The mainstreaming of the third sector into public policy in England in the late 1990s: Whys and wherefores

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Abstract

The voluntary or third sector in England is now receiving more sustained attention from policy makers than ever before. This paper claims that this situation, particularly as given tangible expression through the development of a *Compact* between the Government and representatives of the third sector, amounts to the mainstreaming of the third sector onto the public policy agenda. It seeks to explain why this has happened in the late 1990s, framed by the "multiple streams" approach of US political scientist John W. Kingdon. The paper draws upon a review of relevant policy and political literature, and interviews with stakeholders in the Government and the third sector, to examine the respective contributions of individual and collective actors in the policy, problem and politics streams.

Acknowledgements

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1 Introduction

Tony Blair's New Labour government assumed public office in May 1997 after a landslide election victory. Within two years, three high profile policy events with regard to the third (or voluntary) sector had occurred. First, the launch of a *Compact* between the new government and groups claiming to represent the interests of the sector in England[1], in late 1998 (see Box 1); second, the initiation in the new Chancellor's first budget in 1997 of a Treasury-led *Charity Tax Review*; and third, a commitment by Tony Blair in a speech in January 1999 to significantly upgrade and invest in the human and financial resources of the unit with government specifically charged with dealing with third sector issues, the newly labelled Active Community Unit (formerly, the Voluntary and Community Unit, and Voluntary Services Unit), now re-located at the Home Office[2].

The tax review can be seen as the latest in a long line of enquiries into the fiscal and/or legal situation for charities[3], albeit initiated as a response to concerns very particular to the late 1990s: the perceived fall in private giving[4], and in order to placate shareholding charities adversely caught in the crossfire of for-profit oriented tax reforms.[5]

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[1] Compacts have also been developed in Scotland, Wales and Northern Ireland, which differ in terms of style and choreography, but also to an extent in content, from the English Compact. This paper focuses only on the English case. See Vincent (1998) for a comparison of the content of the English and Scottish Commission reports which preceded the national Compacts.

[2] £25 million of new money has been made available in yearly tranches in the light of the Comprehensive Spending Review.

[3] Including the report of Lord Nathan in 1952, the work undertaken as part of the Radcliffe Commission review of taxation in 1955, the report of Lord Goodman in 1976 and various reviews and enquiries undertaken by House of Commons committees over the past 25 years: see Kendall and Knapp, 1996, chapter 3.

[4] The apparent fall in private giving is discussed in more detail in section 2.2 and section 3 below.

[5] The measure in question was the decision to modify traditional exemptions from Advance Corporation Tax payable on earnings from shares held in private (for-profit) companies. These were designed to encourage private firms to invest operating profits rather than distribute them to institutional shareholders, important categories of which had not had to pay tax on their dividends. Aimed principally at the massively wealthy private pension funds, one of the largest groupings of institutional shareholders (Buckle and Thompson, 1996, chapter 6), the Chancellor decided in advance of the budget that charities' holdings of shares should be treated in the same way. Efforts by intermediary bodies and tax pressure groups to secure a grant of equivalent value to make up for the lost revenue failed, and the agreement to have a review was at least in part a sop to these lobbyists (Randall, 1998).

Box 1: The Labour government's *Compact* with the third sector (1998)

Principles:
- Independent and diverse voluntary and community sector is fundamental to the well-being of society
- In the development and delivery of public policy and services, the government and the sector have distinct but complementary roles
- There is added value in working in partnership towards common aims and objectives
- The government and sector have different forms of accountability but common values of commitment to integrity, objectivity, openness, honesty and leadership

Government's undertakings
- To recognise and support the voluntary sector's independence
- On funding *inter alia* common, transparent arrangements for agreeing and evaluating objectives … the use of long-term … funding to assist … stability
- To consult the sector on issues which are likely to affect it
- To promote mutually affective working relations
- To review the operation of the *Compact* annually

Voluntary sectors undertakings
- To maintain high standards of governance and accountability
- To respect the law
- To ensure users and other stakeholders are consulted in presenting a case to government and developing management of activities
- To promote mutually affective working relations
- To review the operation of the *Compact* annually

Source: Adapted from Home Office (1998)

However, the *Compact* idea is completely without precedent, representing an unparalleled step in the positioning of the third sector in public policy. The move to improve the resources of central government focused on the sector *per se* is also a significant development, especially since the New Labour government has made much of its goal of keeping public expenditure tightly constrained. In effect, for the first time, a purposive stance towards a third sector *per se* has become mainstreamed into central government's public policy agenda, representing a major break from the past. Policy towards the sector prior to these developments – other than in legal and fiscal matters relating to charities which form a different category than most understandings of the voluntary sector (Kendall and Knapp, 1995; Kendall and Knapp, 1997) – had been piecemeal and ad hoc. Essentially, it was constituted by the sum of different component parts at the level of the various fields of public policy – such as health, environment, housing, education and so on – with no *serious* commitment to unify it and give it meaning as a coherent whole (Kendall and Knapp, 1996).

The ink is still drying on the *Compact*, which offers just the very loosest of general principles (see *New Statesman*, 1998; and NCVO, 1998a, for some early reactions). Indeed, the codes of practice necessary to put the *Compact* into practice are still being negotiated. And the new resourcing arrangements within central government are only now beginning to be set into place. It is therefore not possible to begin to analyse their substantive content, let alone to evaluate their actual operation. However, we can already ask: Why now? How is it that the third sector *per se* in the late 1990s becomes a "hot" enough issue to claim the scarce resources of policy shaper interest and time? And why is the third sector policy agenda packaged as it is? Who is driving it?

Addressing these issues is clearly of concern to third sector organisations themselves, as they begin to experience a new relationship with government and a different policy environment. But they are also of relevance to general commentators on public policy. Policy maker's investment of time and money in this area has an opportunity cost in terms of resources foregone for other potentially beneficial activities. And the scale of both its publicly and independently supported components mean that this sector is an important part of the nation's economic and social life. Depending upon definition deployed, it now employs between two and six per cent of the UK paid labour force, and accounts for between three and nine per cent of Gross Domestic Product, if a value is imputed to account for the contribution of volunteers (Kendall and Almond, 1999).

This paper will suggest that responding to the "whys and wherefores" of third sector policy demands attending to a range of factors at play in the worlds of politics and policy which, while evolving to a certain extent independently from one another and over very different timescales, have now come together to generate change. In the remainder of this section, I will suggest that we can tentatively begin to explore these questions using the analytic framework developed by the US political scientist John W. Kingdon. Kingdon's influential 1984 book, *Agendas, Alternatives and Public Policies*, revised and reissued in 1995, seeks to offer a systematic account of the concepts we need to answer the questions "How do subjects come to officials' attention? How are the alternatives from which they choose generated? How is the governmental agenda set? Why does an idea's time come when it comes?" (1995, p. xi). The fields examined in considerable detail over a number of years by Kingdon were transport and health policy in the US, but the generic approach does seem to provide at least a starting vocabulary for examining the emergence of UK third sector policy, as long as some important limitations and caveats, to be discussed below, are recognised.[6]

Kingdon's framework starts by recognising the potential role of a range of *participants* in agenda setting. In UK terms, these would include the major political parties holding central government office and, in Opposition, civil servants, direct stakeholders – including those who see themselves as part of the third sector or undertake research upon it – and the general public and the media. These can all affect the positioning of third sector policy in particular on the wider public policy agenda, and influence way in which third sector policy, as an agenda item, is framed and packaged.

