Feeling the squeeze? Tabbies or tigers: the case of social enterprises contracting in the fields of recycling and work integration

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Feeling the squeeze? Tabbies or tigers: the case of social enterprises contracting in the fields of recycling and work integration

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Introduction

Current UK policy is encouraging the identification, emergence, transmutation or invention of third sector organisations that will have a social enterprise orientation with a particular focus on them as vehicles for the delivery of public services (Audit Commission 2005). This can be seen as part of the new governance agenda (Taylor, Wilkinson and Craig 2001, Kendal 2003, Stoker 2004) the form of which is still emergent. One view of governance refers to a 'hollowing out' of state powers (Rhodes, 1997) and a shift from state control to co-ordination using mechanisms such as networks and partnerships to bring together the public, private and third sector as well as community actors and citizens in reforming services. The Local Authority white paper (2006) promised further decentralisation moving functions downwards to special purpose bodies and outwards to agencies and communities. The White Paper emphasises the role of community engagement, partnership arrangements and devolved budgets with voluntary organisations at the local level (NCVO 2006: 2-3). Such processes are aimed at both private and third sector providers.

In this new distributed system of governance partnership and collaboration plays an important role in the implementation of social goods although these processes are never

unproblematic (Huxham & Vangen 2000; Taylor 2001, Wilkinson and Craig 2002). Nevertheless the contracting out processes continue to gather speed: with recycling and waste, care, leisure services, work advice, health services, prison and probation at various stages in the continuum of change. At a governmental level a plethora of developments can be observed which have become part of the infrastructure to support the readiness of social enterprises to participate in such delivery: an institutional home in the Social Enterprise Unit and the Office for the Third Sector; initiatives around capacity building work (Capacity Builders and Future Builders); governance (Governance Hub); advice, start up funds, a new legal structure (Community Interest Company), and adjustments to procurement policies (Treasury 2006; Cabinet Office 2006) and asset transfer (Quirk 2007). Further, policy developments supporting the participation of social enterprises need to be considered against the Gershon Efficiency Review (2004) which calls for savings of million of pounds in the back-room support and delivery of public services. This Review together with hierarchical, top-down performance targets is driving some authorities towards contract bundling and aggregation.

Against this policy background the role and form of social enterprise organisations appears at times to be assumed to be homogeneous and 'good' with all organisations tending towards similar development trajectories with uniform support needs. What is often not distinguished so clearly are the differing types of social enterprise; the different sub-sectors of the economy they are operating in; the variety of markets and funding regimes they are involved in; the different partnership regimes they are embedded within; and their different cultures and connection to local communities. All of these factors have implications for what types of organisations (large/small social enterprise; local/national organisations, and even social enterprise or private organisation) are favoured in the contracting processes and how such processes may affect their wider mission and ethos. Social enterprises are sometimes treated by policy makers, and at times by leaders, practitioners and researchers within the sector, as if they were one thing. Crudely we might say they are treated as if they are all cats when in reality some are tigers and some are tabbies – with every breed in between. Nevertheless, despite the heterogeneity of the social enterprise scene we are seeing evidence of a convergence of form in contracting processes which, we argue, tends to favour the tigers and squeeze the tabbies.

This paper reports on recent empirical research and analysis in 2 sub fields of social enterprise activity: (a) the delivery of waste and recycling services (Slater et al, 2006) and

(b) the delivery of work integration and advice activities for the disadvantaged (Aiken 2006, 2007). Both these areas provide timely examples with respect to policy developments. The role of social enterprise is explicit and prominent in the recently launched *Waste Strategy for England*, with the Government pledging support to help social enterprises secure a larger share of local authority contract work (Defra, 2007, pp.97) and the Third Sector Review (DCLG June 2007).

Waste and Recycling Services:

(a) The Community Waste Sector (CWS)

The collection, treatment and disposal of household waste continues to be the legal responsibility of local authorities although operations have been increasingly contracted out over the last two decades. Kerbside collections and recycling, pioneered by community sector organisations, is now an expanded mainstream and largely commercial operation, driven by European and national legislation and policy.

