

CHARITIES IN THE CONTRACT CULTURE: THE
UNINTENDED CONSEQUENCES OF PARTNERSHIP AND
INTERVENTION IN THE FREE MARKET

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by Emily Stott

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Abstract

This thesis looks at New Zealand charities and their role within the mixed economy of welfare since the introduction of the contract culture in the late 1980s. Interviews with 11 charity workers across 8 different charities were conducted. It is a mixed methods research design which combines grounded theory analytical methods with a comparative analytical strategy of engaging with Milton Friedman's conception of liberalism. This thesis argues that how charities cope, and the tensions they experience in the contract culture are an unintended consequence of the failure of the implementation of the ideal neoliberal free market. It is important to understand the significance of the failure to implement a free market as it explains why charities still struggle with their autonomy. Finally, recommendations are made for the removal of government paternalism and intervention in the contracting process to provide a more competitive market. This would enable the implementation of a successfully cost-effective and innovative contract culture.

Chapter One Introduction

The role of the charities in the modern western democracy has long been associated in both practice and popular perception with feminised and voluntary work. While the relationship with the government has shifted from being complementary providers of social services to supplementary and alternative providers of social services, the workforce of the charity has remained similar throughout. However the development to a contract funding model in the late 1980s in New Zealand, known as the contract culture, has challenged traditional forms of charity to be able to survive.

While the terminology for those organisations that provide social services, have volunteers and aim to see profits remain in the community is varied, the terminology is a representation of the perspective of the role of the organisation in contemporary contracting culture.

Charity holds within it a notion of tradition that can seem incompatible with the contract culture. As David Conradson (2008) notes, the traditional role of charity was to critique government policies and to provide alternatives to current social structures. While this role has diminished in the current contract funding model it has not been entirely removed.

New conceptions of charities are not without their issues. The rise of the not-for-profit (NFP) organisations over the more traditional voluntary organisations is argued to reduce the value placed on the volunteer, effectively ignoring their role. The term NFP is also believed to be a comment on the for-profit sector with its reference to the economics of the organisation (Tennant, 2007).

The New Zealand Charities Services (n.d)¹ registers charities on the basis that they are providing services that are beneficial to the public. To register as a charity the organisation has to prove that they are providing a service that helps to alleviate poverty, advances religion or education, or that they are providing a service that is beneficial to the community. There is some disjuncture in the terminology as the Controller and Auditor-General (2006) uses both Non-Governmental Organisations and NFPs without acknowledging their differences. In this thesis alternative terminologies are used only when referred to as such in the literature, however this thesis argues

¹ Formerly known as the Charities Commission.

that the use of NGOs is not relevant in the current context as it suggests a separation from government that contracted charities are unable to claim. Alternative names for the sector, such as the third sector and the voluntary sector are used when appropriate.

Hal Levine (2009) raised the issue of how charities are able to move beyond the traditional notion of their work when the competition for funding and contracts has reduced the focus on progressive concepts. To be able to analyse the appropriate terminology is beyond the scope of this thesis, however I use the term charity as a comment on the ways in which adaptation to the contract culture and implementation of the contract culture have suspended the development of the sector. Traditional notions of charity have not been advanced in reaction to the non-traditional mode of contracting for funds and thus many of the issues with contracting are framed by the charity and in academic discussion from the perspective of traditional charity. NFP and non-profit organisations (NPOs) are also used to acknowledge the desire of an organisation to not focus on profit. While they may diminish the role of the volunteer, NFPs also provide a definition of these organisations that allows for contemporary conceptions of their role.

The introduction of the contract funding model in the late 1980s, whereby charities have to enter a competitive process to gain government contracts to supply services through the charities has placed the charity in the position of a competitor for funds. This marks a shift to a different way of organising the financial lives of charities and has opened up the opportunity for a vast array of new charities looking for funds. However, it has also increased the level of formalisation, professionalisation and commitment within what is traditionally a voluntary occupation. The shift to the purchase of contracted services by government has continued the mixed economy of welfare (which sees the provision of welfare occurring across the third sector, the market, the public sector and informal networks of family and friends), while also placing new expectations on the charity that bring new pressures and tensions.

The contract culture has been present in New Zealand since the 1980s, yet there is a distinct lack of recent literature from the charities' perspective on their ability to cope in this kind of competitive neoliberal system of organisational funding. The contract culture changes the way that charities operate as well as their relationships with the government departments and the communities they work with. The traditional role of charity has developed into a professionalized culture that places pressure on the charity and creates tensions in the way that the charities operate. Understanding the ways that charities cope with these pressures and tensions deepens the

sociological understanding of a significant aspect of New Zealand society and it can also offer insights that may allow room to improve the system of social provision in New Zealand.

This thesis explores the charities' perspective of coping in a contract culture derived from a small group of charitable workers in the greater Christchurch area. It used constructivist grounded theory analytical methods to generate an understanding of how charities perceive their relationship to the contract culture. Semi-structured interviews were conducted with 11 participants across 8 charities. The findings demonstrate that the charities find tensions with their contractors in terms of the ways that they advocate and the expectations and realities of service delivery. The charities were also using the separation of roles and professional development to cope with the pressures of the contract culture. The charities' perception of their relationship to the contract culture is analysed in relation to a dominant theory on charities in neoliberal society. The combination of grounded theory and a comparative analytical strategy have made this mixed methods research. This thesis argues that how charities cope and the tensions they experience are a creation of the failure of the implementation of the ideal neoliberal free market model.

This thesis, in contrast to most studies on this area, begins from an engagement with the work of Milton Friedman because it provides the context for the way in which neoliberalism would be expected to function. If we understand where neoliberalism has come from and how it is meant to operate then we can also see how the contract culture is meant to function and what is preventing its full implementation. Friedman's understanding of liberalism provides a counter-narrative throughout the thesis of the context in which charities are expected to operate.

The second chapter of this thesis identifies and thematises key accounts of the relationship between government and charities in New Zealand. Beginning the thesis with the historical context of the relationship between the welfare and voluntary sectors provides an account of what traditional charities look like in New Zealand as well as the ways in which they have developed. Also in the contextual chapter is a discussion of the relationship between neoliberalism and the welfare state which is important to the grounding of the contract culture.

The third chapter engages with the literature on the contract culture in New Zealand and internationally. The perspective of government on the procurement of contracted services is explored to determine the need for the management of contracts. The issues that arise out of the literature are also explored in reference to traditional conceptions of charity. In this chapter I

discuss the ways that charities have changed since the late 1980s and the introduction of the contract funding model. The change that I discuss highlights the issues of the free market in New Zealand and whether it has truly been implemented in relation to the procurement of social services through charitable organisations.

The fourth chapter provides the methodology of the research. The issues and benefits of using constructivist grounded theory to conduct the interviews and code the data will be explored. The interviews and subsequent coding highlighted the issue of the charities' self-perception. As I engage with Friedman to explore the ideal form of liberalism, I have combined grounded theory with a comparative analytical strategy making this a mixed methods thesis. Friedman provides a counter-narrative of the context in which contracts are intended to work. This engagement with Friedman explains what the contract culture was envisaged to be and why the form of the contract culture that charities currently operate in is not the ideal version. The last section of this chapter provides a brief overview of the charities and individuals involved in the research.

The fifth chapter of this thesis details the findings of the research conducted. The charities' ability to function in a contract culture and the issues that they face are detailed from the charities' perspectives. How they cope with these issues is also discussed. The ways that the charities view their autonomy and relationship with the government are also included in this chapter. This chapter concludes with the ways in which the charities are looking beyond contracts.

The sixth chapter is the analysis of the findings. The analysis chapter explains why charities struggle to cope in the contract culture and what needs to change in order to address these issues. In this chapter I relate the findings to the literature and context chapters to theorise on the question of how charities cope in contract cultures. Through the unintended consequences of the contract culture, I explain how the myth of partnership, the reliance on monopolies and paternalism and changes in the autonomy of the charity and user, all of which characterise how charities cope in a contract culture, have resulted from the implementation of the contract culture in a mixed economy of welfare.

In the final sections of this chapter, the need for the re-evaluation of charity is considered. The ability of the charity to be flexible in a contract culture is explored in response to the concerns

about the autonomy of the charity. The self-conception of charity is challenged and the ability of charity to promote itself in a competitive market is also explored.

This thesis concludes by outlining the contribution that the thesis has made to existing academic debates on the charities and the contract culture in New Zealand. A discussion of the thesis limitations is included and finally policy recommendations are provided for the improvements of the charities' ability to cope in a contract culture.

Chapter Two Charities in the New Zealand Context

Introduction

In this chapter I will outline the history of the relationship between the voluntary and welfare sectors. This is to provide a basis for understanding the significance of the introduction of the contract culture and the subsequent growth of the voluntary sector in New Zealand.

In the first section I explore the relationship between the voluntary and welfare sectors in New Zealand before the introduction of neoliberalism in the 1980s. This relationship provides the foundation for the partnership and privileged position of charity. In the second section I outline the ways that neoliberalism has been implemented in New Zealand and how this implementation fits within Friedman's conception of liberalism.

The formulation of the welfare state in New Zealand was based on the notion that there is a role for everyone (from employees to the government, and from families to voluntary organisations), to take on in the social security and wellbeing of New Zealanders. During stages in life or unfortunate circumstances that see people in vulnerable situations, the government would be able to assist. This assistance would be an attempt to prevent the outcome of poverty. Approaching welfare assistance in this manner emphasises the collective and encourages social cohesion. Before the 1930s, social assistance in New Zealand was slow to develop due to New Zealand's small size. Between the late 1930s and the 1980s, New Zealand welfare became comprehensive and universal. When economic concerns were raised about the sustainability of such welfare in the 1980s there was a shift away from social democratic approaches towards liberal theories of welfare (Baker, 2001).

These liberal theories of welfare (termed neoliberalism) were based on Friedman's (1962) understanding of the free market and competitive capitalism as a means to achieve and uphold individual freedom. The extent to which full or true neoliberalism has been implemented and is effective in New Zealand is questionable and this thesis argues that if it were to be implemented in a fashion that was closer to the original thesis then the contract culture would be more effective. At this point in time, the contract culture is ill-defined and conceptually weakened because the best economic environment for its operation is never achieved. Through comparison of the ideal model of liberalism, as detailed by Friedman, to the reality of neoliberalism in New

Zealand, this chapter argues that neoliberalism as undertaken in New Zealand has failed to supply an unhindered free market. Without a truly free market the contract culture in New Zealand is not competitive and therefore it is not able to provide the most innovative and cost-effective services for the users and the taxpayers.

Belgrave (2004) has argued that the shifts that took place in New Zealand's approaches to welfare did not substitute one model for the other, but rather allowed the overlapping of multiple perspectives of welfare. A total separation of one model from the others was never achieved. It began in the mid to late nineteenth century as a morality welfare state and moved into a race protection model of welfare before the 1930s when the family became central to approaches to social assistance. The post-war economy encouraged a rights-based understanding of welfare and by the 1980s the welfare provision shifted into a targeted provision and consumer role for the recipients.

It must be noted that all New Zealand's changes to welfare have been formulated and adopted within a state structure that receives little to no opposition. New Zealand's government is unitary and Parliament is unicameral, which means that New Zealanders have no constitutional challenge to rapid and drastic changes, such as have continued to occur within the social service sector of the government. The set-up of the legislative power also makes it difficult to oppose government reform; a challenge to democracy which other countries do not face (McClelland and St John, 2006).