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[6] In another paper (Kendall and Anheier, 1999), this approach was used to develop an explanation of why the institutions of the European Union have begun to find agenda space for the third sector. In that paper "policy" is defined very broadly to include actions towards the sector which may not be *per se*, but may be oriented towards a coincident institutional terrain without using the language of sectorisation. In this paper, by contrast, the focus *is* on the development of an agenda self consciously oriented towards a sector as such, in which the stakeholders concerned are reflexively using the language of "sectors".

Second, in Kingdon's approach, the policy process is portrayed as involving three "largely independent streams": problems, policies and politics, and while the categories of participants referred to above can be involved in more than one stream, the streams themselves do involve different distinctive imperatives and dynamics. First, the *problems stream* helps us grasp how and why states of affairs come to be considered problematic, and involves focussing events including crises and disasters, feedback from current programme operations, and indicator availability. Second, the *policy stream* is analogous to biological natural selection: ideas float around communities of specialists, and those proposals that meet criteria for survival – including value compatibility and technical feasibility – are the ones that persist. Finally, the *politics stream*, defined to have party politics and electoral imperatives at its core, is assumed to be affected, of course, by turnover of elected officials, since that determines the composition of the government, but also by swings in the "national mood", and pressure from politically oriented interest groups.

According to Kingdon, the all important *coupling* of these streams associated with the arrival of a policy option is most likely when:

> *Policy windows* – opportunities for pushing pet proposals or conceptions of problems – are open … windows are opened either by the appearance of compelling problems or by happenings in the political stream [while] alternatives are generated by the policy stream. *Policy entrepreneurs*, people who are willing to invest their resources in pushing their pet proposals … are responsible not only for prompting important people to pay attention, but also for coupling solutions to problems and for coupling both solutions and problems and solutions to politics (p. 20, emphases added).

This approach is useful because it is one of the few frameworks for analysing policy which takes seriously the agenda setting phase of the policy process – the aspect which, necessarily, we are dealing with in this case. Moreover, it can help us to identify relevant categories of stakeholders and to suggest useful organising concepts. It allows us to attend to both the effects of changing broad political forces, the role of policy specialists, and recognises the potentially catalytic role of committed individual entrepreneurs in packaging and ultimately acting as the agents of policy innovation.[7]

Of course, there are enormous differences between the institutional organisation of the polity in the US and the UK, and differences in "policy style", too (Richardson, 1982). Zahariadis (1999) notes the obvious contrast in terms of degree of centralisation, and fluidity of politician participation in decision making. Yet despite these differences, based on his study of privatisations in Britain and

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[7]The evidence on which this paper is based originates in two sources. First, a review of relevant literature. Second, 1-1.5 hour long interviews with those involved in the development of the field in general, and the *Compact* in particular, during late 1998 and early 1999, from the third sector itself and its direct stakeholders, including government.

France (Zahariadis, 1995), he argues for the relevance of the broad framework outside the US, albeit with limited revisions (1999, pp. 78-81). [8]

At the same time, there are certain distinctive features of the UK third sector field in the current political and intellectual climate which contrast sharply with the US transport and health scenes. First, the relative underdevelopment of the epistemic (knowledge-based) community. Transport and health as policy fields have long established specialist communities inhabited by numerous academics, policy analysts and state officials who have built up considerable research capacities and capabilities, are consequently equipped with tried and tested "scientific" approaches to the problems at hand, and have been in existence for long enough to have produced a wide range of well discussed and thoroughly thought-out proposals. These are there for the entrepreneur to seek to package to maximum advantage when the "window" opens.

In contrast, with the important exception of legal and taxation issues, where concepts and principles are relatively clear cut – and indeed powerful interests in favour of those encapsulated in the *status quo* are firmly entrenched – analysis of the third sector is embryonic. It has suffered until very recently from a relative paucity of attention even from direct stakeholders, let alone those who might be interested from the broader worlds of policy and politics. It has subsequently lacked the stockpile of proposals and ideas to be found in those more mature fields, and while this has given the entrepreneurs taking the lead in the field fewer policy options to consider, it also left a remarkably open field for policy innovation. As we shall see, the original idea of packaging the third sector-State relationship as a *Compact* effectively came from nowhere to occupy a significant position within the new government's policy in just over two years, and so lacked the long period of gestation which is the norm for policy ideas in other fields.

A second distinction, that does seem to have implications, is the extent to which the policy and politics streams are exceptionally symbiotic in the third sector case. As we shall see below, the actors involved have been much more mutually aware and very consciously interdependent than is suggested by the thrust of Kingdon's model, to the extent that the assumption of stream "independence" which the latter emphasises seems to break down. In spite of these difficulties, we press ahead with Kingdon's categorisation because these concepts can still be useful in providing an organising vocabulary, even if in the process of applying it we expose what appears to be an inappropriate underlying assumption.

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[8] The main revision Zahariadis suggests is the conflation, for the UK and French cases, of the separate elements of the political stream into one: "ideology of governing parties". However, in what follows, we find it useful to retain Kingdon's original distinctions within the political stream.

2 The third sector problem and policy streams

2.1 Origins of the language of "sectors"

A necessary condition for it to be possible to talk of a *purposive* policy existing towards the third sector *per se* – the focus of this paper – is for it to be a recognised category. That is, a critical mass of relevant stakeholders must believe that such a sector exists, or at least that it is useful shorthand for a meaningful institutional terrain before "problems" can be attached to it. Such a notion first came into usage amongst a small group of researchers and in the UK in the late 1970s with the publication of the Wolfenden Committee's report, *The Future of Voluntary Organisations*: prior to this, for several hundred years, the notions of "volunteering", "voluntary action", "philanthropy", "mutuality" and "charity" were used as organising concepts, and the latter was given meaning for legal and fiscal purposes. But a discrete "sector" *per se* (6 and Leat, 1997) was not identified explicitly as an actual or potential object of wider public policy. In this report, the voluntary sector's role was sketched out in terms of a capacity supplement and complement to what were then assumed to be the primary vehicles of social welfare – the state, and informal and family care. It was seen as a cost-effective provider, innovator and advocate operating as a "partner" to the state, language which was to continue to be used in the coming years by those involved .

Yet while some social policy analysts at the time argued that, as the 1980s progressed, the sector was being turned to as a "solution" to the perceived welfare state "crisis" (for example, Johnson, 1987), this account is in danger of overdramatising its role and giving it false significance. Certainly in terms of the language and understandings of influential politicians and senior central government civil servants the voluntary or third sector *per se* failed to penetrate the public policy mainstream: instead, sectoral discourse in thinking about how to attend to social problems was overwhelmingly framed in terms of "public" versus "private".