This history of contracting out means that today most treatment and disposal facilities are operated by the private sector, and collection services are operated by a mixture of public, private and community waste sector organisations. For example, across England and Wales 48% of doorstep recycling services are provided 'in-house' by local authorities, 37% by private companies and 15% by the Community Waste Sector (CWS) (Sharp and Luckin, 2006). The CWS has developed considerably over the last few years. It is now represented by a well established national network (Community Recycling Network) as well as a growing number of regional networks and other specialist networks based around furniture, electrical goods and composting. The CWS is now considered to make a significant contribution to waste reduction, re-use and recycling objectives through service delivery and educational initiatives, and appears to have an important innovation function (Williams et al, 2005).

The CWS is estimated to comprise somewhere in the region of 1,000 organisations (Williams et al, 2005). The sector is diverse both in terms of different types of organisations and differing sources and mixes of income. At one extreme some groups operate on an informal and largely voluntary basis with minimal income, at the other extreme some are registered companies with a professional and business orientation, and many fall between the two. Most are localised although a small number operate at a regional or national scale. A

common characteristic of CWS organisations is multiple activities and multiple objectives. Re-use and recycling may be a primary activity or a complementary activity to achieve wider social and environmental objectives, e.g. greater community cohesion, improving the local environment, training and work integration opportunities. Many established organisations have ambitious plans for growth and diversification (Luckin and Sharp, 2004), and securing a greater market share and more local authority contracts will be key in realising these plans. However, despite Government commitment to develop the role of CWS as service providers (Defra, 2007) we question whether is this likely to be achieved across the whole sector given the emerging trends in partnership working and contract aggregation.

(b) Partnership working: policy or resource synergy?

In analysing the changing organisation structure and contract culture in waste and resource management, Slater (2007a) identified different types of local authority led waste partnerships, including partnerships between local authorities and CWS service providers. Different motivations were found to be important in influencing the nature and outcomes of partnerships and associated trends in contracting. Motivations were distinguished using the concepts of *resource synergy* and *policy synergy* (Hastings, 1996).

Synergy refers to creating a whole that is more than the sum of the individual parts. Progressing beyond simple aggregation, it is about combining knowledge, resources and skills that enable the partnership to develop new and better ways of thinking and doing. *Resource synergy* refers to co-operation and co-ordination in allocating resources, hence implies better ways of working through gains in *efficiency*. In contrast *policy synergy* is concerned with harnessing different perspectives to develop new and innovative solutions, hence implies better ways of working through gains in *effectiveness*. Although these concepts are distinct they are not necessarily exclusive, however their compatibility will be influenced by the extent to which the partnership is equal and equitable. How new partnership structures for waste and recycling pursue these different approaches has implications for the sovereignty of individual authorities and the communities they serve as well as the future trajectories for the development of sustainable waste systems.

Slater et al (2007b) found that centrally imposed performance targets, restructuring of funding and drives for efficiencies are motivating authorities towards a resource synergy approach. This is leading to new structures with greater centralisation, standardisation of services and long-term contract aggregation. Aggregation can be observed across

geographical areas and/or across different waste and recycling services. These long-term contracts favour a small number of large organisations which can marginalise small-scale specialists (including much of the CWS) as direct providers.

Long-term contract integration can be structured so that the boundaries between the public and (most commonly) commercial organisations are blurred; the separate organisations work as one at the coalface. This raises issues about the privileged position of the commercial service provider in informing the future strategic direction of the authority and types of technologies adopted which will be influenced by the culture, experiences and favoured technologies of these commercial providers. In addition, serious concerns have been raised about the capacity of the waste management industry to respond to contract aggregation (OFT, 2006; OGC, 2006).

Although prioritising resource synergy is increasingly commonplace, it is not ubiquitous. There are authorities that prioritise a policy synergy approach favouring smaller specialist service providers over contract integration, and in these instances there is scope for CWS to develop locally responsive services that are embedded within local communities. For example there are innovative schemes emerging targeting different waste streams (e.g. separate collections and on-site processing of food waste) in areas not easily accessed by mainstream collection methods. Slater (2007a) found that demographics, both in terms of diversity of population and housing stock, is an important factor in determining a policy synergy approach.

