: This model is also a form of ‘relational’ contracting. Here, there is typically only one contractor, and the government and contractor are relatively equal partners. The contractor becomes a key actor in assessing needs, planning and determining the methods and levels of service delivery. The government may be less inclined to enforce the contract through punitive measures, but rather to assist contractors in improving their performance. In place of a detailed contract specification there is a flexible document together with a set of common professional standards to guide behaviour and practice. Contracts are awarded only where organisations have an established reputation for high standards, both in terms of performance and ethics.

The cooperation model is likely to be useful where (a) there are few, if any, alternative service suppliers and it is unrealistic for the government to supply the service itself, (b) there is limited expertise and/or experience in service specification and monitoring, and (c) there is difficulty in developing verifiable performance standards.

In practice, the distinction between these three models of contracting is not clear-cut. A contract may contain elements from the different models, with some aspects of the contract being very closely specified in a great degree of detail, and other aspects based more on professional norms.

Implementation challenges associated with contracting

As well as being aware of the different types of contract, it is important to note that contracting involves more than just agreeing the terms of the contract itself. The contracting process between voluntary and community organisations and state agencies includes such issues as needs assessment and planning, the selection of a service provider/providers, negotiating and specifying the contract, managing and monitoring the contract, and review and evaluation. This implementation of contracts thus involves a wide range of activities impacting on both voluntary and community organisations and the state. These implementation activities may be divided into (a) ex-ante, associated with drafting, negotiating and specifying the contract, and (b) ex-post, associated with monitoring and evaluating contract achievement.

The ex-ante requirements of contracting – contract specification

A review of a variety of different contracts used in a public sector setting indicates a range of items commonly specified in contracts. These are set out in Table two. Some of the issues associated with these items are discussed below.

Table two: Items commonly included in contract specifications

- Status, aims and objectives of the organisation
- Delineation of responsibilities of contracting parties
- Nature and level of service to be provided
- Price to be paid for services
- Duration of contract
- Policies for service delivery
- Quality of service standards
- Accountability arrangements
- Mechanisms for billing, authorisation and settlement
- Mechanisms for dealing with change and with disputes.

Status, aims and objectives of the organisation: the task here is to set out briefly the purpose of the organisation contracted to provide the services required, and the main objectives of the organisation. A key challenge is ensuring that the voluntary/community organisation objectives with regard to the services under contract are in accordance with those of the funding body. Voluntary and community organisations and the state may assign different priorities to objectives such as community service and efficiency.

Delineation of responsibilities of contracting parties: It is important to ensure that each of the contracting parties is clear about their respective spheres of responsibility. For example, decisions may need to be made on how pay rises and price increases will be dealt with.

Nature and level of service to be provided: this section sets out the specific type and level of service to be provided to designated persons or groups. It requires the funding organisation to have a clear picture of the needs of clients in order to ensure the provision of a satisfactory service. This needs identification process is a difficult and time consuming process, yet essential in clarifying expectations and requirements.

Price to be paid for services: In franchising, the government may choose to let the contract to the highest bidder, the bidder who promises to deliver a predefined service at the lowest cost, or to the bidder who promises to maximise quantity and/or quality. In contracting-out, the tendering authority may pay for the total cost of a service or provide a minimum subsidy reflecting the difference between anticipated revenue and costs (Rimmer, 1991). For non-competitive contracts alternative arrangements may be made. For example, (a) block contracts, where services are provided to a defined population for an agreed fee, (b) cost and volume contracts, for a defined volume of services at an agreed price, and (c) cost per case contract for individual cases at a given price (Hulme, 1990).

Duration of contract: The need here is to draw a balance between offering lengthy contracts which may lead to a lack of flexibility and short contracts which may disrupt continuity of service.

Policies for service delivery: This area may include such issues as admission policy – the criteria used to include or exclude clients from the service provided. This can be a particular issue where a voluntary or community organisation has a selective policy with regard to admissions, but when the state requires equality of access for all clients, including those with greater levels of dependency or behavioural problems.