The relationship between the voluntary and welfare sectors

Morality welfare, race protection and family welfare

Government intervention in the needs of citizens was minimal in the 19th century. There was provision only for the physical needs of those deemed to be morally deserving of assistance. The basics were provided, such as food and clothing. Hospitals, including mental hospitals, were being built and extended, homes for children and old men were established which were intended to provide for the poor (Belgrave, 2004). The 1898 Old Age Pension allowed for the provision of funds to those who were elderly, deserving and who had contributed to the state through years of tax payment (King, 2003). This mixed economy model of welfare, whereby government, charity

and private enterprise provide welfare services, would continue throughout New Zealand's approach to welfare and into the 1990s (Tennant, 2004a).

In the late nineteenth to the early twentieth century there was concern that if the government were to shoulder more of the burden of those in need that private charity would diminish. This concern meant that the government was reluctant to provide more than the basics through government provision. Private charity and charitable provision was acknowledged through this concern to be important to the government (Belgrave, 2004). A balance was needed in the provision of help to those in need as the relationship between the government and charities was the foremost way in which the poor could be helped and kept from further suffering.

For early charities in New Zealand, such as the Women's Christian Temperance Union, there was a significant barrier to provision: that of public funds. Early settler society was focused on individual effort and responsibility to family rather than that of society at large. Interest in giving away money to those who were seen as not putting effort into work and success was not widespread. It did not help that the focus of many of these early charities was on the morality of the poor. This focus was a result of the religious foundations of the charities (Tennant, 2004b). The control that charitable organisations asserted over those in need and the moral disdain for those they were helping, especially when deemed to be undeserving, contributed significantly to the negative image of charity early in New Zealand's history (Tennant, 2004a).

When those in need sought assistance at this time they were subject to moral scrutiny. Those seeking help had to be deemed to be deserving of assistance in order to receive help. To be deemed deserving, the applicant had to show that their need was not caused by their own ill behaviour and in cases where the misfortune to be in need of charitable assistance was of their own doing, they needed to demonstrate that they were repentant of their mistakes. The religious foundations of these early charities saw single, unmarried mothers having to repent their actions in order to gain assistance for their children. Once provided for, they were often checked on regularly to ensure that their behaviour was acceptable. Here we can see that charities were early institutions of moral and social regulation. However this was not just in New Zealand as it was a common response by charities in the nineteenth century to focus on the moral welfare of society as determined through the charities religious beliefs. The unemployed were frowned upon as well as unmarried mothers, or wives who had been deserted. Maori were especially subject to scrutiny, although a level of poverty in Maori communities was less concerning to Pakeha than in their

own communities, highlighting the institutionalised racism of early New Zealand government policies (McClure, 2004).

The public perception of charity and charity cases was not its only problem. Many charities were small scale and short-lived. They were based on models of charities from overseas, especially Britain, that were difficult to replicate as New Zealand did not have the same resources due to its short history and minimal social infrastructure. Those available and willing to work in charities were few. There was some competition between different religious groups as well. The government was the principle source of funds for the majority of charities at this time. In 1885 the Hospitals and Charitable Institutions Act was introduced which made the relationship between charities and the government official. It was a way to increase taxpayer funding of charities but it also continued to discourage people from donating willingly. One of the most important outcomes of this Act was the development and confirmation of the relationship between the government and charitable organisations. This relationship was beneficial to charities as they were better able to advocate to the government for change, on behalf of those in need (Tennant, 2004b).

Charity and welfare both developed in the 20th century. The role of charities' advocacy continued with the supplementary role the charity played to the welfare system of the time. With a declining birth rate following the First World War, the government intended to increase the size of New Zealand families and the country's population. This was part of the race protection model of welfare. A decrease in Pakeha childbirth led the New Zealand government, for the first time, to use monetary support to work towards a social outcome rather than thinking about the needs of individuals. As a part of the race protection model of welfare, the government intended to increase the number of Pakeha children and thus continue the racial dominance of Pakeha. Asian immigration played a major role in this fear. Large families with parents on low incomes were rewarded financially for having children (Belgrave, 2004).

The First World War also encouraged a significant bout of patriotism. A lot of people volunteered in whatever way they could in order to help the effort. Patriotism, rather than religion was the motivator for charity. The response of charity to the First World War was the place of birth for secular models of charity in New Zealand. There no longer had to be a religious motive for charitable volunteering or donation, people could now do this for the good of the country. The charitable groups that emerged from this period supplemented government provision. Developing

from the advocacy role that was introduced in the 1880s, these new charities acted as watchdogs for the disadvantaged in order to promote government action (Tennant, 2004b).

Welfare became focused on the family and providing family support in the 1930s (Belgrave, 2004). The Depression had an interesting effect on the government as well as charitable organisations. Systems that addressed the need of New Zealand citizens were proven to be inadequate and caused social harm to those who had little to sustain them. It was embarrassing to people to have to ask for help (McClure, 2004). The first Labour government reacted to this insufficiency by focusing on universal entitlement with the introduction of the Social Security Act of 1938. The focus of the Labour government was to ensure that New Zealanders would not have to starve when resources were available to feed them and that they would not have to go without work, education or healthcare (King, 2003). Gendered roles were implicit in the universal welfare at this time, however it was the first time that women's work (as in their caring role), was recognised. This period in welfare development has been criticised for being focused on European, middle class and male values which obviously excluded a large number of New Zealanders. This focus placed pressure on the ability to assimilate to fit within this conception of society (Belgrave, 2004).

For Maori the 1930s provided a great leap forward in terms of the social assistance they were able to access. They were paid equal benefit rates to their Pakeha counterparts for the first time. Access to benefits for Maori was also relaxed as the requirements were adapted to account for Maori. An example of this is the acceptance that some Maori were not or never were in possession of appropriate documentation which had previously been used to exclude a large number of Maori from receiving any type of benefit. From the late 1930s this became less stringent (King, 2003).

In a reaction to the embarrassment of needing charity, the entitlement of families to social security was emphasised. Needs became a privilege of citizenship and this discourse allowed families to not only retain their self-worth by not having to ask for charity but also to create a welfare system that could be a national pride (McClure, 2004). This national pride was also partly based in the desire to forget the hardship that had characterised the start of the decade (King, 2003).

The wage-earners welfare system

The post war period in New Zealand saw high employment and good wages, which resulted in better living standards. There was also significant government support for citizens at this time. Healthcare was provided by the welfare state and the family benefit and superannuation contributed to the stability and the security of families. Belgrave (2004) has labelled this as a wage-earners welfare state which was based on gendered notions of work, whereby the men were the wage-earners. It was as close to the universal provision of Scandinavian countries as New Zealand could get at the time. The high thresholds for benefits ensured that a large number were able to receive assistance. This was more inclusive for a wider range of New Zealanders (Spies-Butcher et al., 2013). The economy of the post war period was based on industrialisation which was not sustainable, due to the impact of financial crisis of the 1970s despite the prominence of Keynesian interventionist policies (Ongley, 2013).

The basis of the notion of the wage-earners welfare system is that the male is the breadwinner of the family while the female is the carer. This family model allows the husband to receive social benefits and through him the female is also able to receive benefits. The financial responsibility falls on the man's shoulders and the care on the wife's. This wage-earners welfare state has been criticised by Baker (2001), however, for the focus on the male workforce and the subsequent irrelevance and invisibility of women's caring role in the family. The high employment experienced was that of the male workforce. The high wages were those of men, with women's wages being set at 60 percent of male's which provided little encouragement for them to join the workforce.

Despite these gendered roles, the post war economy had high levels of employment. Previously excluded or under represented members of society were able to gain employment. There were more opportunities available for women, young people and Maori and more importantly there were more choices available to them. Major moves in society did not affect politics or social cohesion overly much in this period. The urbanisation of Maori, immigration of Pacific workers to fill labour gaps and the shifting balance of those dependent on the state and those working had little effect on the stable nature of the economy and employment rates (Belgrave, 2004).

In the period of the wage-earners welfare state, funding for charities was considerable. Government departments were able to aid charities beyond funding by also offering training,

facilities and publicity; in return the government used volunteers to help them and referred specific cases to the charities. The partnership of the two emphasises a period of shared social responsibility. It was an acknowledgement that the government and the welfare state were not able to reach all of those who were in need, thus charities were desired to step in. While the government was able to meet the welfare needs of the majority of New Zealanders in a time of full employment they also acknowledged that they were not able to reach everyone and that charitable organisations had advantages in their personal approach to family issues. Charities were not required to take on a large amount of social welfare provision but played a complementary role to the provision of the government. This relationship lasted through to the 1970s (Tennant, 2004b).

The shift to rights based welfare

During the 1960s there was a shift to a rights-based welfare state that focused on the individual rather than the family. Shaping this approach to welfare was the provision of the right to citizenship as well as to participation within society (Belgrave, 2004). There was also an expectation, which transitioned into the 1980s, that beneficiaries would instil a behaviour of job seeking in themselves (Higgins, 1999). The moral responsibility that had contributed to previous developments in the welfare system was replaced with the idea of need. Those in need were given the most attention rather than deciding whether they deserved help or in what way that help might make them better members of society. Concerns around Maori urbanisation were raised in the 1960s. This focused on the perceived need for integration and resulted in the removal of distinctions in the welfare system that treated Maori as separate from Pakeha (Belgrave, 2004).

In terms of family, the 1960s and 1970s saw the introduction of women into the labour market in high numbers. The rise of two income households was not just the exercise of women's rights to work but it was also a reaction to the increased cost of living that the average wage had not addressed and the welfare state was not helping beneficiaries with. Unequal pay rates continued and women were paid significantly less than their male counterparts. The larger workforce did affect the wages of men, as these were eroded and unemployment rose. In 1973, it was acknowledged that the family was changing from the single bread-winner model. The Domestic Purposes Benefit (DPB) was introduced to allow mothers without breadwinners to support their children. The DPB was the result of unemployment, divorce and the lower pay for women in employment in order to allow women the opportunity to remain independent of a male bread-

winner and in acknowledgement that the prospects for female employment were not going to provide an appropriate income to support a household (Baker, 2001).

The 1970s was a period of economic downturn. The global oil crisis destabilised the welfare system and full employment in New Zealand. The uncertainty was increased by the loss of the agricultural export market to Britain when it entered the EEC in 1973 (Ongley, 2013). Welfare and state institutions became unaffordable (King, 2003). In response to the financial crisis in the late 1970s there was a removal of government support from state institutions such as those in the mental health and disability sectors (sometimes called deinstitutionalisation). The expectation was placed on the community to provide care rather than the state (Belgrave, 2004). This would come to play a significant role in the voluntary sector as it increased those that needed charitable assistance in the following two decades.

Neoliberalism and the welfare state

Milton Friedman and liberalism

Underlying the introduction of neoliberalism is a return to liberal concepts. One of the central ideologues of neoliberalism was Milton Friedman and his work *Capitalism and Freedom* (1962). The central thesis of liberalism for Friedman is that freedom is best achieved through competitive capitalism based on a free market economy. The role of the government in Friedman's ideal model is that it will provide a forum to discuss the rules that are needed to support the market economy and to ensure that people follow through on these rules. Freedom is achieved through private enterprise and is exercised as part of the exchange economy.

The contract culture is a component of this as it entails the decentralisation of government bureaucracy to the community level. It is a ground up rather than top down approach to the provision of social services. New Zealand has not achieved the full privatisation of the government and so the contract culture operates in a less than ideal context than it was intended to. The mixed economy of welfare continues with provision from the government, charities and private enterprise occurring.