Work and training projects for disadvantaged groups

(a) The role of the third sector

The most significant part of the UK's active labour market policy has been the New Deal programmes introduced in 1998 which comes closest to some mainland European work integration activities. The programme operates initially through the local labour office, which was developed to take on the New Deal new role and re-titled 'Job Centre Plus'. This is essentially an agent of national government although it is encouraged to make lateral links with private, voluntary and public sector partners in its locality. Third sector agencies were seen as explicit agents or 'partners' in delivering some of the menu of services. They have had a particular role in offering advice services, work placements or work integration

programmes and have been seen as important in helping tackle concentrations of unemployed people who face particular disadvantage.

There were over 2,000 providers cited as having contracts with Job Centre plus from private and third sectors (DWP 2004: 36). We can expect a larger number of organisational players to be involved in advisory or partnership roles while not actually engaging for contractual reasons. Typical national voluntary sector providers would include national charities such as MENCAP, Scope and Shaw Trust who work with people with mental or physical disabilities or learning difficulties (Shaw Trust 2005). In addition smaller locally-based organisations took up the programme such as Necta in Nottingham (see Spear and Aiken 2003). Aiken and Spear (2006) identified the following types of social enterprise engaged in work integration in the UK: (a) Worker co-operatives (including social co-ops), (b) Community businesses, (c) Social firms, (d) Intermediate Labour Market (ILM) organisations, (e) Quasi-state social enterprises, (f) Trading voluntary organisations with employment initiatives.

(b) Contracting processes: policy partnerships or resource synergy?

Aiken (2006, 2007) identified that many smaller social enterprises were finding contracts increasingly bundled together with various services combined and offered on a regional basis to one large provider. This meant they had little chance to bid or, where they undertook sub-contracting, were faced with squeezed margins and were more remote from decision making about local fit. Despite attempts to account for the role of smaller organisations in procurement (HM Treasury 2006), the implications of the Freud Report (2007) appear to favour the tendency to larger providers yet further in the interests of efficiency savings. Indeed an analysis of the field suggests larger private sector organisations as well as a mix of semi-public, semi private quangos have already become significant operators in the field (Aiken 2007) a tendency noticed earlier by Davies (2007). Meanwhile National Consumer Council research into the experience of service users has suggested that while the third sector may not always deliver 'better' across a range of personal services the sector was 'clearly distinctive in delivering employment services.' It was found to be: 'strong on delivering a consistent standard of service, access to staff members, providing information, listening to views about how things can work better, acting on comments, caring about users as individuals and offering extras' (Hopkins 2007).

In the work integration field, as in the community recycling field we see strong signals that resource synergy rather than policy synergy is having a dominant although not total pull. Exceptions, where public sector entrepreneurship in local authorities can enable creative solutions and collaborative working with third sector organisations is not unknown (See Aiken 2006). Nevertheless the dominant push of nationally encouraged contracting processes in the work and training field has been explicitly towards aggregation and a smaller number of prime suppliers. Government policy reviews argued for greater 'flexibility, devolution and discretion' in decision making by local civil servants in this field (DWP 2004). Yet within two years evidence was submitted that, for example, Personal Advisors in New Deal schemes were having to hold 'more and shorter interviews with the time allocated having been reduced from 40 to 30 or 20 minutes' per client, that their room for using discretion was decreasing, and that they might not always have the experience to deal with the most disadvantage clients with multiple needs (Select Committee on Work and Pensions 2006: 242; 251; 249).

The emphasis of New Deal is on routes into work rather than wider social inclusion work –a 'work first' approach. Where strategic work with partners is undertaken this is also focussed on jobs and training to match local employment conditions rather than also tackle wider social inclusion needs present in disadvantaged communities. An Accord between the Department for Work and Pensions, Jobcentre Plus and the Local Government Association committed them to jointly 'working together more strategically to increase employment rates and remove barriers' (DWP 2004: 36). In this sense it seemed that by omission social inclusion and empowerment needs of excluded people were downplayed at a strategic level and such work was subcontracted to other agencies or third-sector providers.