Quality of service standards: Quality is often seen as a crucial issue in the contracting process. The specification of quality standards is a demanding task. A distinction can be drawn between: (a) quality issues focused around the structure or process of service delivery (items such as waiting times, communications and decor), and (b) quality issues concerning the outcomes of professional interventions. It is much easier for the purchaser to specify quality standards for (a) than for (b). In the

case of professional quality, it is more likely that contracts will seek to ensure that quality assurance procedures are in place.

Accountability/monitoring arrangements: Issues to be covered under this heading include: the information that the parties will make available to each other, and the form e.g. quarterly financial returns, annual reports and so on; the ability of the purchaser to make announced or unannounced visits to check standards; and the representation on the board of management if applicable.

Mechanisms for billing, authorisation and settlement: Whilst relatively straightforward, it is important that the means of dealing with these items are agreed between the parties, as otherwise they can become contentious.

Mechanisms for dealing with change and disputes: Situations change, and the terms of the contract may need to be altered to reflect changing circumstances, identified by either voluntary and community organisations or the state. This will be a subject for negotiation, but this may be assisted if the potential need to address such issues is recognised in the contract. It is also common practice for contracts to outline methods of dispute resolution. These can include initial discussions between the parties, conciliation and arbitration procedures and, as a last resort, contract termination.

Overall, whilst the majority of contracts will contain most of the elements outlined above, the degree of detail with which each one is specified will vary according to the type of contract. With competitive contracts, specifications have to get into a great degree of detail. Contractors will not deliver any more than is specified. Vagueness about the nature of the service to be provided or the tasks to be undertaken can lead to an unsatisfactory position. With negotiated or cooperative contracts, on the other hand, the specification may be less detailed, leaving more room for flexibility, and placing a greater degree of reliance on trust in the relationship between the parties. The danger with this latter approach is that if there are differences of opinion in what is to be provided by the contractor, the contract may not be specific enough to help resolve such conflicts.

The ex-post requirements of contracting – contract monitoring and evaluation

Once a contract has been agreed, the performance of the contractor must be monitored for the duration of the contract. However, there are substantial problems in monitoring compliance. Questions to be addressed include: is the voluntary/community organisation offering a sufficient degree of choice to clients; are quality standards up to scratch; what is the level and nature of complaints from clients; are identified needs being met? There is a danger in the contract commissioner becoming submerged in detail. Yet if it is clearly too expensive to monitor everything, and decisions are made to restrict monitoring, some non-compliance may get by.

Basically, a decision must be made on the most effective control strategy to adopt. Organisational studies suggest two underlying control strategies: performance-based and people-based (Eisenhardt, 1985):

Performance-based control: This strategy suggests that something is measured: either the behaviour of contractors or the outputs and outcomes of those behaviours (Ouchi, 1979). Behaviour control is most effective when the task undertaken is readily programmable. Thus, for example, in processing money transactions if the correct behaviour is observed the desired result will automatically be achieved. Behaviours can be explicitly defined and readily measured. The behaviour of the contractor is the purchased commodity. Output and outcome control is more effective where goals can be clearly stated.

People-based control: This strategy is designed to fit the situation where it is not possible to define the rules of behaviour and there is difficulty in determining a measurable output which is a common problem for many social services. Here, the literature indicates that the selection policies, training policies and socialisation practices of the contractor can develop a social strategy for control. Thus the aim is to ensure that contractors (a) select workers who are able and committed and (b) pursue policies which reward those who display attitudes and values which lead to organisational success.

Whichever form of control is adopted, mechanisms will need to be set in place for monitoring progress. These may take the form of written reports from the voluntary/community organisation to the government agency, meetings between the two groups, or some combination of the two. It is likely that some combination of formal and informal communication channels will be most effective in securing cooperation, particularly for the non-competitive contracts. Unless there are means of developing two-way communications, gaps between the intentions of the different participants may develop.