The following section outlines the developments in New Zealand's shifts to neoliberal policies and how they affected charities in New Zealand. Regardless of whether New Zealanders believed neoliberalism to be the right thing to do at the time, neoliberal policies have had a significant influence since their introduction in the 1980s. By applying Friedman's conceptualisation of liberalism, it becomes clear that the type of implementation of neoliberalism in New Zealand has not provided the ideal foundation for the free market economy.

Consumer welfare

By the 1980s, the welfare state was in a crisis of legitimacy due to the changing nature and concept of the needs of citizens. These needs were coming to be seen as individualistic, which made the centralised management of provision ineffective. Top down approaches to welfare did not account for the individual nature of the issues facing New Zealanders who were in need of welfare. The pressure on the purse strings of government also contributed to the shift towards a new approach to the welfare system (Belgrave, 2004). The spending on superannuation and the "Think Big" scheme by Muldoon's National party Government, which saw little return for its investment, are just two examples of the spending that reduced the government's capacity to continue to provide universal welfare (King, 2003: 485-486). The global crisis of the 1970s also increased the support for the introduction of neoliberal policies by the Labour-led government² (Ongley, 2013).

The universal approach to welfare was considered to be unmanageable in the long term, in the face of growing unemployment, the rise in the number of those on superannuation and the DPB, as well as the low wages that were offered in the labour market (McClure, 1998). The consumer replaced the family as the focus of social policy and there was a sense that the value of individuals as workers was less pronounced. This led in part to the ability to tolerate the unemployment that increased in the following decades, as well as the poverty (Belgrave, 2004). In this understanding of society, the rights of citizenship, including belonging and participation are replaced with the needs of the consumer and this conception of society and the market is known as neoliberalism (Cheyne et al., 2005).

² The introduction of neoliberal policies by the Left is rare. The situation of the Left introducing neoliberalism in New Zealand, and the ensuing changes and developments of the New Zealand experience of neoliberalism are interesting for their point of difference.

The tools of neoliberalism that helped its influence in New Zealand include; contracts, the concept of “best practice”, performance indicators, audits and benchmarks (Larner, 2003: 511). A lot of these tools have become daily functions for charities. Another aspect that has influenced charities is that of active citizenship. People are expected to help themselves and be self-responsible, however at the same time active citizenship within social policy implies that communities and individuals also undertake a greater duty for social issues (Larner, 2005).

One of many challenges faced in the restructuring of the welfare state was the privilege to claim money from the government in times of hardship. Since the 1898 Old Age Pension was introduced there has been an allowance of assistance provided, based on the precedent set by the pension. Neoliberal reform changed the way that people expected to be assisted in times of need by the government. Expectations, based on taken for granted privileges such as gaining the pension in retirement, were challenged (Belgrave, 2004).

During the 1980s a new emphasis was placed on the relationship of Maori to the state. Through the promotion of biculturalism and the focus on the Treaty of Waitangi, Maori were intended to become self-sufficient and therefore Tino Rangatiratanga was advocated. The differences in outcomes between Maori and non-Maori were acknowledged and the idea of justice was raised. The intention of the introduction of Tino Rangatiratanga was to see it develop alongside neoliberalism and therefore be a way for Maori to move into a better social position (Larner, 2002).

With the ability of men to earn a wage to support their families diminishing in the face of financial crisis and the increased burden on the welfare state and the insecurity of employment, the welfare state in the 1980s and 1990s placed the expectation on mothers, sole or partnered, to gain employment while also caring for their children. This did not always occur as expected due to the risk that the labour market presented. There was no guarantee that the wage earned would be able to provide a suitable standard of living to keep themselves and their family out of poverty nor was there the same stability provided as can be found in the welfare state (Baker, 2001).

Charities were also affected by the restructuring of the welfare state. The relationship with the state was reformulated. It was now necessary for charities to compete for service contracts from the government in order to receive funding. It was a cost saving venture by the government. Yet in experience, the monopoly of government funding was not broken by the contracting of

services, rather, larger organisations with experience and resources were able to secure funding more easily. The public perception of charity returned a situation similar to that of 1885 with charity being seen as under the scope of government. In a similar fashion to the original conception of a strong relationship between the government and the charities, the public's desire to contribute to charity was diminished (Tennant, 2004b).

Mixed economy of welfare

The National-led government was elected in 1990 and proceeded to re-emphasise a mixed economy of welfare with the weight of those in need resting on the shoulders of more than just the government provision of services. The voluntary sector, market and informal networks of family and friends were then also expected to contribute to the wellbeing of those in need (Tennant, 2004a). The relationship between the government and charitable providers became increasingly strained. Charities' resources became stretched and it was difficult for them to provide for all of those in need. It resulted in many charities developing their own eligibility criteria so that they were able to help only those within the scope of defined need. The pressure on charities was increased when the government would pass those in need to charities regardless of whether their need was a part of the role stated in the charity's contract (McClure, 1998).

It is claimed by Tennant (2004a) that during the 1980s and 1990s, feminism helped to develop new approaches in welfare. While neoliberalism introduced a new perspective of welfare that did not account for gender as it had previously done so, there was still the problem that the market economy was more suited to Pakeha women. The large increase in female employment in these two decades was not evenly distributed over ethnicities. Maori and Pacific Island women came to be over-represented in welfare statistics, while Pakeha women were managing to expand into the workforce. This indicates less of a turn away from the earlier model of a wage earners/male breadwinner welfare system for in this, the model was based around Pakeha women in the middle class. The result of this continued difference and the changes in welfare provision meant that the ethnicisation and feminisation and class basis of poverty continued. The weight of the restructuring of the welfare state fell on the shoulders of single, unemployed Maori and Pacific Island women with children (Larner, 2002). Poverty not only became gendered; women's poverty also became unseen (Cheyne et al., 2005).

The difficulty in finding and keeping a job that is both stable and suitable has been a major factor in the increase in those reliant on the welfare state. The full employment that had been a feature of the post war period in New Zealand was contrasted with the loss of production industries and the introduction of competition from global markets, which was a factor of neoliberalism. Post-industrialism saw a shift towards more flexible forms of employment. While the flexibility of these employment opportunities increased so too did their insecurity. Available employment shifted away from manual labour which placed pressure on the lower classes in New Zealand (Ongley, 2013).

There have been signs since the 1930s that universal welfare worked on the notion of a collective social contract in the form of the Social Security Act 1938, The Royal Commission of Social Security 1972 and The Royal Commission on Social Policy 1987. Neoliberal theories critique this section of New Zealand welfare history with the argument that a collective social contract was not giving the responsibilities of citizens any weight, rather it focused on the rights of citizenship. It is through this critique that we can see the transition from the deferred obligation social contract that occurred in the 1930s to the targeted welfare provision in the 1990s. Deferred obligation allowed for the fact that beneficiaries had paid tax at some time in their life or would do after receiving assistance so the state was acting with the assumption that they would be repaid. The targeted approach in the 1990s has changed this relationship insofar that only some people are able to receive assistance and thus those in paid employment are not receiving the benefits of paying tax in this area of social assistance (Higgins, 1999).

With the election of the National-led government in 1990 a new perspective was introduced of the future of the welfare state. While Labour had attempted to restructure welfare in the 1980s, National intended to decentralise the system. Major reforms were announced in 1991, with the Sickness Benefit and the DPB being cut as well as tougher restrictions on when and how people were able to access social assistance. Among reductions in funding and stricter eligibility, the National-led government also increased the rents on state houses. The Employment Contracts Act 1991 moved away from collective bargaining to individual. Unions were worse off for this and their influence was reduced with less membership (Baker, 2001). This reduction took welfare from a universal provider to a safety net (Belgrave, 2004). The intention was that the strict requirements and the sanctions for beneficiaries would encourage and give incentives for self-reliance (Stephens, 1999). It also shifted from a relative poverty definition to absolute poverty

thus diminishing the state's responsibility from a wider to a more narrow range of people (Cheyne et al., 2005).

From the mid-1980s food banks began to operate in New Zealand in response to the lack of extra provision of welfare for unforeseen circumstances. There was often little money left over for food once bills were paid. Food banks in the 1990s were heavily used, especially after the 1991 cut backs. Referrals to these food banks often came from Work and Income New Zealand (WINZ). By 1995, there were 120 food banks open in Auckland alone. There were provisions for the poor to gain emergency funds from the welfare system but it was an inefficient and intrusive process that did little to encourage its use (Cheyne et al., 2005). Large families, sole parents, beneficiaries and Maori and Pacific Islanders were the most frequent users of food banks (McClure, 1998; Stephens, 1999). Organisations such as the Salvation Army saw a significant increase in the need for food parcels in the early 1990s. In the first quarter of 1990 1,226 food parcels were offered while in the same quarter in 1994 almost 15,000 parcels were needed (Stephens, 1999).

The argument for decreased social assistance included the belief that charity would be able to step up and altruistic behaviour would not be squashed as it had supposedly been by the inclusive nature of the state's provision. However, charity is not always able to replace the assistance provided by the welfare state. The history of charity would indicate that there would be a great deal of difficulty for charity to fulfil that role. Without state assistance there is little public interest in donation and without state assistance, there is even less that charity can accomplish. Poverty would increase and the interest of the public would not be enough to prevent further problems (Boston and St John, 1999). Despite New Zealand's high level of donation³ (Charities Aid Foundation, 2014), the small size of New Zealand's population does not mean that public donation of time and money would be significant enough to replace government funding.

In summary, targeted social assistance was introduced to reduce costs, improve the efficiency of the system and to encourage philanthropy and private charity. The intention to use what little funds that were available to help those most in need and to eliminate poverty in the cheapest way possible drove the change to a targeted system. Self-responsibility was a major factor in reimagining the role of the individual in neoliberalism. When individuals were seen to be in need,

³ New Zealand ranked at number five in the World Giving Index 2014.

they were also seen to have failed to look after themselves and were therefore untrustworthy to be in possession of money they had not earned for themselves (Boston and St John, 1999).

There was a debate in New Zealand during the 1990s about the rights of beneficiaries. It was contrasted with the public opinion of dole bludging. Those on the DPB were especially singled out. The outcry lay in the behaviours of the mothers and not in the needs of the children. National developed moral and emotive descriptions of blame, whereby welfare became a derogative term. It was considered that without workforce participation people were not full citizens of New Zealand. Those in need became dependents, emphasising a burden and descriptions of beneficiaries centred on laziness. In 1999, a Labour-led government was elected and attempted to change these negative images (McClure, 2004), although they did not change the welfare state but the discourse that surrounded it.

For neoliberalism the problem of welfare is not poverty but dependency. One solution that is drawn on often is that of reciprocal obligation. In this way those being supported by the government have an obligation to give back (Cheyne et al., 2005). Those receiving a benefit were required through workfare, which was introduced in the 1980s, to calls of interference with the market, to participate in work while receiving their benefit. The Labour-led government, that also introduced neoliberal reforms, established workfare as a way to encourage people to enter the workforce. It was withdrawn but saw a return in the 1990s in an attempt to counteract the supposed lack of incentive of long term beneficiaries to enter the labour market. This is one example of the desire for reciprocal obligation with the potential for sanctions to occur if not followed through (Higgins, 1999). This fits within the idea of neoliberalism as a shift from “rights” to “duty” and from “equality” to “freedom” (O'Brien and Penna, 1998: 104).

The Third Way

The election of the Labour-led government in 1999 marked a turning point for the welfare state. Labour did not continue with the hard line approach of National, rather, it was concerned with the levels of poverty, especially among children, that had arisen in the past decade. Working For Families was introduced and implemented from 2004 onwards. It represents a continuation of emphasis on the need to decrease welfare dependency. However, it is an incentive scheme as opposed to the punitive approaches of the National-led government in the previous decade and demonstrated a shift to Third Way politics (Spies-Butcher et al., 2013).