The nature of the relation with third-sector providers was multi-faceted, however it was dominated by them being seen as providers who would deliver services *to the most disadvantaged*. This is explicit: 'voluntary sector providers…whom we rely on to deliver services to the most disadvantaged people' (DWP 2004:37). The policy encourages multi-agency working albeit with a narrow jobs and employment focus. It is likely therefore that different practise has emerged in a variety of settings dependent on local actors: in some cases a purely contractual relation and elsewhere a more partnership approach in terms we can see as Resource or Policy Synergy.

Discussion and conclusions

These two empirical examples of waste and recycling and work integration drawn from separate research studies show similarities in the development and delivery of different public services. Common to both fields is the increased recognition in Government policy of the contribution and potential role of social enterprises. Whilst this recognition is to be welcomed, policy rarely articulates the heterogeneous nature of the social enterprise sector and what is often not clear is the different roles these different types of enterprises are engaged in, and their different cultures and connections to local communities.

We do not argue for the romantic appeal of the small locally differentiated social enterprise organisation per se, nor that they will always perform well. We do suggest that they have the latent potential to achieve this and at times have done so and continue to do so – even when the economic and policy 'weather' is blowing against them. The notion of the power of latency in organisations within particular environments is drawn from writers such as Ackroyd & Fleetwood (2000) and operationalised to some extent in Pawson and Tilley (1997). It is not difficult to speculate on the reasons behind this. At the local operational level they may be able to move beyond the delivery of a standardised and streamlined product and take account of a wide range of local contextual factors and turn these to the advantage of people they are working with. For example, in the work integration field the 'creaming, churning and evaporating' of so-called 'difficult clients' is a well documented feature (Department for Employment and Learning 2004; Aiken 2007b).

At first sight we might expect waste and recycling to be more favourable to 'bulk' solutions dealing with materials and not human beings. A locally nuanced service might seem less critical and the costly operation of Pareto's law (the time consuming nature of a relatively small number of 'awkward' customers against the benefits of dealing with the standardised and lucrative many) might be thought to be less active. However a closer examination suggests that the social may intrude noisily into the policy makers' salon here as well. Where there may be complex and highly differentiated social contexts (diverse demographics; housing stock less suited to more traditional services e.g. tower blocks; highly mobile or highly dispersed communities; mistrust of the local council) similar factors may be seen as in work integration. Here too there may be a greater need for local innovation and flexibility. We could describe this as the 'Post Office' argument: in the UK a universal postal service with standard prices had been the norm until recently. In moving to a more differentiated service with multiple providers the anomalies of a patchy service begin

to appear favouring some and disfavouring others. Larger providers can 'cream' dense and standardised areas and leave more challenging environments underserved.

Policy frameworks which disfavour the universal approach have obvious disadvantages however one possible advantage they hold in recycling and work integration fields would be to offer local providers the chance to undertake the niche work which they may be more suited to. Where the 'work first' model is too blunt a policy instrument – particularly for more disadvantaged groups – social enterprises might proliferate: those which emphasise less standardised, more nuanced ways of working with individuals, taking into account social and community integration rather than just work, and delivering without rigid timescales (See Bode and Aiken forthcoming). They have scope to deal with 'the messy and the awkward' which standard programmes abhor. Similarly in waste and recycling social enterprises may be able to operate a better service to certain groups and collect a greater range of materials than would be feasible for a less flexible provider.

However the promise seems hardly fulfilled. In both the waste and recycling and work integration fields we suggest the policy and resource 'wind' is tending to favour the standardised big scale players. This doesn't imply that bigger providers *cannot* do local differentiation but that the prevailing wind of contractual targets is against them. Linking two of the frameworks we introduced earlier, we argue that policy synergy is undermined by resource synergy (Slater, 2007b) amidst dominant governance frameworks which emphasise the hierarchical and market approaches (Newman 2001). For organisations in pubic, private and third sectors involved in these fields this has certain effects well rehearsed in the management literature: a tendency to homogeneity in form and practices brought about by sharing a similar environment. In theoretical terms they are beginning to display 'coercive isomorphism' under pressure from procurement policies and a 'mimetic isomorphism' amongst the organisations themselves as they jockey and imitate best practises from each other in a bid to survive in the environment (DiMaggio and Powell 1991). Arguably we are beginning to see *not* more flexible locally relevant services but a one size fits all where we can expect to see isomorphic pressures exerting pressures towards convergence of organisational form (whether those organisations arise from public, private or third sector).