While the state was happy to support voluntary organisations as and when it was politically expedient if it happened to be useful in discrete policy fields, no real effort was therefore made to systematically engage voluntary organisations as a sector *per se*. Individual voluntary organisations tended to respond to public policy initiatives when they perceived it to be in their interests to do so in balkanised fields of interest, such as job creation and training, or housing (Kendall and Knapp, 1996, chapter 6). There was little or no awareness amongst voluntary organisations of being part of a coherent "sector" (other than by necessity in the case of charities for fiscal or legal purposes). The problem stream that "intermediaries" and interest groups for the third sector (such as the National Council for Voluntary Organisations (NCVO) and Charities Aid Foundation (CAF) at the national level) and its sympathisers were developing – around, inevitably, difficulties with legal definitions

and frameworks, but also complaints of "underfunding" by local government, and claims that more should be done to consult the sector and involve it in policy design – fell largely on deaf ears.

In essence, then, the drama of public policy was understood by the powerful protagonists as a contest between the (capitalist) market and the state. This was reflected in the status of the relevant unit within government. The *Voluntary Services Unit* (VSU) created to handle third sector issues in the 1970s was small, low profile, skeletally staffed and headed up by only a relatively junior civil servant (Brenton, 1985; Kendall and Knapp, 1996).

2.2 Crises, feedback effects and indicators

Kingdon argues that three main mechanisms can bring conditions to the serious attention of policy makers:

- Focussing events, including crises and disasters, and personal experiences;
- Feedback from the operation of existing programmes; and
- Indicator availability.

The low visibility of the third sector, and limited interest in it from beyond the small community of intermediaries and the VSU, can in part be understood as reflecting the fact that these "prompts" for policy makers' attentions were largely absent up until relatively recently. We will consider each in turn. *Crises and disasters* have featured less prominently in the UK than in some other locales in terms of a perception that the sector itself is "in crisis" (see *VOLUNTAS*, 10:1). For example, three ways in which "crises" have been linked with the sector on the international third sector scene are: instances of opportunistic exploitation of loose regulatory regimes for personal gain; inappropriately high rewards for chief executives; and abuse of vulnerable users of human service facilities run by third sector organisations

In the UK, such occurrences have raised sporadic concerns, but cannot really be said to have assumed the chronicity or sustained attention needed to render them "crises". The Charity Commission, the statutory agency charged with regulating registered charities in England and Wales, appears to have been successful in making the case that scandals involving individual charities using charitable funds for personal gain, which have occasionally penetrated the mainstream media, have been more or less isolated incidents and not part of a more systemic problem. Hence, it has been argued that the issue can be handled by intensification of the existing regulatory regime (achieved through legislation in 1992 and 1993, which generated little interest beyond the affected charities themselves).

Second, a campaign by a national newspaper (the *Daily Telegraph*) to raise indignation at the salaries of some chief executives seem to have flopped, and most of the media's attention has in any case focussed on the remuneration of the managers of privatised utilities, with the more systematic data

now available on high pay in the third sector largely ignored (Hind, 1998); and incidents of abuse in third sector care homes have been seen as either field-level or type of home concerns, rather than sector-specific issues. For example, the accounts of the abuse of children in Catholic care homes which have come to light recently have been treated by commentators as problems for the Catholic church, rather than the wider third sector of which it is part.[9]

Moving onto Kingdon's second category, *feedback effects* clearly did not make an impression at the sector level. There are perhaps three main reasons for this. First, a good deal of the public funding targeted specifically at fostering the voluntary sector during the 1980s and early 1990s was administered through very general, loose and trust-dependent grants regimes with vague and unclear, aspirational goals couched in terms of such hard-to-measure concepts as "community development" and "capacity building". This would certainly seem to apply to the VSU's funding for infrastructure, and with evaluations structured in this way it could be difficult to recognise success or failure.

Second, even if monitoring did generate mutually recognised problems from the perspectives of those involved, under the institutional arrangements set in place post-Wolfenden, they would not have grasped senior officials' attention. This was simply because the VSUs' sector-specific programmes were of low profile and status, and the small size of its budget meant it was of little interest to those seeking to control costs. Third, those programmes which did involve substantial commitments of public funding and involving tighter contractual arrangements with some readily digestible measures of achievement (however crude) – such as the training schemes designed to respond to unemployment in the 1980s, or the growth of contracts with social care providers in the 1990s – tended to be seen as "owned" by bureaucrats in the relevant field (the Employment Department and local government social services departments respectively), and not matters for "horizontal" sector specialists within or outside government.

Of Kingdon's categories, those which *do* seem to have had some role in "problematising" the general state of the third sector, and effectively reached a critical mass for the first time in the mid-1990s, has been the existence of systematic, third sector-relevant *indicators*. Up until this time, evidence of this nature was restricted essentially to various surveys of volunteering (Lynn, 1997), giving, especially by individuals (Halfpenny and Lowe, 1994), and reports of the financial situation of only a small

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[9] Kingdon also considers that "personal experiences of policy makers" can act as "focusing events". An example he gives is in the field of transport policy, where air travel gets more attention than bus transport in part because policy makers experience the latter far more systematically and regularly. At the same time, however, he argues that in that field, and in health, other focussing events have been more important. In this account, we will attend to personal experiences in the discussion of policy entrepreneurship (section 4 below).

number of the largest fundraising charities.[10] Reliable *quantitative data* on the overall national scale of the sector's financial size and employment contribution was simply not available. However, from the mid-1990s onwards, a much wider and more robust range of evidence on precisely these matters was coming to the fore (Saxon-Harrold and Kendall, 1995; Hems and Passey, 1996; Kendall and Knapp, 1996; and Hemmington Scott, 1994). Extensive local mappings were also attempted just before this (Knight, 1993; see below). This body of evidence and its offshoots was to feature prominently in the mid-1990s policy reviews discussed below, and has subsequently been consolidated (Kendall and Almond, 1999; Hems and Passey, 1998; Pharoah and Smerdon, 1998; and Baring Asset Management, 1998.)

Kingdon suggests it is *time trends data* which is often most important in sparking interest among policymakers. The reporting of an indicator going "the wrong way" – declining private giving by individuals – is particularly relevant here. As early as 1993, the Conservative government cited Charities Aid Foundation data suggesting that average giving was declining, and indicated it was "concerned that the fall in typical giving should be arrested and reversed" (Home Office, 1993, p. 32). The government went on to cite the various ad hoc simplifications of, and modifications to, the tax regime as representing its contribution to this addressing this trend: over and beyond this, the "lead responsibility" was with third sector organisations themselves. More recently, data released in 1997 showing a generational decline in charitable giving from a respected independent agency, the Institute for Fiscal Studies, using a well regarded national data set, the Family Expenditure Survey, greatly amplified these concerns (Banks and Tanner, 1997 and 1999). Indeed, as we noted in the introduction, the Charity Tax Review initiated under Labour has explicitly had at the top of its agenda this problem of decline (HM Treasury, 1999, pp. 1-2). [11]

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[10] Attempts had been made to estimate the financial contribution of registered charities to the economy as a whole for National Accounts purposes (Moyle and Reid, 1975) and using random samples (see Posnett, 1993 and previous reports)., but these suffered from validity and broader legitimacy difficulties because of small numbers and definitional problems (Kendall, 1997).