Following the example of the Blairite Labour government in the UK, Third Way politics were introduced by the fifth Labour government from 1999 in New Zealand. Despite the claim that neoliberalism had ended, the main aspects of neoliberalism, such as the market focus, were continued. The background to Third Way politics was that neoliberalism was still present so it became an approach that is both neoliberal and social democratic (Humpage and Craig, 2008). The Third Way policies were influenced by Anthony Giddens (2001: 7) who was concerned that “markets create insecurities and inequalities that require government intervention and regulation if they are to be controlled or minimized.” The responsibility or role of the state came to be as an enabler, partner and facilitator of productive and successful business (Kelsey, 2002). For the third sector the idea of the partnership has been the most important aspect.

The role of the partnership discourse between the government and voluntary sector has led to criticism. Kelsey (2002) has argued that partnership is used as a way to pacify as opposed to deliver outcomes. For Larner and Butler (2005) the rise of these partnerships is an acknowledgement that top down attempts at addressing social issues are not working as well as if community groups are able to work from the ground up with these social issues. Friedman’s work on liberalism would also critique the use of partnership in a free market, as it creates a relationship that diminishes the value of competition through which the free market can be enhanced.

Labour have also been criticised by academics such as Brian Roper (2008) for the lack of change in inequalities. Despite claims that they intended to reduce the disparities between the rich and poor there was not much evidence of this occurring. By 2004, the inequalities in New Zealand were worse than when neoliberalism was first introduced in 1984 (Poata-Smith, 2008). Despite Labour changing the approach to welfare, the levels of inequality in New Zealand increased. The different approaches to welfare by National-led and Labour-led governments and the effects on levels of inequality in New Zealand would indicate that the issue is one of the context in which these policies are applied. Despite policy changes to the welfare system, the neoliberal context remains consistent in New Zealand. The effect of this on the different approaches to welfare provision demonstrate that the changes to welfare are not improving neoliberalism nor dismantling it and thus the policies are not effecting improvements to inequalities.

Throughout the first decade of the twentieth century, the emphasis on work as means of social recognition was not changed regardless of which party was in government. There was still the

emphasis on beneficiaries finding work. Significantly, the focus of the welfare system shifted to the economic and social wellbeing of New Zealanders rather than their participation in society. The potential for an egalitarian society was diminished with less effectiveness of redistribution and in the shift of focus from how to make society better as a whole and allowing equal forms of citizenship, regardless of social and economic position, towards how individuals can be saved from poverty and maintaining a level of income that will ensure wellbeing (Spies-Butcher et al., 2013).

Since the introduction of Third Way policies by the Labour-led government, both the Labour and National-led governments have introduced policies with the intention to improve the relationship between the government and the voluntary sector. Labour introduced the Statement of Government Intent in 2001, which was replaced after the National-led government was re-elected in 2008 with *Kia Tūhahi*, which was introduced in 2010. These have provided direction to the relationships between the contractor and the third sector organisations (Elliott and Haigh, 2013). Guidelines for the government agencies that purchase contracted services through external sources such as charities have been produced in line with the Statement of Government Intent (see New Zealand Treasury, 2009; Controller and Auditor-General, 2006; Controller and Auditor-General, 2008a; Controller and Auditor-General, 2008b). The New Zealand Productivity Commission (2014) is currently researching how to achieve more effective social services in New Zealand⁴.

Applying Friedman's framework of liberalism to the developments since the Labour-led government introduced Third Way policies indicates that the free market is being subjected to government intervention. In Friedman's conception of classical neoliberalism, intervention in the free market reduces the ability of the market to provide effective outcomes. The New Zealand government's continued intervention in the free market (whether the government be Labour or National-led) indicates that the government is still relied upon for intervention and that responsibility for citizen's welfare remains the government's duty in public opinion. The privilege that developed from the continued reliance on the pension and other forms of social assistance have not allowed the complete decentralisation of bureaucracy in New Zealand.

⁴ With results due after the completion of this thesis.

Conclusion

The New Zealand government's long association with the voluntary sector has been outlined in this chapter. The development from a minor to a significant role in the provision of social services alongside the government services has taken over a hundred years and included the reformulation of the role of the New Zealand government in providing social service assistance.

The shift to neoliberal conceptions did not affect everyone in New Zealand equally. Many became rich or richer from the free market philosophy of neoliberalism while others struggled to make ends meet and relied on charitable organisations to help them survive. The restructuring of the welfare state has therefore reemphasised and reinforced existing patterns of power through distribution of income and welfare benefits.

This chapter has provided the context for this study. By understanding the way that the relationship between the charity and the welfare system has developed we can place my research into a framework of a neoliberal mixed economy of welfare. The challenges that face the government and the third sector through the outcomes of neoliberal policies are important as they are a part of the question of how well social service provision is currently working in New Zealand. In the next chapter I will discuss the contract culture and the implications of contracting funding for charities in New Zealand.

Chapter Three Literature Review

Introduction

In this chapter I explore the local and international literature on the contract culture so as to identify the main themes and issues pertinent to this research. In the first section of this chapter I outline what the contract culture is and what were seen to be the benefits of its introduction. The shift to contract funding provided accountability for the money that charities were receiving but it also allowed the decentralisation of social service provision to occur to an extent. The voices of the clients are intended to be heard through the charity in a way that they haven't been before and the improvements of social cohesion through community responsibility were also believed to be benefits of contract funding through charitable organisations.

Both the charitable organisations and the government departments have had to adapt to contract funding models. In the second section I explore the issues that government agencies face when they contract externally. The minimising of financial, political and service delivery risks to the government makes the procurement of social services through charities appealing to the government. The second section also looks at the contracting guidelines that the government agencies are provided with.

In the third section of this chapter I outline the issues that government contracting has raised in the literature. The autonomy of the charity and the role of the volunteer have had significant changes which are discussed in this section. The shifts from traditional to professional forms of charity are also explored in terms of volunteers and the increase in paid workers.

What is the contract culture?

A contract is a legal agreement that has outputs identified and agreed upon. This agreement entails that the contractor is legally obliged to pay the money and the contracted party is legally obliged to produce the agreed upon outputs (Osborne and Waterston, 1997). The contracts between government and charities can take two different forms. The first is a classical contract whereby the contractual agreements are seen as a transaction between the two parties. Classical contracts are formal compared to relational contracts. Contracts based on the relationship

between the two parties require a level of trust and are believed to be a more flexible way of contracting for those who are on the receiving end of the funding (Boston, 1995).

The introduction of contracts as the main form of government financial assistance to charities (as opposed to grants), and the increasing reliance on charities over government departments as service providers has seen the development of a contract culture. At the same time that the voluntary sector was expected to step up and take the slack of the reduction of the welfare state in many areas, the government also changed their funding protocol for these organisations. Contract funding was introduced with the intention of fitting charity into the market. Those better able to adapt and to promote a business culture, as well as meet the performance outcomes set by the state were able to receive a contract and funding to continue their service provision. It was not just a matter of adjusting to the contract culture but also reorganising the charities to provide for the growing and changing demands of those in need (Crack et al., 2007).

There are five aspects that Perri 6 and Jeremy Kendall (1997) identify as parts of the contract culture. The first is that legal agreements are included in professional relationships. This is not just between the government and the charity, but also between the charity and its workers. Legal agreements see that the existing relationships and future relationships of a financial nature are more specific as to their expectations. Thirdly, the idea that the competition for these financial relationships is increasing, not just in the voluntary sector but also the private and public sectors. The economic and governmental climate in which these relationships are built is unsettled. Together these result in the formalisation of the charities and the professionalisation of the contracted workplace and workforce.

From a governmental perspective the contract culture sees the parting of the delivery of services from policy. The government, who previously delivered the bulk of the social services in New Zealand, became less directly involved in service provision and became the purchasers of services (Tennant, 2007). From an ideal liberal perspective, contracting has been seen as a second best option to full privatisation of the state. Its success is claimed to be that the public services were significantly reduced and therefore costs are also reduced (Perri 6 and Kendall, 1997).

Government contracting sees the two different perspectives of the welfare state come together. Contracting the voluntary sector to provide services encourages community and participation through volunteering. At the same time it also provides services to those in need regardless of

social status, income or other factors (Smith and Lipsky, 1993). There is an argument from the government's perspective for the use of charities as service providers rather than continuing the use of their own resources, or outsourcing to private companies. The argument that is purported in favour of contracting to charities is that it is cost-effective in comparison to services provided by the government and private sector. Not only this, but contracts are also argued to offer more choice to the user, allow flexibility and innovation whilst also encouraging the specialisation of services. This argument includes the aims of improving community and social cohesion (Perri 6, 1997). The voluntary sector has aspects that make it unique and also make it stronger as service providers. The values that they hold that are separate to government, the focus on the community rather than society as a whole and the ability to inspire and create a space for citizen action are all unique but also being challenged within the contract culture (Smith and Lipsky, 1993).

Contracts enter the state sector to accomplish the goals of government. Martin (1995) questioned the impact that contracts have in terms of responsibility. Through the welfare state, the government is responsible for the outcomes of their services, however when government agencies contract through external providers the responsibility for the outcomes of the services is not clear. Martin argues that blame for failures can be shifted away from the politicians. This would reduce the risk to the government agency but does not improve the service. Responsibility and accountability for the services is not deemed to be as important as maintaining a cost-effective service. This issue is somewhat addressed through partnership and the sharing of the risk between both agencies.

Issues with contracting with charity for the government

According to the New Zealand Productivity Commission (2014) the scope of contract obligations range from measures of resources used to measures of the outcomes of the service. The level of reporting and the way in which it is required to be presented differs significantly between the input-based, process-based, output-based, results-based and outcomes-based contracts⁵. Cordery (2012a) argues that the difference in the ways that the government contracts services is based on

⁵ Input-based contracts measure the resources that are used to perform the service. Process-based contracts measure the process that is used to deliver the services. Output-based contracts measure the amount of services that are offered by the contracted organisation. Results-based contracts looks at how the clients are impacted by the service. Outcomes-based contracts are measured on the extent to which the aim of the service is achieved.

their risk aversion. Government agencies face three risk factors in contracting services externally. The first is financial risk in that the organisation they contract through may be fraudulent or may close due to financial incompetence. The second risk to service delivery include the provision of a less than quality level of service. The third risk which government agencies are subject to is political risk which cannot be transferred or shared by the voluntary organisation. The risk is to the reputation of the government agency.

To manage the risks of contracting, the government agencies use process-based procurement as opposed to performance-based procurement. Process-based procurement has higher levels of reporting and conditions with centralised decision making occurring in the government agency about the contracting. In comparison performance-based procurement allows more innovation in the contracting organisation as the risk is shared due to the relational contract.

The differences in the way government agencies procure services are based on their ability to handle the risk and on the high or low risk level of the services they need to purchase. In higher risk situations (such as prisoner rehabilitation), process-based procurement is more appropriate as it reduces the risk of the service, despite reducing the provider's ability to innovate.

Government advice on the issues that government agencies have noted with contracting have resulted in the publishing of several guidelines for contracting to charities. These guidelines provide the government agencies with a model on which they are able to determine how to contract with specific organisations for specific services (see Controller and Auditor-General, 2006; Controller and Auditor-General, 2008a; Controller and Auditor-General, 2008b). Centralised recommendations such as these are also complemented by guidelines for planning, selecting, negotiating, managing, and reviewing contract agreements by the New Zealand Treasury (2009).