We have argued that the social enterprise sector is heterogeneous. Policy makers tend to talk of social enterprises in 'cuddly terms' when they consider them as being close and responsive to communities and in more 'competitive terms' when they consider them bidding for large scale contracts for running public. Yet these may not be the same kind of

organisation – indeed *large scale social enterprises* may exhibit certain properties more similar to other organisations their size (from the public or private sectors) than with more community based social enterprises.   The conflation of very different kinds of social enterprises in this way can make it appear that they are more remarkable than they are.

To illustrate this diversity we have deliberately used two kinds of social enterprises at different ends of the spectrum and contrasted them by using the feline example of tabbies and tigers. The 'tabbies' represent smaller enterprises with more local social objectives, and the 'tigers' represent the scaled-up more powerful business like enterprises which nevertheless maintain social objectives. We have sketched in a preliminary diagrammatic form the forces we suggest are being exerted on social enterprises and other organisations in the work integration and recycling fields and their possible trajectories (Figure 1).
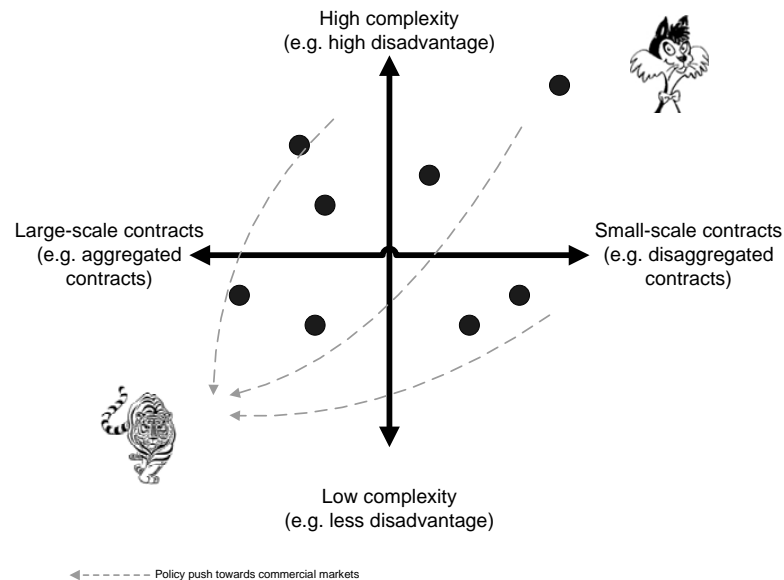

Figure 1 – Social enterprises and other organisations: the policy push towards commercial markets and contracting

Figure 1 represents social enterprises (and other organisations) in both sectors: waste and recycling, and work integration. We can conceive as tabbies living in the top right hand corner (locally based and smaller) with tigers roaming in the diagonally opposite bottom left hand corner (wide geographical spread, large organisations, heavy involvement in large scale contracting and possibly sub-contracting some of their work to smaller social enterprises).

In the 'tiger' quadrant are the larger private or public or social enterprises. They will be undertaking waste and recycling services or work and training projects across several cities or regions competing for authority contracts head to head with commercial organisations. These tiger enterprises are best placed to undertake high volume work potentially endangering smaller enterprises who are left to work in the more difficult environment with only the 'hard' cases but on lower contractual fees.

The horizontal axis represents a spectrum between large-scale aggregated multiple contract work over a regional level or greater (tigers) to small-scale single or few contracts on a city wide or neighbourhood level (tabbies). The vertical axis represents degree of complexity so working with non-disadvantaged people or in 'easy' areas would be downwards and working in more complex environments and especially with more disadvantaged areas would be upwards.