[11] The NCVO has also commissioned research on trends in individual giving, building upon CAF's earlier research (Halfpenny and Lowe, 1994). In large part, this has been an attempt to try to ascertain whether the National Lottery, introduced in 1994, has had an adverse effect on giving. This evidence seems to be broadly consistent with the IFS analysis in suggesting a long term decline (since prior to the National Lottery's introduction) up until 1996, the last year considered by the latter study, but found a bottoming out in the decline both in terms of participation and amount given between 1997 and 1998 (see Hems and Passey, 1998, pp. 65-67; and NCVO, 1999). In early 1998, evidence that individual volunteering has also declined during the course of the 1990s emerged from the latest survey of volunteers from the Institute for Volunteering Research (Davis Smith, 1998a). Conversely, pooling a wide range of evidence on trends in membership, Hall (1997) argues that by this measure, participation has increased in recent years.

As Kingdon, however, emphasises, facts do not speak for themselves: it is the *interpretation* of facts that matters. To understand how and why these trends have come to be seen as matters of high salience, we need to consider developments in the policy and politics streams.

2.3 The policy reviews of the mid-1990s

The complete absence of dramatic crises, feedback effects and a critical mass of indicators played an important part in ensuring that the self-defined third sector policy stream was operating with low visibility for 15 years after Wolfenden. No major policy documents were developed during the 1980s, and the three major voluntary sector reviews to emerge in the 1990s were the CENTRIS, Demos and Deakin Commission reports.[12] Table 1 (p. 29) sets out their main elements.

The contribution of Demos, the left leaning think tank with close connections to New Labour, is discussed in section 3 below. Neither the CENTRIS report nor the Deakin Commission, at the time of their release, can be said to have made a direct and immediate influence on mainstream policy, but for very different reasons. As one of our civil servant interviewees put it:

> It's clear that the CENTRIS report wound people up, to such an extent that the good stuff in it wasn't able to show through or have its effect. Tactically unsound even if it had good stuff in it. Deakin was a tad pusillanimous … they didn't grapple with the issues, merely recommended that others should. Deakin's recommendations – OK but a bit inward looking… very much the professionalised voluntary sector talking to itself. … so it was OK, had its points but a bit of a wasted opportunity. As it was completely independent, it could have gone further if it had wanted … so it probably had the opposite problem to CENTRIS: too concerned to offend no one!

We can understand each report's reception and eventual impact with reference to the criteria which Kingdon identifies as pertinent to ascertaining why some policy ideas do better than others: *value acceptability; technical feasibility*; and *anticipation of future constraints* (where the latter is interpreted more broadly than in Kingdon's account).

First, the 1993 CENTRIS report dramatically violated the criterion of value acceptability in a number of ways, but most importantly through its suggestion that the sector be split into a "first force" arm of service providers competing for public contracts for whom tax benefits would be withdrawn; and a "third force" of advocacy groups, continuing to lobby on behalf of socially excluded people and campaign for change. Putting on the agenda the withdrawal of tax advantages for some organisations

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[12] From within government, the generic New Public Management tool, the "Efficiency Scrutiny" was used to evaluate central government funding schemes for the sector between 1989 and 1990 (Home Office, 1990). This is not discussed here because of its narrow focus on finance, and because it seems to have failed to make a serious impression on thinking about the sector in the longer term . None of our interviewees in 1998/99 mentioned this Report. However, for a comparison of the character of the Efficiency Scrutiny and the Deakin Commission report, see Lewis (1999).

while retaining them for others was effectively regarded from within the sector and outside it as breaching an article of faith: that an appropriate quid quo pro from the state for the sector's "altruistic" contributions must be an entitlement or right to tax relief.

The proposals also fell down on the criteria of technical feasibility, primarily on the grounds that many third sector organisations were what Adalbert Evers has referred to as "polyvalent", performing both roles simultaneously (Evers, 1996), and that it would consequently be impossible to segregate the sector along these lines. With these two criteria so clearly breached, it mattered not how the proposals rated in terms of anticipation of future conditions. Even if there were aspects of the report which were seen as useful[13], it was important that the report as a package was immediately seen to be rejected. As insiders in the civil service put it:

> At some point, the research department agreed that it would be printed by us [the Home Office] as a technical contribution … but people interpreted it as a government position …immediately the government realised it was an absolute "hot potato" we made it very clear it wasn't our report… after it was published we kept out hands completely clean of it. Well, I think Ministers – they didn't rubbish it – but they quite forcibly didn't want to be part of it.

For its part, the Deakin report's impact was very different: as a "consensus document", built up by a team receiving the views and evidence from organisations from the third sector, including the intermediary or "representative bodies", it was largely perceived as reflecting their priorities and concerns. The report bore an academic imprint with its references to the discourse on "civil society", its acknowledgement of Beveridge, and its allusions to the new work of such scholars as Ralph Dahrendorf and Robert Putnam. But its endorsement of "partnership" was also in the spirit of Wolfenden, a reason for which some condemned it as too uncritical and backward-looking (see 6 and Leat, 1997; and Lewis, 1999). It certainly exhibited continuity with what had been argued by intermediary bodies such as NCVO and CAF in the intervening years. In particular, the "task forces" charged with taking forward the recommendations were essentially offshoots of the traditional groupings already coalescing around the issues in question, in the case of the "resources group", injected with a new lease of life by the Demos report released the previous year. There was certainly no aspect of the Commission report which conflicted with or confronting the agendas of these existing "issue coalitions".

However, in one very important way, the Commission did go beyond Wolfenden and the problem stream nurtured by the intermediary bodies: by recommending that partnership could actually be operationalised through a *Concordat* between the third sector and the state. In fact, the idea of such

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[13] In particular, the mappings of voluntary action in 14 locales, from which subsequent mappings by the Home Office in-house research team subsequently learned, can be seen as contributing to the critical mass of indicators referred to in the previous section.

an agreement did not actually emerge from within the UK third sector, or by looking at arrangements for the third sector overseas. Instead, it came from a concurrent research project upon which the Commission's chair had been working on, dealing with the relationship between the Treasury and the central government spending government departments which it funds: in this case, separate *Concordats* were being developed to lay down principles of operational agreement between these departments of State and the Treasury.

The idea was, however, rejected by the incumbent Conservative government. In the official language of the government's response:

> The government does not believe that, given the diverse nature of voluntary organisations and activity, a formal concordat is a sensible or usefully achievable objective (Department of National Heritage, 1996, p. 2).

More vividly, one of our third sector interviewees focused on the personal style of the Conservative Minister with responsibility for the voluntary sector at the time, Virginia Bottomley:

> She referred to the relationship between the government and the voluntary sector as the "terms of engagement"... a battleground. Which was exactly how she saw it: 'these are people who want something and we are not giving in'... she thought this is just another management job.

Similarly, one of the Commission insiders also used adversarial language in describing this relationship; referring to an "encounter" in the run up to the Commission report's release in which Bottomley.

On the surface, the official response seems to amount to the rejection of two of Kingdon's criteria for the survival of policy ideas: first, not an *achievable* objective suggests the belief that such an arrangement is technically infeasible; and second, that it is neither "sensible nor useful" is suggestive of a failure to achieve value acceptability from the perspective of the government (even if it had achieved this goal as far as the sector's representatives were concerned). The government also rejected the proposal that the VSU be strengthened in any tangible way: instead, it referred only vaguely and non-committally to "raising awareness" (p. 2).