Contracts as the issue

The contract culture is not just the culture of the state to outsource services through contracts but it also changes the culture of the charities that receive these contracts. With the introduction of the contract culture the coordination of public money changed and the relations between contractors, volunteers and paid workers also shifted. Charities have had to rethink the way that

they operate to be able to compete in the contract culture and the access to the services also changed for the users.

This section looks at the issues that charities have faced since the introduction of the contract culture in the late 1980s. The formalisation of the role of the volunteer, the ability of the charity to advocate and the pressures that come with contracting to the government were highlighted as issues. Literature that is more contemporary to this study also finds similar concerns from the charities' perspectives. However, the most recent literature also raises issues of the sustainability of charities, their purpose, autonomy and the idea of relationships. This section will outline the shifts in the way that charities view these concerns.

The loss of autonomy, community roots, income, the distortion of goals and the breaking down of the role of management committees and volunteers are all cited as issues that the voluntary sector faces in the contract culture (Perri 6, 1997). These issues were experienced in the 1990s, however there is relevance to the contemporary contract culture in New Zealand. The questions of the charities autonomy, responsibility, advocacy and ability to compete are raised in the local literature on the contract culture. Placing these issues in the context of international literature on the charity in the contract culture provides clarity in certain areas to the issues that were present at the beginning of the contract culture and are still present in the charities in New Zealand.

There has been recent work focusing on the Voluntary Services Organisations (VSOs) and Drop-in-Centres (DICs) in Dunedin (Crack et al., 2007) that considers the effects of the contract culture on service provision abilities between different providers and the limitations that restructuring has placed on the third sector. Since the shift in economic structure in the 1980s, the New Zealand voluntary sector has taken on a wider role as it has filled the gaps in social provision that the government has retreated from and it has introduced new ways of addressing different problems.

The restructuring has created a polarisation of charitable assistance. The large charities that have a more visible public presence have been more likely to receive contracts, especially with the resources and experience that they have. The study conducted in Dunedin found that this was the case for the VSOs and DICs they spent time with. The quality of the service provided was limited in both the large and small organisations. From the client's perspective the larger organisations did not encourage users to return as they were felt to be treated like another number. The

corporatisation of these larger organisations has prevented them from providing empowerment to their clients and especially from having time for people as individuals. The smaller organisations studied were able to provide a social aspect to their service that was preferred by the clients. They were limited in what they were able to do by the funding that they received. With the funding being limited the services were not as widespread nor as comprehensive as the organisers desired.

A consequence of the focus on the outcomes in order to offer accountability is that the focus shifts from the client onto the profitability of ventures and the needs of users are put in second place to the need to retain funding (Crack et al., 2007). While Crack et al. focused on the client's perspectives of the effectiveness of the services, the government perspective on how well they functioned was not described. The size of the charity may have changed the type of contract and reporting that was required of the charity and therefore their effectiveness is measured in different ways. The value that is placed on the charities service is measured in the funding they receive from the government. The value that their clients place on the services provided by the charity are not a part of the consideration of the value of the charity.

David Conradson (2008) described the situation for Faith Based Organisations in New Zealand. They were under the same strain as those detailed in the Dunedin study, however, they were shifting towards a new approach. Rather than providing assistance in times of need they aimed to prevent these times of need from occurring by looking at the cause of these issues. This aim has coincided with the rediscovery of strategy and planning that had diminished in the 1990s.

Conradson also indicates a belief that the traditional role of charity was to critique government policies and to provide alternatives to current social structures. He also believes that this role has significantly diminished in the face of the contract culture. This concern was also raised by Hal Levine (2009) as the competition for funding and contracts has reduced the focus on progressive concepts. If charities exist within and work around a neoliberal structure of funding, does this make them a tool of neoliberalism?

For Barnardos, the restructuring towards a neoliberal economic system in the 1980s has created a challenge for its operation. The shift to the contract culture put pressure on the traditional organisation of the group. With neoliberalism, Barnardos struggled with many restructurings, internal division and the focus on performance. After the 1999 election, in which the Labour-led government replaced the National-led government, the situation for the organisation eased. There

remained the contracts and market focus but there was also a shift to ideas of social cohesion, sustainability and the easing of poverty. Integration has been introduced into the organisation as an alternative to the pressures that a shift to contracts had placed on them. The concern has moved to how the plethora of services can be integrated. It intends for this to allow more efficiency, and to recreate solidarity behind the mission of Barnardos.

Sanders et al. (2008) raised the issue of a power imbalance between the government contractors and the voluntary sector. They identify this as a concern for the government to handle and to manage appropriately. Due to the nature of contracting the aim of equality between the voluntary and government sectors is unrealistic. Another issue that is identified by Sanders et al. is the expected salary in the voluntary sector. It has been estimated that the median base salary of the voluntary sector is 20.8% less than the general market⁶ (Strategic Pay, 2008). This is significant as it raises the problem of the ability of the voluntary organisation to hire staff and to keep staff. This is even more concerning when considering the relatively small size of New Zealand's potential labour market and the staff that are likely to be available and have the skills that are desired for the job. Having an uncompetitive wage gap in the voluntary sector is not beneficial to the recruitment of staff. Finding volunteers would then be a solution to this issue, however, Sanders et al. found that the need for volunteers outweighed the availability of volunteers in many organisations that were involved in their study. Alongside this was a concern that with the development of the professionalised charity, the role of the traditional volunteer would be undermined. This would make it more difficult to keep these volunteers involved.

Wilson et al. (2001) also found that the professional development of the voluntary sector created tensions for volunteers. Some were able to adapt, however those with more traditional roles or more traditional conceptions of charity were struggling to handle this change. The increase in women's participation in the labour market has reduced the traditional availability of female volunteers. While there has been a shift to recruiting paid workers to account for this loss of volunteers, it is evident that the wage gap is significant in attracting the people with the knowledge that is needed. The professional culture of the voluntary sector has come to rely on finding staff who are able to integrate their business knowledge into the charity.

⁶ The median base salary difference between the voluntary and public sector was 17.9% in 2008.

Grey and Sedgwick (2013) conducted research into the ability of non-profit organisations in New Zealand to promote the needs of the local communities to the government. Through a survey of a variety of New Zealand community and voluntary groups, Grey and Sedgwick discovered that many felt that the concerns they raised to the government were not acted upon nor were they encouraged to raise these issues. Some were prohibited from speaking against the government in public through the funding contracts that they signed. According to Grey and Sedgwick, the lack of debate and input from the sector is not surprising considering the frameworks in which they now function. They sit between the community and the government. If the needs of both do not align then there is a difficulty for charities.

As part of the shift to contract funding, charities are involved in contractual arrangements. Delivering set outcomes is what the charities are now intended to achieve. However, the desire to deliver more than these set outcomes would indicate that the charities are not framing themselves as contracted service providers, but rather as organisations who can see ways of providing more than the services they are contracted to provide. They do not have the means to fund these additional services and so frustration with the funder and the system accrues.

The contract culture has led to the questioning of the autonomy of charities. Are they able to provide what they intend to regardless of government intervention or are they forced to take on the government's concerns as their own in order to continue to survive? Grey and Sedgwick conclude that charities have become "convenient conduits for public services" (Grey and Sedgwick, 2013: 56). The contractual relationship with the government means that these charitable organisations are not able to be separated from the government. Institutional and radical advocacy therefore have very different outcomes and priorities. The relationship also means that the charities who are contracted cannot be called NGOs. Contracted not-for-profits would be a more appropriate term for the organisations that have adapted to the contract culture.

The close relationship with government agencies also raises issues of partnership and autonomy. When charities see themselves as being in partnership they are what Cordery (2012b) would describe as a complementary provider to government services. This involves a rhetoric of positive relations and effective communication between the two. Being a complementary provider means that the services are well thought out and have the capability of filling the small but still important gaps in the services provided by government agencies. Referrals between the two would be evident and would ultimately be a part of a comprehensive and well-rounded

provision. Cordery argues that despite the proliferation of the word partnership, the role of charity is still alternative. The contract culture is based on the restructuring of the welfare system. The services that charities provide through contracts are funded by the government and often work in tandem with the services that are offered by the government, however the services that charities provide are services that the government are unlikely to offer. The procurement of contracted services does not require a partnership between the government agency and the charity, however the stress placed on partnership emboldens the idea of complementary service provision.

Since the emphasis was placed on the partnership between community organisations and government in Labour's Third Way policies, the partnership has been encouraged by the government (see Controller and Auditor-General, 2006). According to Elliott and Haigh (2013) the relationship that is fostered between the government agency and the NFP⁷ provides charity with a means to advocate. Through institutionalised advocacy⁸ the issues that concern the charity are able to be voiced.

While the development of the relationship with government can enhance the charities ability to advocate it can also diminish their autonomy. Charities are only able to register through the Charities Service if their main function is to provide a service. If their main function is to advocate then they do not meet the requirements to register and qualify for tax exemptions⁹ (Elliott and Haigh, 2013). When charities rely on government funding the ability of charities to confront government actions and to advocate for their clients is limited by the relationship between the government agencies and the organisation. When charities have to report their outcomes, and this is assessed to ascertain as to whether they have fulfilled the goals set by the government, then it becomes difficult for a charity to critique the source of income. Charities are coming to be considered service agents of the state. (Crack et al., 2007). Their independence and autonomy is easily questioned in a contract culture.

⁷ The Office of Controller and Auditor General use the term NFP. Department of Internal Affairs uses charity.

⁸ As opposed to radical advocacy, institutional advocacy includes only members of the two institutions rather than public democratic processes of advocacy (pp. 163-4)

⁹ Although this has been relaxed slightly in August 2014, with the Supreme Court ruling that if the advocacy can be proven to be of benefit to the public and the charitable purpose for which they advocate is recognised by law then they are able to register. <https://charities.govt.nz/news-and-events/hot-topics/charitable-purpose-and-political-activity/>

Smaller organisations that receive less notice and lower levels of funding provide different services. As they do not have the extensive financial backing they are more focused on giving moral support to their users rather than providing social services. The provision of goods and advocacy is limited but the value instilled in their clients is missing from larger organisations (Crack et al., 2007). The large numbers of small charities receive a less than representative proportion of government funding. The majority goes to larger organisations despite their smaller numbers. There is potential that these smaller charities will not be able to focus on their original objectives when they are tied into the contract culture. They will be forced to take on government objectives. For smaller charities the most detrimental aspect of the contract culture is the administration needed in order to receive the funding. It takes a lot of time to complete and it prevents the continuation of other work (Morris, 2000).

Volunteers are not often mentioned in contracts. This has advantages and disadvantages for the charity. The advantage is that the volunteers they recruit can be anyone. There are no criteria they have to mould their volunteers to fit in order to use them. On the other hand, the lack of mention of volunteers in the contracts diminishes the role of the volunteers and that of the charity. The volunteers are unique to the voluntary sector and the lack of mention in the contracts they receive reduces the value of the sector and more specifically of the volunteer (Batsleer and Paton, 1997). Not having an outline for recruiting volunteers means that charities have to discover for themselves the best way to do this and to find ways to attract the volunteers with the skills that they actually need.