Evaluation also has a role to play in assessing the achievement of benefits through contracting. If monitoring is concerned with what is done on a day-to-day basis, evaluation focuses on how things are done. The very need for the service, and whether it is the best means of achieving particular objectives, may be under investigation. The scope of evaluation encompasses the impact and outcomes of services or activities. Formal, in-depth evaluations conducted by the funding agency or independent third parties are likely to be costly and time consuming affairs, most applicable to large-scale contracts, either in terms of impact or level of funding involved. For smaller contracts, in-house evaluation by the service deliverers themselves may be sufficient, provided the results are made available to the funding agency. These in-house evaluations may be supplemented by spot-checks of more in-depth, independent evaluations.

The implementation challenges of contracting: an illustrative example

To illustrate some of the issues which can arise in contracting between voluntary and community organisations and state agencies, an example is set out here based on a detailed review undertaken by Lewis (1994) of the move to contracting of one voluntary organisation in an English urban authority. The voluntary organisation provided services for elderly people, and signed a contract with the local authority for the provision of day care for elderly people in 1990. Prior to this, it had provided some day care under grant aid. The organisation had a federal structure, with the director of the umbrella organisation assuming responsibility for the contract and for local groups delivering the day care in four centres.

The contract was of a relational nature: no invitation to bid was issued to other organisations. The organisation had a good established relationship with the local authority. Notwithstanding this the contract took nine months to negotiate, and by the end both sides were taking legal advice. The main dividing issue was client access, with the local authority wanting to ensure access to the more dependent elderly, and the voluntary organisation wanting to maintain its policy of taking elderly people capable of walking-in but experiencing social isolation.

The contract as finally agreed was a mixture of very detailed in places and less formal in others. Some inputs, such as cleaning schedules, were specified in detail. Other activities were left more open ended. During the first two years of its operation, some elements were gradually specified in more detail. The management of the contract by the local authority was initially relatively informal and undertaken by social care professionals. This model changed during the second year, as the local authority moved to a more formal contracting process. A contracts manager was appointed from the private sector, with no experience of social care. While in theory this meant a move to a more formal management relationship, in practice the new managers' lack of knowledge of the field meant that the second annual review of the contract was less testing for the voluntary organisation.

The effects of the move to contracting on the voluntary organisation were very significant. The director felt that her job had changed completely, with an ever increasing amount of her time involved in managing the contract. This required new skills, and aspects of the work could not be delegated as the federal office was staffed by largely volunteer, untrained administrators and secretaries. At the local level, the day care managers also experienced significant change. All four had previously provided day care under grant aid, and two of the four were volunteers, the others being paid staff. One of the two volunteers tendered her resignation; she disliked the new administrative and monitoring requirements, and felt that this kind of work had displaced her chief concern, the motivation of volunteers and clients. The other volunteer also disliked the changes, but carried on. Both the paid managers were more inclined to see the contract as a challenge, and as keeping them on their toes.

Overall, as Lewis (1994) notes: ‘... the perceptions of those most intimately involved with the running of the contract within the (voluntary) organisation revealed both that the shift towards greater formalisation and towards a more bureaucratic organisation were real and that the changes resulting from the environment of which contracting is a part are having a strong impact on the structure and culture of the organisation ... Future growth of the organisation is likely to be geared to service provision which has implications for the broader goals of the organisation, particularly regarding campaigning and the provision of information’.

While it is clearly inappropriate to generalise from one individual case, this example does nevertheless illustrate in practical terms some of the issues which were outlined earlier in this chapter. The application of contracting is not a simple exercise. This finding is backed up by a wide ranging review of the contracting out of welfare services in Australia undertaken by the House of Representatives Standing Committee on Family and Community Affairs (Chalmers and Davis, 2001). This review concludes that contracting had secured real gains in the quality and range of services being provided by non-government organisations. But it also identifies significant limitations. These include problems developing appropriate performance indicators and in quantifying outcomes; a lack of consistency in standards and quality assurance mechanisms; accreditation problems; high costs; and limited expertise in contracting.

Notes

1. Much of this section of the report is derived from Boyle (1993)

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