Because it largely reflected existing thinking within the third sector's representative bodies, with the exception of the new "Concordat" idea which at the time was rejected, and because as a package it received only lukewarm endorsement from the government, commentators who wanted more than a third sector "consensus document" expressed some disappointment. However, it also critical to interpret the Deakin Commission in *dynamic* political context: the style and content of the report to a

large extent was framed not only with the relationship with the incumbent Conservative government in mind, but in the knowledge that a general election was looming in the following year, with the likelihood of a Labour victory. When this factor is taken into account, the content and balance of the document can be re-read as deliberately a "holding document", not actually expecting to achieve very much under the incumbent Conservative administration: an insider explained how the latter were seen as *likely* to be "an interim government", although the document was also framed so as to be " resurrectable" in the event of a Conservative election victory. He also explained how the Commission members were pleased that the report resulted in an official response from government in the form of *Raising the Voltage*. Moreover, they were "not too upset" about the Conservative response because "it gave us enough to get on side with the civil servants, which was very important" – although the response of civil servants quoted above suggests that it could have been more radical and imaginative without causing problems in this regard.

In sum, viewed against Kingdon's criteria of value acceptability and technical feasibility but interpreted in a *dynamic* and *expansive* sense – amounting to at the very least, a major modification of what Kingdon refers to as a distinct, third criteria of the "anticipation of future [conditions]" [14] – the Commission's blend of timidity and innovation becomes more understandable, and can be regarded as ultimately successful, at least on its own terms.[15] As a Deakin Commission insider remarked, it was not possible to "cultivate" either the Conservatives when in office or the Labour Party too "blatantly" without "turning the other off". And while we have seen that the former were largely passive and reactive to independent or third sector initiatives, the latter were increasingly keen to nurture an active and sustained interest. It is to this development that we now turn in the following section.

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[14] It seems crucial to interpret this third criteria is a much more extensive way than suggested by Kingdon to accommodate the thinking of the actors involved. First, we interpret it to include expectations of changes in the identity of power-holders in the political stream, not just the future expectations of existing power-holders; and second, we regard future conditions as potentially providing not only constraints, but also opportunities – Kingdon's original phrase refers to "anticipation of future *constraints*" only. In so doing, we seem to violate to a significant degree the assumption of stream "independence" which Kingdon stresses in his theoretical formulation.

[15] Of course, for commentators rejecting the underlying premise of and rationale for the independent Commission and the *Concordat* it proposed, its content and impact was not a success (6 and Leat, 1997; see also discussion of organised oppositional forces in section 3.2 below).

3 The third sector and the political stream

3.1 Party political developments

Virginia Bottomley's idiosyncratic approach may have been somewhat exaggerated, but it was also fully in keeping with the adversarial and abrasive style which characterised the Conservative government's general approach to a wide range of public policy fields (Marsh and Rhodes, 1992). Surveying the main programmes through which the Conservative government funded the third sector in the 1980s and early 1990s (as we noted in section 1, support which developed in an essentially piecemeal and uncoordinated way), it was concluded in an earlier study that "abrasive" was also a label that could be applied to its position towards the third sector (Kendall and Knapp, 1996, p. 159).

It is true that in a piecemeal, ad hoc and limited fashion, the tax treatment of charities was simplified and extended, while arrangements for the legal regulation of charities were slightly strengthened and modified. It is also true that, sporadically, rhetoric supportive of the voluntary sector and volunteering in particular, was forthcoming. Most famously, Margaret Thatcher, in 1981, spoke warmly of the contribution of volunteers in a much reported speech to the Women's Royal Voluntary Service (cf Brenton, 1985), and the theme of sectoral "partnership" suggested by Wolfenden was one which the government claimed to endorse (for example, see Home Office, 1993, pp. 35-36). Moreover John Major, on succeeding Margaret Thatcher, adopted a decidedly enthusiastic tone when speaking to voluntary sector audiences (for example, his speech at the 1991 Charities Aid Foundation cited in Home Office, 1993, p. 4). And he launched a major new programme specifically to support volunteering building upon a range of existing, relatively small scale schemes – the so called *Making A Difference* (MAD) Scheme (Davis Smith, 1998b). Finally, in 1990, central government was interested enough in at least the scale of public funds flowing into the sector to undertake an "Efficiency Scrutiny" of the mechanisms and rationales for this support (see Lewis, 1999).

Yet none of these can be read as amounting to a programmatic or systematic commitment to engaging the voluntary sector *per se* – that is, to its "mainstreaming" into public policy. The timing of both the Efficiency Scrutiny and the MAD programme, over 10 years after the Conservative administration had assumed power, is one symptom of this relative disinterest. The "drip piecemeal nature of the adjustment to charities' fiscal treatment a second, and the time taken to adopt the limited reforms that were eventually made to charities' legal treatment with the 1992 and 1993 Charities Acts a third (Kendall and Knapp, 1996, chapter 3). Another was the Conservative government's unwillingness to invest in a major general review of the sector and its relations with the state, despite the demands from intermediary bodies throughout the 1990s that this was required. In particular, the Charities Aid Foundation lobbied for a high status Royal Commission for some time in the early 1990s, and the Deakin Commission came into being as an independent entity only because

these efforts failed. Indeed, the fact that the publication of *Raising the Voltage* in response to the latter came out as an official publication was seen as something of a "victory" is suggestive of quite how low were the third sector representative's expectations of the Conservative government.

This lack of interest to a significant degree reflects the fact that throughout the 1980s and 1990s, the Conservative government remained preoccupied with the dichotomy between the market and the state. Its ideological and policy formulation energies alike were channelled overwhelmingly into expanding the scale and scope of the former's operations. This was either in pure form through full scale privatisation (as with the public utilities, transferred out of public ownership); or through a crusade to remove "market distortions" (as with the measures taken to limit the powers of the trade unions in the labour market); or surreptitiously through using politically acceptable "market-like" hybrid arrangements (as with the quasi-markets introduced into fields of social policy previously organised predominantly as publicly owned hierarchies (Bartlett and Le Grand, 1993). The world was viewed essentially through a two sector model (or a three sector model, if enthusiasm for the "traditional" family within the social domain is thought of as a sectoral question; see below) and consequently there was little time for institutions and approaches which did could not easily be understood in these terms.[16]

For its part, the Labour party spent the early 1980s challenging the Conservative party on this territory – that is, as the champion of state solutions, and in principled opposition to the embrace of market forces. But from the late 1980s, as the reinvention of Labour as "New Labour" began, this was to change (Driver and Martell, 1998). The party first begin to distance itself from the "dogma" of monothematic ideological attachment to the state with its Policy Review between 1987 and 1992. This signalled a pragmatic endorsement of the advantages of markets in the economic sphere (where free markets were now understood as functioning well outside certain well defined areas of market failure) and a commitment to retain many of the Conservative's reforms to trade union law. But, particularly with Tony Blair's assumption of the leadership in 1994, the party's emerging policies begin to taken on a distinctly communitarian hue. Not only was a more pro-market and less traditional pro-state position increasingly adopted, but in a sustained and systematic way, references to and recognition of the third sector began to appear.