The black dots represent current 'locations' the large white dot and grey dotted lines show the possible future trajectory. The prevailing 'push', we argue, is towards more commercial market income as a growth or survival strategy in the current procurement environment. The prevailing wind is from the tabby to the tiger quadrant: from top to bottom and from right to left. The implication is that the 'tiger' quadrant will be a fertile landscape populated too by private and quasi-public bodies undertaking either recycling or work and training.

This is an exploratory framework at this stage and there are counter arguments to what may seem a pessimistic view. The tigers may actually 'perform' better because of larger resources and more organisational latitude – not just where there are easier pickings but also in the harder areas. Tabbies may be 'underperforming' and may need culling. However we may also ask whether they are seeking to do different things: tabbies may be aiming at wider social changes in neighbourhoods and not just recycling targets or numbers into work. In addition we have summarised some possible strategies 'tabbies' might be adopting as defensive measures in a hostile procurement environment: Staying on; Sub-contracting; Sheltering; Clustering; Federating; Sharing, Integrating and diversifying (Table 1 in the appendix).

Conclusion

Similar tendencies in the sub-fields of waste and recycling and work integration have been observed. Centrally imposed performance and efficiency targets are promoting more

centralised and standardised services, and authorities are increasingly favouring contract aggregation. In both fields this has led to a squeezing out of 'tabby' enterprises. To sum up, in the sub-fields of waste and recycling and work integration we find a heterogeneity of social enterprises (and private sector organisations) involved but similar policy pressures and some convergence in the trajectories of change affecting them. This is leading to similar patterns of governance (Newman 2001) becoming dominant and the emergence of isomorphic tendencies amongst the institutional form of the organisations (di Maggio and Powell 1983) which appear to favour one type of social enterprise solution over others. Resource dependency appears to be shaping both fields and may be leading to a narrowing of the diversity of organisations who can 'play the contracting game' in the two sub-fields researched. Ironically the promise of 'greater independence', which has at times been hailed as possible by social enterprises by 'earning your own money', may, in certain public sector contracting markets, become the freedom of the Model T Ford: any colour as long as it's black. Translated into our feline metaphor: any social enterprise as long as it's a tiger. Meanwhile the tabbies may face extinction, or a feral life on the margins, while a few tigers come to dominate the urban jungle.

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Appendix 1:

Table 1: Local Social Enterprise: summary of possible strategies for survival in a cold climate (Aiken and Slater, SERC 2007)

Staying on – carry on as before, constraining the number of enterprises, leaving them marginal with a focus on entrepreneurial survival strategies. In both sub-fields these small nimble organisations have often been the most innovative; fewer of these enterprises may reduce scope for innovation.

Sub-contracting – subcontracting to commercial or 'tiger' social enterprises.   Slater's study of the waste sector suggests that this may be an unsatisfactory role for CWS organisations for a number of reasons: the subcontractor is kept at arms length from the client preventing dialogue and feedback and limiting service improvement and local fit; the subcontractor is subjected to conditions that may favour the main contractor; and conflicts in ideologies. Again we find similar dangers for some of the smaller work integration organisations.

Sheltering – There may be strategies of social enterprises 'sheltering' within or as part of an arms length company within a bigger and more stable organisation. For example in Liverpool there is the development of a Resident Service Organisations modelled on the French Regie de Quartier idea (whereby local people benefit from employment around ground maintenance or small repairs) which is sheltered within Plus Housing Association (See Aiken 2007b for a summary).

Clustering – cluster of similar organisations in an area to add bulk and breadth, e.g. 'community campus'.   This requires facilitation and partnership working, raising issues of achieving trust, interdependence and reciprocity, robust arrangements, monitoring, review and social learning (see bassac and Community Alliance as well as small business, innovation, co-operative development and partnership literature).

Federating – a more formalised version of clustering, which raises similar issues but offers greater scope for economies of scale – transforming a litter of tabbies into a large cat.

Sharing - Scaling up through mergers partnerships and strategic alliances between a range of smaller providers to gain critical mass. (Organisations such as bassac, Community Matters, Development Trusts Association, and the Community Alliance (2007) have developed such approaches; IVAR has done extensive research work in this field: www.ivar.org.uk).

Integrating and diversifying – integrate with wider social inclusion organisations, (such as community anchors) or diversification into other fields.