In a recent study on the stresses felt by volunteers in Australia, Holmes and Lockstone-Binney (2014) identify multiple ways in which volunteers' stress is increased. These stressors include role overload and family or work demands competing for their time. Internal stressors can be poor management and disagreements with workmates, which are not unique to the voluntary sector, however the role of the volunteer is formalised in the contract culture. It means that their role now has more expectations placed on it and that their job entails more responsibility (Batsleer and Paton, 1997). They are accountable for their actions as the contract has to be carried out in a certain way and they are using public money. These factors have changed the role of the volunteer. The hours can still be flexible, however as they are accountable they need to be reliable and that means less flexibility of hours and that deters some from the work. The accountability also comes with a level of supervision and volunteers often have specific job

descriptions to apply themselves to. Their performance is monitored by management and they are treated in a very similar way to those workers who are paid.

This has both positive and negative effects on volunteers. It allows the volunteer to feel valued for their role to an extent and also to feel that they are expected to do the same as the paid workers. The line between paid and unpaid work is blurred, which raises the issue of exploitation of the volunteer. If they are doing the same or very similar role as that of a paid worker then they are being exploited for their labour. The role is also less appealing because the voluntary sector is not so distinct from the private and public sectors in the contract culture due to the increased formalisation (Russell and Scott, 1997).

The Australian voluntary sector consists mostly of women, both in those who work to provide the services but also women are more often the ones using the service. Lucy Morris (2013) compares the roles of male and female governance in the voluntary sector in Australia. She associates the corporate and business structure of governance with male dominant organisations. While these structures have been adopted by the voluntary sector in response to the contract culture, Morris questions their viability in a sector that is dominated by women. Female governance, by comparison, is seen to be relational and focused on the client. These factors are important for the delivery of services to the client that the client needs and is comfortable with. The importance of the clients' perspectives is emphasised by Morris as a way to counteract male dominance within the sector and to promote female governance of a significantly feminised space.

The loss of the autonomy of charities is based on the reliance on contract funding through the government. The grants that were available prior to the contract funding model did not have as many requirements attached to the funding. Not having access to considerable sums of money on a consistent basis outside of contracts means that a charity's ability to refuse a contract from the government is null. The reliance on that contract for the charity's survival is significant. For charities to want a contract and receive it is one thing, but to not want to be contracted and to have to be contracted for the service to continue means that the charity's choice and autonomy is removed (Lewis, 1996).

The potential for the advancement of social services has been undermined somewhat as those more likely to receive funding were those that fit with the agenda of the funder and more importantly were not likely to challenge the funder's intentions and philosophies. In this way,

charities have become useful for certain tasks, for which they are funded. Once that usefulness is no longer deemed as such they are easily replaced.

In the final two decades of the twentieth century the number of charities increased significantly in the western world as an outcome of the neoliberal privatisation. Having normally filled the gaps left by government provision, this increase has been seen to have the potential to transform and to promote more equal, participative and maintainable development. This growth on the other hand has been seen as a function of neoliberalism and rather than promoting equality it is argued by some to be promoting a new form of systemic inequality. The potential for the transformative and progressive aspects of charities still remains, however it is tempered by the compromises that have to be made by charities to gain funding in a neoliberal economy (Klees, 1998).

Robert Lupton (2011) questions the modern role of charity through his own experience of the voluntary sector in America. He believes that offering services to people that do not enable them to take care of themselves is detrimental to those they are trying to help. If the people who need charitable assistance come to rely on that aid from the charity then how do they take responsibility for themselves? It only increases the burden on the charity if they do not enable people to take care of themselves. It raises the question of the role of charity in a neoliberal environment, with the inclusion of the pressures of a post-industrial society.

Reliance on contracting also places charities in a situation of vulnerability. The loss of a contract means that the charity has to look for alternative forms of funding. However, to be independent of the government a charity has to raise their own funds and it is a lot more difficult to raise that money than to receive it in contracts. In an emergency, charities are also vulnerable as the best source for funding is through the government. The competition for funds increases as the number of charities increase in response to the needs of the communities. These factors make charities vulnerable. The dependence on government funding also means that charities are affected when the economy is in downturn and there are flow on effects to the communities they serve (Smith and Lipsky, 1993).

Conclusion

In this chapter, I detailed the minor shifts in the concerns that charities have about the contract funding model since the 1990s. This shift is inclusive of Third Way policies and changes in elected governance in New Zealand. Despite these changes, the contract culture remains similar to its original form, so too do the charities' concerns.

These concerns include the challenges to charities' autonomy when they are contracted for a targeted service and the role of the volunteer in a professional environment. Concern expressed in the 1990s about charities becoming agents of the state are still present in contemporary literature, especially in regards to advocacy. Being able to advocate on behalf of clients is a significant issue from the perspective of the charity. However, the lack of flexibility and autonomy, the focus on the survival of the charity and the shifting role of the volunteers in a contract culture are all about the management of risk for the government funders. These issues for the charity have persisted after almost 30 years, through changes from Labour-led to National-led government and back again. The government, regardless of who is leading it, has not removed the contract culture as the preferred method of funding NFPs in New Zealand.

The issues identified about the contract culture are present throughout its almost 30 year history, through successive government changes and policy and ideology shifts. The pressures on volunteers and on the autonomy of the charity are still present in the literature. My research is centred on this issue because the contract culture is a way to manage the risk of social service procurement that government agencies face and therefore contracting is unlikely to change. As the contract culture is not likely to change and the issues that charities face remain after almost 30 years of contracting, there needs to be further research into how charities operate and what needs to change in order to make the contract culture more manageable for the charities and ultimately more beneficial to the clients of these charitable organisations. The importance of the relationship between the government and the third sector also needs further research as this partnership is the basis of New Zealand's mixed economy of welfare. If that relationship is not working then the welfare provision in New Zealand is not improving the inequalities present.

This thesis focuses on the ability of charities to cope in the contract culture in order to establish why charities are just coping and not thriving. These are areas that need further research because knowing how they cope with being in the contract culture will go some way to answering how

the charities see themselves and their role as well as what needs to change for the contract culture and the charity to prosper in a neoliberal environment. In the next chapter I will provide the methodological steps and processes undertaken in order to conduct the research.

Chapter Four Methodology

Introduction

In the previous chapter I explored the background and context of the current contract culture and the relationship between the welfare and voluntary sectors. In this chapter I will demonstrate the steps taken to conduct the data gathering aspect of this research.

The focus of this research is the contract culture and its impact on charities in the greater Christchurch area. The contract culture is the culture of accountability, control and monitoring that charities have to enter into in order to maintain their funding through government contract. This thesis seeks to research the experiences of those working in charities in order to discover the way that the contract culture affects their ability to thrive and their relationship with the government who funds a significant portion of their work. These insights into the experiences of charity workers provides the basis for understanding how people cope with the tensions that the contract culture raises. It is important to understand how people cope with these tensions because it provides insight into the ways that charities conceptualise themselves and how the contract culture effects these self-conceptualisations. From these effects, the role that the contract culture plays and the influence of neoliberalism can be explored in the charities conception and their lack of change in almost 30 years.

The issue of the self-perception of the charities and their view of the contract culture was evident in the interviews. While this research started as a grounded theory-driven thesis the context of the introduction of a contract funding model (as in neoliberalism) required a comparative analytical strategy in order to address the disconnection of the traditional understanding of charity from the role of contracted service provider of the government. I engaged with Friedman to see the ideal form of liberalism that explains what the contract culture was envisaged to be and why the form of the contract culture that charities currently operate in is not the ideal version. Due to the engagement with both grounded theory analytical methods and a comparative analytical strategy this research has produced a mixed methods thesis.

This chapter outlines and explains the constructivist grounded theory that this thesis began with. The framework for the data collection and initial analysis is based on this methodology and these

are detailed in this chapter. This chapter concludes with a description of the charities involved and profiles of the participants.

Methodology

Exploring the experiences of those working in the contract culture relies on an understanding of the construction of individual realities. When approached through the constructivist paradigm the multiple realities that construct the experiences and therefore the data of the project are able to be explored. Through a constructivist approach to this research I have been aware of the multiple realities that construct the experiences of those in the contract culture. A constructivist approach also acknowledges the subjectivity of the researcher. There can be no separation between the researcher and the participant as the experience is passed from one and interpreted by the other. The values of the researcher cannot be separated from the participant's experiences as their own experiences and beliefs shape their reactions to those stories and the subsequent analysis is shaped by these values (Tashakkori and Teddlie, 2009).

Constructivist grounded theory is based on the idea that there are multiple subjective realities existing between the researcher and those being researched. This approach is beneficial as it allows the researcher to use the context of the data to formulate an understanding of the situation rather than generalising conceptually and separately from the data. The interaction between the researcher their participants and the data means that the analysis is not objective rather it is a product of those situations and interactions. The reflexivity of the researcher allows the data to speak for itself while also improving their ability to analyse by including their response to the building of the data (Charmaz, 2011). The use of reflexivity also ensures that the context of the experiences is not excluded from the way that the data is read (Corbin and Strauss, 2008).

The approach that I began this research with was constructivist grounded theory. Grounded theory was introduced by Glaser and Strauss in their *The Discovery of Grounded Theory* (1967) (Wertz and Charmaz, 2011: 56). The new approach to sociological analysis was a reaction against the abstraction of sociology. Grounding the theory in data rather than “extreme empiricism” was Glaser and Strauss’ response to the generalisations that they felt were occurring (Goulding, 1998: 51). However, the two researchers differed in their conceptions of grounded

theory after this initial work as Glaser felt that grounded theory could only be used to discuss the phenomenon that was being researched, while Strauss felt that grounded theory was able to expand further and take the research into its wider context. Glaser remained focused on the original text while Strauss reformulated his approach to grounded theory. In this new approach Strauss began to consider relativity in his ontology (Heath and Cowley, 2004). Relativity provides space within the research process for multiple realities and social meaning-making by reflecting on the researchers own experiences and knowledge that provides wider context and insight. Along this divergent path the constructivist grounded theory has developed as a separate stream to the original positivist approach.

Modern grounded theory that is combined with constructivist epistemology allows more flexibility than traditional grounded theory (Charmaz, 2011) which was restricted to positivist notions of one objective reality as opposed to multiple realities (Mills et al., 2006). For my project, grounded theory has provided the means to explore the experiences of those working in charities within the contract culture. These insights are what have allowed me to get to the centre of understanding how people handle with the pressures of the contract culture.

Inductive data collection means that the researcher can identify the phenomenon and what is known about it but not what the researcher predicts will be found in the data. The researcher needs to set aside the assumptions made about the expected data so as to allow the data to speak for itself (Heath and Cowley, 2004). While it has been indicated that it is important to bracket and set aside the researcher's own assumptions (Starks and Trinidad, 2007), Corbin and Strauss (2008) have argued that it is better to acknowledge these biases and use them to enhance the analytic experience by keeping a journal of responses, thoughts and feelings while conducting interviews and completing analysis.

Considering the methodological approach that I have taken for this project, I followed in the constructivist grounded theory approach to not bracket my presumptions. This decision was a logical outcome of the ontological stance that I took. I was able to manage this issue by using my presumptions to shape the thoughts and responses I detailed in my memos and journal. Using my assumption that charities would be struggling in the contract culture to fulfil their twofold duties, I continually reflected on the data to ascertain the relevance of that assumption to the participant's experiences. The presumptions that I brought to the research were not restrictive nor

were they prescriptive, rather they became a part of the research project in a way that enhanced the reflections on the research.

Data gathering methods

Sample

The population for this study are a mix of volunteers and paid workers in charities in Christchurch, New Zealand. Given this focus, the sample group is theoretically significant rather than a statistically representative sample (see below). I originally chose four charities based on the percentage of income the government funding represents to these organisations (Department of Internal Affairs, 2014). The rationale for this decision was to ensure that the participants would have experience of the contract culture. Those with over 50% of their income originating from government funding have been chosen and this list has been streamlined by including only those with over 50% of volunteers as workers in their organisations. This has allowed for constant comparison across the charities, and between volunteers and paid workers within the charities where appropriate.