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[16] Other rhetorical supportive government statements or even references in election manifestos could no doubt be cited, but the point is these did not lead to sustained and substantial policy and resource commitment from the government. Some individuals in the government *did* devote sustained attention to the third sector, drawing upon Conservative communitarian imagery of charities as carriers of tradition and vehicles for the expression of elite responsibility (for example, see Willetts, 1987 on "civic Conservatism") or making speeches drawing on similar or alternative strands of Conservative political philosophy. However, these individuals clearly did not exert a significant and sustained influence on government policy.

Two steps seem particularly noteworthy, and are certainly without parallel in the Conservative party – either when in government, or since moving into Opposition. First, as part of its "revisionism" or "modernisation" strategy designed explicitly to secure the trust of the electorate in order to win public office, after considerable politicking and behind the scenes manoeuvrings, the Labour Party's constitution was revised. In particular, Clause IV, which epitomised the Party's statism by placing public ownership at the heart of its formal identity (and literally never far from the heart of individual Party members in the sense of being reproduced on their membership cards) was scrapped. "Old Labour", uniquely for a European democratic socialist party, had seen "common ownership of the means of production, distribution and exchange" as a necessary precondition for the achievement of socialist objectives. No mention was made of voluntary organisations. By contrast, for New Labour, one of the ways of achieving "a community in which power, wealth and opportunity are in the hands of the many and not the few" was to be through "working with trade unions, cooperative societies and other affiliated organisations, and also with voluntary organisations, consumer groups and other representative bodies" (see Riddell, 1997 for a detailed commentary).

Second, after a consultation exercise parallel to the Deakin Commission, the pre-election document *Building the Future Together* (Labour Party, 1997), deliberately distanced the party from "statism". (This exercise is discussed in more detail in section 4 below). In this and a subsequent series of documents and speeches, working closely with the sector is continually referred to as integral to the New Labour "project". For example, Tony Blair's Fabian Society short pamphlet *The Third Way: New Politics for the New Century*, printed just two months before the release of the *Compact*, finds significant room for the third sector. In a section headed "Strong Civil Society: Rights and responsibilities" he argues:

> We seek a diverse but inclusive society … promoting civic activism as a complement to modern government … The Third Way … recognises the need for government to forge new partnerships with the voluntary sector. Whether in education, health, social work, crime prevention or the care of children, "enabling" government strengthens civil society rather than weakening it, and helps families and communities improve their own performance … the state, voluntary sector and individuals working together. New Labour's task is to strengthen the range and quality of such partnerships (Blair, 1998, p. 14).

In an earlier passage on "values", "community" (the "central metaphor of the shift from state forms of socialism": Driver and Martell, 1998, p. 132) is argued to be an integral part of the "third way". In this context, it is stated that:

> government must be acutely sensitive not to stifle worthwhile activity by local communities and the voluntary sector. The grievous 20th century error of the fundamentalist left was the belief that the state could replace civil society and thereby advance freedom. ... a key challenge of progressive politics is to use the state as an enabling force, protecting effective communities and voluntary organisations and encouraging their growth to tackle new needs, in partnership as appropriate (op cit, p. 4).

Thus, an important aspect of the "Newness" of Labour is its empathy with the voluntary sector. Moreover, what is unprecedented here is that so much space should be devoted to the voluntary sector in setting out what is a *general* statement of overall philosophy and policy. Significantly, this is *not* a statement to a voluntary sector audience (as with Margaret Thatcher's much cited speech to the WRVS, or John Major's speech at Charities Aid Foundation), but (successfully or otherwise) aims to give a much wider set of commentators and analysts an overview of New Labour's "Third Way" objectives and direction which explicitly acknowledges the third sector.

At a philosophical level, what emerges strongly from these and other speeches is the communitarian character of New Labour's agenda – a communitarianism which is both moralistic and authoritarian (Driver and Martell, 1997): "social order and stability" are to be "rebuilt" from the debris of dysfunctional neo-liberalism "through strong values, socially shared, inculcated through individuals, family, government and the institutions of civil society" (Blair cited in Radice, 1996, p. 8). While Thatcherism also involved a "moral crusade" and made much of the role of the individual and the family in the inculcation of the values consistent with a Conservative vision of the "strong society" (Letwin, 1992), neither "civil society* nor "voluntary organisations" were *systematically* appealed to in these discourses, let alone found their way into formal policies. For this reason, an "emphasis on civil society gives New Labour the type of post-Thatcherite edge it wants" (Driver and Martell, 1997, p. 36; see also Driver and Martell, 1998; and Heron and Dwyer, 1999, pp. 93-97).

3.2 Other influences in the political stream

The idea that partnership with civil society is a way of pursuing the "value" of "community" emerges strongly from the accounts referred to above. As has been described, it originated in the context of the party's internal debates in the early 1990s as it struggled to become more attractive to the electorate, as well as reflecting the philosophical predilections of its leadership.

Outside of the political parties themselves, but within the political stream in Kingdon's approach are to be found other "organised political forces", and the national mood. Sitting across these categories a little awkwardly in Britain, and to an extent simultaneously positioned in the policy stream, are the "think-tanks". These can be defined as independent institutions sharing two core objectives. We treat them in the politics stream because, first and foremost, they aim "to influence the 'climate of opinion' within which, it is assumed, political actors are bound to operate" (Denham and Garnett, 1998, p. 16). Second, a goal is to "inform public policy decisions more directly, through contact with MPs, government ministers, or officials" (Denham and Garnett, 1996).

We noted in section 2 how the think-tank Demos produced one of a range of policy documents to emerge in the mid-1990s (Mulgan and Landry, 1995). We treat it as part of the political stream here

because its co-founders had a long association with the political left, its ideas have been more readily absorbed by New Labour than the Conservatives, and because Mulgan has now become a member of the No. 10 Policy Unit with the ear of the Prime Minister.[17] It therefore comes initially as something of a surprise that its recommendations (see Table 1, p. 29) have failed thus far find their way directly into New Labour's policy.

This seems likely to have arisen for different reasons in the case of different proposals. In the case of the proposal to de-couple tax status from organisational form, an explanation could be that, like Knight's proposal for tax reform, it violates the criteria of value acceptability as it effectively breaches an "article of faith", and could also be seen as technically infeasible (most likely, involving very large transaction costs to implement). Moreover – although this was not clear in the published report – the section on which this proposal was based (op cit, pp. 67-76) came not from Mulgan or Landry at all, but was ghost written by Perri 6, who was based at Demos at the time, but kept a considerable distance from the New Labour administration.

Some other proposals, like the "new resources" option, has not been rejected but are having their feasibility explored jointly by the third sector and government, and could become policy in the future. Finally, proposals for radical reform on the legal side simply face formidable barriers in terms of vested interests (a point made time and again in the interviews): we already noted at the start of this paper that in this particular aspect of policy, there has been politically very little room for manoeuvre.

More recently, Demos does seem to have exerted direct influence, if its claim of being pivotal influence in providing both the theoretical underpinnings and practical tools for facilitating "holistic" government (6, 1997) is accurate. Dubbed *"joined up" government* by New Labour, this is perhaps its most significant new "big idea" (see in particular Department of Environment, Transport and the Regions, 1998). The basic argument has been that many important social problems do not fall into neat functional categories corresponding to inherited government hierarchical structures, but are often experienced cumulatively, and require an integrated, co-ordinated response. Particularly vulnerable are thought to be the "socially excluded" (including, but not exclusively, those in poverty). The voluntary sector is singled out as a legitimate actor in this context:

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[17] Demos' s "populism, eclecticism and equidistance in the post-modern world" (Bale, 1996) make it hard to pin down in terms of separate streams. In particular, aside from the specific recommendations in its 1995 report regarding the third sector, Demos has explicitly argued more generally for a style of policy which encourages the interchange of concepts across and between sectors –and which, in Kingdon's terms, amounts to a call for more active strategic cross fertilisation of ideas between actors in the problems, policies and politics streams. Indeed, it consciously seeks to position itself so as to facilitate this process: see op cit, pp. 25-26.

> most of the outcomes that matter most are the products of many departments,
> agencies, professions, policies and practices …effective ways of prompting health,
> community safety and employability require the coordinated efforts of many
> public, private and voluntary agencies (6 et al, 1999, p. 5).

One example of such co-ordinated efforts comes in the form of "holistic organisational structures" involving the sectors working in partnerships (op cit, p. 3). These can range from mutual "account taking" and intersectoral dialogue through joint projects and ventures to union and merger, with the appropriate arrangements deemed to depend upon the nature of the problem, and the context in which it must be implemented (op cit, chapter 3).

Finally, most recently think-tanks have begun to provide legitimacy for New Labour's strategy of partnership with the third sector, through the promotion of the idea that *social capital* is an important ingredient in economic success and political stability. Blair actually uses the term in concluding his 1998 *Third Way* Fabian Society pamphlet, without explicitly making a link with the third sector.[18] Following Putnam (1993)'s interpretation of the term, a range of voluntary sector participatory activities previously implicitly assumed to be of little relevance to the country's political economy are now explicitly argued to be integral to its successful functioning (see Kendall and Knapp, 2000). Halpern (1999), in a volume jointly published by the Institute for Public Policy Research, and NEXUS, which alongside Demos are perhaps the most significant of the new generation of Left think-tanks (Denham and Garnett, 1998, chapter 6), argues for the utility of the social capital concept, and the role that voluntary organisations have played and can play in generating it.[19]

Kingdon identified a two other primary factors in the political stream. First, as far as *national mood* is concerned (as opposed to the views of the elite groups discussed above) greater awareness of "a sector" probably followed from the weekly screening of the *National Lottery Live* to half of the adult

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[18] "This is the Third Way … a modernised social democracy for a changing world which will build its prosperity on human and social capital" (Blair, 1998, p. 20). In a speech delivered to NCVO in 1999, however, Blair *does* makes an explicit link: "We have always said that human capital is at the core of the new economy. But increasingly it also social capital that matters too … too often in the past government programmes damaged social capital – sending in experts but ignoring community organisations, investing in bricks and mortar not in people. In the future we need to invest in social capital as surely as we invest in skills and buildings. The voluntary sector is – I believe – showing the way, making the links between rebuilding communities and rebuilding economic opportunity" (Blair, 1999, p. 4).

[19] As early as 1995, the Institute for Public Policy Research published a volume entitled "Building Social Capital: Self-help in a twenty-first century welfare state" (Wann, 1995) but despite its title the book is primarily a descriptive review of the literature on self-help, and makes little or no mention of social capital in the text. It is interesting that despite its fondness for faddish eclecticism, Demos did not thematise in its early work, including in its 1995 review of the voluntary sector. By 1997, however, it had published a paper by Peter A. Hall, who lead the UK component of a study directed by Putnam. In 1999, in a speech made at the LSE conference "Third Sector, third way? now as a staffer of the No.10 Policy Unit, Mulgan frequently linked the voluntary sector with social capital.

population since the mid-1990s, which alongside revealing the winning numbers, reported on the voluntary sector's worthwhile projects which the raised funds were supporting. But the perspectives and opinions of the public in the late 1990s have yet to be explored in detail – although small scale exploratory research has been suggestive of distrust, and amongst young people especially, scepticism towards the *status quo* with regard to charities in particular (NCVO, 1998b; and Gaskin, 1998).

Second, *organised oppositional political forces* seem yet to make a serious impact. One of the leading New Right think-tanks, the Institute of Economic Affairs, after years of exclusive thematisation of the conflict between the state and the market in line with the party political right (whose policies and philosophy it claimed to have heavily influenced) has of late energetically begun to published tracts lamenting the "corruption" of charity by the state as funding links between the two sectors develop (Whelan, 1996; 1999). In a related vein, Leach, writing for the Institute of Directors (1999), ignoring a huge body of research, treats the state-voluntary sector relationship as necessarily a zero-sum game, speculating that the expansion of the welfare state is leading to the "end of altruism" by undermining social capital. But to date, neither of these new positions on the political right have been picked up by the Conservatives in opposition, and has remained rather marginal.

4 The role of policy entrepreneurs

While the developments in the policy and political streams outlined above make clear that a wide range of drivers appear to lie behind the mainstreaming of policy towards the third sector, ultimately "policy entrepreneurs" must step in to take advantage of the window of opportunity created by these trends. Interviews in the field revealed a belief amongst those involved in the process that, within this climate, two individuals simultaneously played this role. First, with the financial and other support of NCVO, the chair of the independent 1995 Commission described in section 2.3, Nicholas Deakin, a well respected centre left social policy academic with a track record of working in, and analysing, the third sector (see, for example, Deakin, 1995). While cautious (and for some, over cautious) in making recommendations that fitted closely with existing intermediary body (especially NCVO and CAF) thinking, Deakin injected a genuine element of innovation and surprise with the suggestion of a "Concordat" between the State and the third sector by looking laterally at research he happened to be undertaking on the relationship between Treasury and government spending Departments.

Second, those interviewed were unambiguous that in the political stream Alun Michael MP was catalytic. Michael led the Labour Party's review of relations with the third sector between 1994 (when it was announced by Blair soon after assuming the Party leadership) and 1997, and became Minister with responsibility for the voluntary sector at the Home Office after the election that year,

before moving to Wales to lead the Labour Party there under the new devolutionary settlement in 1998. He not only authored the document *Building the Future Together* (see Box 2) which proposed the *Compact* in advance of the election remarkably similar to Deakin's *Concordat* in all but title: he led on the consultations on which the review was based, and succeeded in persuading Blair to host an unprecedented round of events to develop relationships with the sector before and after the election (Labour Party, 1997). The revision of Clause IV of the Party's constitution, discussed above, was claimed throughout this period by Michael to be a crucial indication of its new found endorsement of the importance of working with the third sector (Michael, 1995; op cit). Most recently, on taking charge in 1997 of what we have noted had been a traditionally weak unit within central government dealing specifically with voluntary sector issues, he managed to secure a doubling of resources and staffing. He was also instrumental in securing political resources for the unit: civil servants within it have claimed to be experiencing a completely unprecedented degree of "Prime Ministerial backing", in large part as a direct result of his efforts.

Box 2: The Labour Party's *Building the Future Together* (March 1997)

After a three year consultation period, this pre-election document from Labour was authored by Alun Michael. It was released, several months after the Deakin report, which was acknowledged as "an invaluable contribution to debate … we agree with many of its conclusions" (p. 2). The document is most important for proposing the *Compact* while Labour was still in Opposition. It also thematises the need to preserve the "independence" of the sector; and suggests the importance of "recognising" the importance of volunteers.