My aim was to interview people across four different charities. At least two from each charity, one paid employee and one volunteer would provide insight and different perspectives. When there was more interest from potential participants I increased the number of interviews from two to four from each charity. Of the original four charities only one charity had four participants. The others had one respondent. I used snowballing to find more participants from another four charities. The use of snowballing was valuable as the knowledge of insiders was required to help find people who were interested in the study (Biernacki and Waldorf, 1981).

The number of interviews did not exceed 11. The intention was to reach theoretical saturation which is found at a point where any further collection of data or analysis does not provide new comparisons on a conceptual level (Corbin and Strauss, 2008). While a small number of interviews were conducted, this has not limited the analysis because constant comparison of data allowed me to ascertain the point at which further interviews would not produce more information that would be beneficial to the study.

Recruitment

Recruitment of participants for this project was reliant on the charities' interest in the subject. Before any attempt to find participants was made from the first four charities, each charity was contacted individually to gain permission to advertise in their offices for participants. Remaining charities did not have head offices separate from local offices due to their size. Where this applied I contacted those in charge of the local offices.

Once permission was granted by the University of Canterbury Human Ethics Committee to contact specific charity offices and permission from the charities themselves was granted, I personally delivered my flyer and stamped envelopes to each charity and arranged to pick them up within a week. The flyer contained both information for the participants and my contact details so the charity was able to ask any questions before indicating their interest in participating. The charities were small and the office space was not used as a place to pick up flyers for research purposes. I delivered the flyers and they were handed out at two of the charities I spoke to. Another charity returned the flyers as they would not have enough people who would be able to interview and I spoke to one person from this charity. The fourth of the original charities I spoke to forwarded my email around their network to see if anyone was interested. I received no further interest. One of the charities I spoke to suggested another person who might have been interested in speaking to me. He also provided further names who may have been interested. In this way I contacted a further 5 charities, 4 of whom wished to be involved. Snowballing the research expanded the scope of the participants. It also allowed a wider range of charities to be involved. This was beneficial as the original charities chosen did not produce the expected interest and would have skewed the results in the favour of the one charity that offered four interviews.

Having indicated that they were interested in participating I provided an information sheet via email. The information sheet was provided so the participant could read more detail of the study before making up their mind to participate. Also sent at the same time was the informed consent form so that participants could decide if they agreed with these measures before they made their choice to participate. The first step at every interview was to ask the participant to sign the informed consent form.

Data collection

To collect data for this project I have used semi-structured interviews with people who have acknowledged their interest in discussing their experiences in the contract culture. My approach believes that talking with people about their experiences and understandings of the contract culture is the best way to understand the way that charities cope with the pressures as these are the people who live with the pressures and therefore have to find ways of dealing with them. The multiple perspectives derived from people in different positions (paid or voluntary workers across different charities) also provide a wider context and a further point of comparison (Corbin, 2009). All interviews were conducted with the focus of drawing out the participant's stories (Starks and Trinidad, 2007). Interviews were conducted in local public places, such as the library or local cafes at the convenience of the participants. Interviews took no more than an hour to complete. They were tape recorded, transcribed by the researcher and then the transcription was returned to the interviewees for checking before analysis.

Data analysis methods

The process of data analysis for grounded theory is focused on constant comparison. There is time between interviews so that this comparison can influence the following interview and so on until theoretical saturation is reached. This constant comparison is achieved by beginning the analysis of one interview before conducting the next. This allows the analysis and the reflections in the memos to help shape the following interviews so that the ideas and questions that were raised in the first interview can be further explored.

The process of analysis began by transcribing the interview and having it checked by the participant. I was then able to code using substantive coding of the data. This is a two-step process, the first is to open code all of the data into separate segments and conceptually label them. The second step, selective coding, occurs after several interviews have taken place and is used to find the common themes. Memos were written in response to all interviews and throughout the process of analysis to aid in the reflexivity of the analysis. The same process was followed for the subsequent interviews and comparison of the interviews to each other was

conducted. This comparison and the memos taken during the process were used to enhance each of the remaining interviews (Stern and Porr, 2011).

An important part of grounded theory is reflexivity. The analyses of data involves constant comparisons. For this reason the use of memos throughout is particularly good practice (Charmaz, 2011). This constant comparison makes it clear when there is little new to be found from the analysis of data or from further collection of data. This point is known as theoretical saturation (Corbin and Strauss, 2008). As grounded theory focuses on the data and drawing the theory from the data (Bryant and Charmaz, 2007) it provides a way to explore the situation for charities while also acknowledging that what literature is available is limited at this point in time.

I introduced selective coding after several interviews had been completed to see if there were common issues that could be identified among the participants. In doing this I found that there were issues with the resources available to charities to be able to be responsive to the needs of their communities. Another issue that was present in the selective coding was that it became clear that the role of the volunteer was conceptually different to that of management and I decided to explore how volunteers were recruited and what value was placed on their role in the following interviews.

Once all interviews and substantive coding were complete, I began theoretical coding. Theoretical coding helps to determine patterns among the data (Starks and Trinidad, 2007). The theoretical codes that emerged from the data included coping and balancing (the ways that the charity was handling the pressures associated with the contract culture), contracts and culture (how the original issues identified in the literature review were still included in the charities self-perception), and beyond contracts (the ways that charities were looking beyond contracts to alternative funding and sustainability). Using the sorted data, memos, conceptual categories, labelled codes and the abovementioned theoretical codes, the framework of the grounded theory was developed.

The use of grounded theory was beneficial to explore the idea further as data needed to be opened up to all possibilities. This is because it delves further than the face value of data in that it considers context and meaning, while the memo writing allowed me to further question the validity of my own presumptions. Being aware of my presupposition prior to analysis enabled me to engage with the data and prevented me from ignorantly pursuing an idea that could have

shaped the research in one direction whilst not considering the rest of the data and the concepts that it raised. Allowing the data to speak for itself (Corbin and Strauss, 2008) as is required in grounded theory has allowed me to explore my assumptions but also made it possible for the entirety of the data to be considered.

By using the constant comparative method I have been able to raise topics that have enhanced the interviews and the ability to explore the experiences of the participants in the following interviews and create comparisons. Using the memos and journal, that I wrote as my own response to each interview, during the transcription and coding I was able to find more questions and reflect continuously on the data. Writing memos and creating diagrams about the data throughout the process of analysis has helped to ensure reflexivity and to create a way to ensure that comparison has been conducted throughout all areas of the data (Corbin and Strauss, 2008).

Ethics and ethical issues

Ethical approval for this project was granted by the University of Canterbury Human Ethics Committee. Some issues that were faced preparing and during the interviews were the power relationship between employer and employee. It was challenging to find a way that would allow the employer to be consulted but not be further involved in the selection and recruitment of participants. In order to prevent employees from feeling as though they had to participate for the sake of their employer or that the employer felt that they could encourage people to participate, I spoke to the employer separately to the workers. Employers were approached in order to ask for permission to advertise to their employees. I delivered the flyers and self-addressed envelopes so that the employee could make the decision to participate without pressure to be involved by the employer. This allowed the employees to read and decipher the information I provided without feeling as though their employer's interest equated to pressure to participate. Participants who indicated interest in the project were contacted with further information. If they did not respond I attempted another email to ask about their interest. Three of those who indicated interest did not respond to this second email and thus I made the decision not to pursue them any further.

Another issue that I faced in beginning this project was deciding how best to deal with the confidentiality of the charities involved. The decision was made to provide pseudonyms for the

charities to further protect the participant's confidentiality but also to allow the charities peace of mind in regards to the topics covered. Participants were able to come into the interviews as themselves and not as representatives of their charity. The risk to the charity and the participants was therefore reduced.

Charity profiles

All names provided are pseudonyms.

Charity A

Charity A was one of the larger organisations that participated in the research. Four participants were associated with this charity. This charity was founded before the introduction of the contract culture. It was small and catered to a small community through the provision of counselling services. By the beginning of the 21st century, Charity A was expanding. They had begun to offer food parcels as the community needed them, and the need for the counselling services also experienced growth. Slowly over the preceding years, the charity has gained new contracts that can be provided to those in the community they serve. Over 100 people work at this charity. The majority (83%) are volunteers.

One of the unique aspects of Charity A is their handling of the growth of their organisation. They now have multiple contracts to provide services across a range of different issues in their community. They have not focused on one issue or been limited by their intended clients' needs. It is about the community in general and adapting to the issues they face rather than focusing on one issue across a broader geographical scope. Charity A now contracts with the Ministry of Social Development, the Ministry of Health and the Ministry of Education through sub-departments such as Child, Youth and Family. They operate in a high trust relationship with their long term funders, such as the Ministry of Social Development. A high trust relationship means that the charity does not have to reapply every year for the same contract, they work, instead, in a three year cycle.

Mary

Mary had worked as a paid employee for Charity A for 12 years. She had previously worked in her chosen profession on the other side of Christchurch. When she moved, by chance she heard of the job at Charity A being advertised and applied as it was closer to her new home. She enjoys the work and had recently been promoted. This comes with new responsibilities such as ensuring that documentation is correct for reporting on the outputs of the contract.

In the interview Mary raised issues around pay and resources. In the years she has worked there, she has received approximately three pay rises. These rises do little to account for inflation. Her concerns around the resources that are offered to the charity centred on the volunteers and their training. A lot of the work to provide volunteers with training and a professional environment to work in was based on the pro bono work of those already involved in the organisation.

John

John is a member of the Board of Trustees for Charity A. He has been involved in this charity and others in this capacity for seven years. For a brief period before the appointment of the current manager, John stood in as manager. His connections to local government and other businesses and charities have been valuable to Charity A. The role on the Board was voluntary and John also had another job.

Owen

Owen had been involved in this charity for two years at the time that we spoke. He was also a Board member. He had been involved in the not-for-profit sector in Australia before coming to New Zealand. He gained experience through this and maintained a passion for helping the community. He worked full time elsewhere and his work for the charity was voluntary on top of family and work commitments.

Owen's role on the Board encompassed the marketing and fundraising aspects of the charity. He was working in a team, looking for ways to expand their funding and to promote the charity in the community. His involvement with the contracts was limited. He had an understanding of the contracts and what they were aimed at, however, the particulars were not so clear.

Anne

Anne was the manager of the organisation. She has tertiary education and had spent time working in the public sector. In that role she was also a manager but had found it somewhat unrewarding. Moving to the community that this charity operates in meant that the role, while offering less financial reward was more convenient and satisfying. She had worked at Charity A for three and a half years when we spoke.

The differences between local government and the voluntary sector were mainly in the resources available to the charity. It was also in dealing with a voluntary workforce and the balance between professionalism and a community feel. Like the other members of this charity I spoke to she could see the continued need for the charity in her community and all held the intention that they would be able to continue by holding different contracts.

Charity B

Charity B is the oldest of the 8 charities involved in this study. It was established in the late 19th century. Until recently, Charity B was overseen by a national provider with local departments in most major cities of New Zealand. Through the national provider, the local entities were subsidised. Charity B has been funded by the Ministry of Justice, Corrections Department (through various name changes) since the 1950s.

There were issues of communication and aims between the national provider and the Ministry in 2013 and the Ministry decided to no longer fund through the national provider but through the local entities. Charity B is one of these local entities. Rather than providing a contract the same as the Ministry would provide to the other local entities, Charity B was offered two grants. One for setting up their office again and the second for providing the service.