In fact, Michael's enthusiasm for the sector seems to have reflected not only his Blairite political sensibilities, but also his personal experiences. Michael's background in community work in the 1960s and 1970s played a crucial role in convincing him that the third sector had an important role to play. That this should have shaped his position was made explicit:

> As a long time supporter of the voluntary sector and a former worker in voluntary organisations, I know from first hand experience what the sector has to offer … my own views about the issues [in developing the *Compact*] that we need to tackle have been deeply influenced by my own experience in working with voluntary organisations (Michael, 1998a).

Such a statement in the context of a political speech (see also Michael, 1997 and 1998b) should of course be approached with a considerable degree of scepticism, but it is noteworthy that a number of our interviewees, unprompted, referred to Michael's "sincerity", "commitment", or the extent to which he was "steeped in the culture of the sector".

The relationship between Deakin and Michael in the period 1995-1996 while both the consultation processes were ongoing was deliberately one of ongoing dialogue and mutual account taking. As an insider revealed:

> They met frequently during that period and shared recommendations in advance … it wasn't exactly conspiratorial, but it was [seen to be important by both men] that there should be

convergence. And that was consciously the objective of keeping in touch … the "Compact theory" was simultaneously developed from different directions.

The similarity in the independent Commission and Labour Party review recommendations were, therefore, not merely coincidental, but reflected deliberate syncopation by the entrepreneurs who led them.

5 Conclusion

The announcement of the *Compact* between the government and the third sector in November 1998, and the Prime Minister's announcement of a major upgrading of the unit within the central government responsible for the third sector in January 1999, represent a step change in the relationship between the third sector and UK central government. The development is a calculated attempt to establish for the first time a proactive and significant "horizontal" policy position towards the sector *per se*, to extend beyond the inherited structures of support provided by the legal and fiscal system, and to supplement the "vertical" policy arrangements in specific fields that have dominated in the past.

This paper has sought to identify the main drivers for change in this process. Our review suggests that this reflects the culmination of a number of developments in, to borrow from Kingdon (1995), the policy, problems and politics streams. Most obviously, perhaps, the Prime Minister's communitarian-inspired philosophical enthusiasm for the third sector as an integral part of civil society has been an important ingredient in this development. But other political forces have also been at work. The Labour Party's revision of Clause IV was in part a "revisionist" strategy in response to post-Thatcherite conditions, consciously engaged upon in order to persuade the electorate that they were dealing with *New* Labour. In this sense, the third sector has benefited in part by what it can claim *not* to be – neither the market not the state – than from what it is, or has actually achieved.

Ideas elaborated in and around the political stream by left leaning think-tanks, and now being championed by government – in particular, the concepts of "joined up government" and "social capital" – help to provide a rationale for, and lend coherence to, the new "horizontal" policy position. But it is noteworthy that these ideas have only really entered the UK political lexicon relatively recently, sometime after commitments were already being made by Labour towards the third sector (when in Opposition), and vice versa. This simple fact suggests that the primary initial political impetus behind the new developments reflects party political manoeuvrings, rather than think-tank led initiative.

These political developments, however, provide only one part of the story. Ultimately, the possibility of engaging with the third sector has depended upon the "invention" or "discovery" of such a grouping. This originates in the UK in the late 1970s, when the language of sectoral "partnership" was also introduced, but was used with any regularity and commitment by only a small community of low visibility third sector intermediary bodies and relatively obscure public officials at the periphery of power.

We described how this policy stream was developed during the 1990s. The availability of a critical mass of sectoral indicators seems to have been a crucial part of this process, and the paper also sought to interpret the success or failure of the policy initiatives that drew upon them in terms of Kingdon's criteria for the survival of policy options. These include value acceptability, technical feasibility and anticipation of future constraints – or interpreting the latter more widely and appropriately, of future constraints and *opportunities*. In so doing, we have uncovered an apparently greater degree of connectedness between the policy and politics streams than suggested in Kingdon's formulation. That these streams were intimately intertwined is underscored by the way in which those policy reviews which are now achieving follow-through in the *Compact* were conducted in tandem, under the leadership of Deakin and Michael, in a conscious spirit if "convergence".

Remarkably, this idea was introduced into the policy and politics bloodstream afresh, and had become a significant element of government policy by November 1998 – just 28 months after the idea was initially floated by Deakin at the Commission report's launch. It is hard to imagine any other field in which such a major policy innovation could move to the centre of public policy so rapidly, and this can only reflect a unique combination of propitious political conditions; a new field of policy consequently remarkably permeable (*pace* existing legal and fiscal arrangements) to new thinking; and the catalytic role of these entrepreneurs, and those supporting them.

Postscript

Since this paper was completed, a range of new and extended tax reliefs on private giving contained in the November 1999 pre-Budget statement from Chancellor Gordon Brown, informed by the Treasury-led Charity Tax Review, seems to underline the importance attached by New Labour to the third sector (Chancellor of the Exchequer, 1999). Although the Government's reluctance to consider compensating charities directly for the losses resulting from the loss of ACT relief and consider VAT issues was a source of annoyance for some, the statement "went further than most had expected" (*Third Sector*, 1999, p. 1).

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Table 1: Third sector policy reviews, 1993-1996

Colloquial name, year published, lead author and institutional status	Funders	Style	Evidence base and orientation	Most significant recommendations	Most significant single clearly attributable impact to date
CENTRIS Report (1993) Barry Knight Independent Researcher	Coalition of charitable trusts and companies, some funding from the UK government (Home Office, Housing Corporation)	Idiosyncratic, Iconoclastic, convictional, eclectic (pot pourri inspired by individual histories and other eclectic writers)	Varied primary quantitative empirical evidence gathered from local and national surveys; forward-speculation ("futurology")	Split the third sector between "first force" (advocacy) and "third force" (publicly funded service delivery agencies); withdraw tax relief for "third force" agencies	None of recommendations adopted
Demos Report (1995) Geoff Mulgan and Charles Landry New generic "think tank"	Charities Aid Foundation, Joseph Rowntree Foundation	Faddish, self-consciously innovative, eclectic (disciplines: evolutionary psychology, political science, economics)	Secondary reporting of existing quantitative data: opinions and attitudes gleaned during agency visits, informal seminars and networking	Finance "Charity Bank" and exploration of new loan and borrowing arrangements; abolish legal restrictions on charities' advocacy; "models of public funding"; link tax benefits to activities not organisational form; encourage risk-taking in public funding	Ideas for development of innovation in charity finance still being developed
Deakin Commission (1996) Chair: Nicholas Deakin "independent commission"	Esmee Fairbairn charitable trust, Joseph Rowntree Foundation, National Council for Voluntary Organisations	Deferential statesmanlike consensual ("civil society", reference points include Dahrendorf, Putnam)	Secondary reporting of existing quantitative evidence: extensive written submissions, informal submissions	Develop *Concordat* as "core of good practice for future relations"; strengthen "friend at court" for voluntary sector within government; establish task forces to develop *Concordat*, and to make specific actionable recommendations regarding tax issues, resource issues, business relations, quality assurance	Suggestion of *Concordat* between the State and the third sector recognising the latter's independence and diversity (see box 1)