Dean

Dean had been involved in the charity for 22 years. At the time that we spoke, he was the manager of Charity B but had previously also been involved in the management of the national provider. He was looking at stepping down from the position. When we spoke he was working on a succession plan.

He started with Charity B as his wife was involved. She continued to be involved but had also been involved in the development of a new charity that was deliberately independent of government funding so they could advocate.

Charity C

Charity C was one of the newest charities to participate. It provided a service to other charities for a reduced cost that was based on the charity's income. This charity had connections to different tertiary institutes both for support and knowledge, and for volunteers. Charity C receives no government contract and this is an informed decision on the part of the founder.

Mark

This was the second charity that Mark had founded. The previous charity he started was based on his personal experience in his family life. Charity C grew out of a need for assistance that was not available specifically for charities. His desire was to help other charities whilst increasing the knowledge within the sector and the skills of young people who may join the sector at some point. This specific knowledge of the sector is not on offer in tertiary institutes. He is the founder but he is also the main provider of the service. This role is out of a desire to work in the voluntary sector where there is no drive for profits and this is why he earns his living in the sector.

Charity D

Charity D was seven years old at the time of the interview. It was founded with the aim of helping a specific social group in Christchurch. The charity did not have a contract at the time of the interview although they were looking for funds from different areas. It received a small government grant to help pay for office supplies. There had been a contract in the past but it was linked with the earthquake relief and thus not long term. It was a year-long contract for the charity to reach and assist their target population with issues after the earthquakes.

Ryan

Ryan founded this charity after his personal experience made him realise there was a gap in the current social provision. He was not offered support and thus felt that through his experience he would be able to help others who were in a similar situation.

Charity E

Charity E has been operating for 30 years. It offers a specific service and its clients are often referred to them by their local WINZ office. They work closely with their WINZ counterparts to secure the best for their clients. Their services are tied closely together.

They are also in a high trust relationship with triennial contracts through the Ministry of Social Development. It is involved in a national accreditation system that provides training for their volunteers and a standard level of service.

Audrey

Audrey has worked there for 3 years. She is the manager currently but was and continues to be involved in the Board as well. She has a history in government work but having retired early the work through the charity is rewarding.

Charity F

Charity F is a nationwide provider of health assistance. It is funded through the Ministry of Health and intervenes in an issue, which could be termed both social and health. There are outlets all across New Zealand where people can access their services. The offices are situated in Christchurch.

Charity F has a high trust relationship and thus has a triennial contract. The funding has been consistent for them.

Samuel

Samuel had worked with this charity for some time. He began as a volunteer on the front line, offering the service. He moved up into the office and was since offered the job of manager of the nationwide operation.

Charity G

Charity G has been established since the late 1990s. Throughout it has held Ministry of Health contracts because its focus is in this area. It has expanded from being a community service with

one person offering help to a South Island wide service that offers education and support. Two centres operate out of Otago and Christchurch, with an office in Christchurch as well.

The volunteers often have personal experience of the health issue and are thus able to offer personal assistance and experience to those they help. This is preferred by Charity G as it allows them to keep the number of volunteers at a manageable number.

Charity G was also facing the loss of their contract as another charity in the North Island was offering clinical assistance rather than educational assistance.

Adrian

Adrian did not intend to stop offering the service even without the contract. Adrian is the founder of the charity and he started out by himself and has no problem with doing that again. He hoped that he would not have to find alternative work. As well as being the founder he is also the manager. This role has developed over the years.

Charity H

Charity H also worked closely with WINZ and held a contract with the Ministry of Social Development. Recently they have run into issues with finances and at the time of the interviews were offered the services of someone to aid them with the appropriate structures to manage contracts.

Elena

Elena is both a paid worker and a volunteer. She has an administrative role in the office that is part time and paid for a few hours a week. The voluntary role is also part time but it is on the front line helping their clients. She is also tertiary educated.

Her motivation was that she had experience of being in a similar position as her clients and that she wanted to continue to give something back to her community.

Conclusion

This chapter has detailed the way that the study was conducted. The sample of the charities was chosen for having over 50% of their funding received from the government. The snowballing of further interviews was beneficial in reaching theoretical saturation.

The methodology for the thesis began as constructivist grounded theory. This framed the semi-structured interviews with 11 participants across 8 charities in the greater Christchurch area. The coding of the data was also framed through this analytical method. On reflection of the findings the analysis of this research needed to address the disconnection between the understanding of the role of charities as contracted service providers and the way that charities viewed themselves in relation to the government funders. As a result of this contextual issue, this thesis required a comparative analytical strategy in order to engage with Friedman's conception of liberalism, which has been combined to make this thesis mixed methods research.

The charities that were involved in this study have also been outlined in this chapter. The history and details of these charities and individuals provides the context for the findings and analysis chapters where the perspectives of the charities are explored in depth.

Through the interviews I spoke to managers, volunteers, paid workers, board members, CEOs and founders across eight different charities. Many held dual roles within the organisation, for example, two of the participants identified times when they were both paid and unpaid depending on the role needed that day. Many had not started in the voluntary sector and had moved to it from the private or public sectors, from which they brought a range of skills that could cross over. The majority that I spoke to were educated at a tertiary level.

The youngest of the charities were under a decade old and the oldest was over a century old. The different relationships and responses to government were interesting between these charities. The age of the charity was not a sign of better ability to cope despite the longer term relationship with the government (this is based on the expectation of the relationship with the government and on the belief that the charity is automatically deserving of funding based on their long existence).

Of the charities that I spoke to one had chosen to be independent of government contracts and relied on a user pay model and voluntary labour. Another was looking to secure their first long term contract (having held a contract after the earthquake but this was short term). One was

facing the loss of a contract and the majority that I spoke to were in high trust relationships, which meant that their contracts were triennial.

The range of charities and individuals who participated in this research are a small snapshot of what charities around New Zealand look like. The ways that they are formed, how they have survived, their long or shorter histories of service and the structure and strategies used to cope vary greatly, however the level of and expectation of professionalism was a part of their awareness of the role of the charity. Ministries of Health, Social Development, Justice and Education contract to these charities. This is not the only source of funding. Some provide user pay models of services. Other apply for local grants from lotteries, gaming collections and local businesses where available.

The following chapter will explore the findings of these interviews. Some aspects of the theoretical codes will be explored that are relevant to the analysis in the final chapter.

Chapter Five Findings

Introduction

In the previous chapter I detailed the way that data gathering was conducted. In this chapter I will provide insight from participants and relate it to the contract culture. This thesis is examining firstly the contract culture, secondly the pressures it encompasses and thirdly the coping strategies developed by local charities including the impact of these pressures and coping strategies on the ability of the charities to provide services and advocacy. This chapter will explore the findings of the eleven interviews I conducted with members of the voluntary sector. These findings are the result of theoretical coding using constructivist grounded theory. This chapter will provide a basis for the analysis chapter. The results presented in this chapter have been limited to only those issues relevant to the analysis.

The first section looks at the tensions that the participants identified as being a concern for their organisations and futures. The main issues and tensions that arose out of the coding of the data were the ability of the charity to attract the right people to work for them, the relationship with the government, and the autonomy of the charity.

The second section examines the ways that the charities are dealing with the tensions of the contract culture. Through the separation of the different roles and aspects of the charity, the aim is to reduce the pressure on individuals within the charity and the charity as a whole. The professionalisation of the workforce and the formalisation of roles enhances the ability of the charity to cope in the contract culture. The experiences of the participants with the professionalisation of their roles is explored.

The ways in which the charities are looking beyond contracts is detailed in the third section of this chapter. Due to the frustration with the prescriptive nature of the contracts the charities are looking at ways of developing alternative funding. This funding is to pay for the associated costs of running contracts that are not included in the contracts, such as administration. Alternative funding is also discussed as a way of producing separate or complementary services to those they already offer as they acknowledge the gaps in community provision that they are privy to in the mixed economy of welfare.

Tensions

The role of advocacy, autonomy and relationships

Dean - The Corrections contracts specify, I mean you can go in and talk to people, whether that makes a difference I don't know but you can't speak out, this is the difference, you can't speak out.

Adrian -we also get a feedback loop into and hopefully into informing policy a little bit by being able to inform policy makers about what's happening on the ground. Because they are interested in hearing this stuff.

Dean and Adrian provide two different experiences of advocacy in the contract culture. They contract through different government agencies and they have different reporting levels. The relationship between their charities and the government agency they work with is emphasised in their ability to advocate. Their perspectives outline the issues that were raised in the literature review which are that the charity is not able to speak publicly when they are contracted and thus must rely on the relationship with the government agency in order to be heard.

The difference between the two experiences demonstrates the institutional and radical advocacy described by (Elliott and Haigh, 2013). The desire for radical advocacy that Dean voices is not in line with the type of advocacy that the government would expect in high trust relationships (ibid). The guidelines for contracting with the NFP sector would indicate that government agencies are expected to encourage relationships with the organisation. If the relationship is not strong with the government department then the charities' advocacy and autonomy is diminished.

None of the charities that I spoke to had advocacy as their main role. The focus of all eight charities was the services they provided. Despite this, there was a concern that government needed to know about the people and communities that they served and the issues that they felt were affecting them. The charities that were able to use their relationship with their funder to provide this information were more successful in getting their voice heard. Charities that did not have this relationship, but remained contracted, could not advocate through either institutional or radical advocacy avenues. The frustration that Dean shows at not being able to speak out is an indication of the belief in the role of charity as including advocacy whether it be radical or institutionalised.

Adrian's experiences of institutionalised advocacy emphasise the reliance on, and benefits of having a strong relationship with the government agency that funds the charity. John, Samuel and Audrey discussed the implications and required effort that their charities needed to put into the contracts they received:

John - um so essentially when it comes time to renew a contract time to we apply, of course, as you do, you have to you have to provide the um in your application of course you've got to meet the requirements for the tenders so you've got to explain how you're going to deliver the contract against the deliverables that the organisation's ask for.

Samuel - So generally speaking we have a three year cycle ah so that um it by ah within a year, so by year two moving into year three, the introductory emails will be done to establish a contract negotiation 6 months from the end of the contract so once that occurs we ah start putting in budgets and negotiate on what our strategic plan might look like for the next three years, how those annual plans and outcomes will be or how the outputs will relate to that strategic plan and why, what sort of money we need, so we cost that up and get that from the ministry.

Audrey - We have just completed negotiations with Child, Youth and Family for a, 3 year contract, based on a unit cost that we negotiated for the number of clients that we deal with, so basically we are quite happy with what we have with a 3 year contract.

As John, Samuel and Audrey indicate, the process of applying for and renewing contracts requires a lot of communication of information between the charity and the government agency they work with. A lot of the focus of negotiation is on the outcomes that the charity will be able to deliver and how they will achieve it. Four of the charities I spoke to were in a high trust relationship which makes the contract triennial instead of annual. They were still required to do some reporting throughout but they do not have to apply every year for the same funding.

High trust relationships place a lot of value on the communication between the charities and the government agencies. The relationship that is developed with the funder means that the charity has a channel through which they can advocate. It also means that they have more of a secure financial situation.

Another tension associated with advocacy, which was identified in the interviews, was the adaption of the purpose of the organisation in order to maintain the funding. As Mark suggests:

I think the big thing about accepting government grants too is that they tend to be quite large you know so a significant amount of money. They are very often the only source of funding for these organisations to get government funding and they become almost an extended arm of the government you know so they're kind of, almost lose their identity for which they were created you know what I mean so they might have started out with a certain purpose in mind and this government grant came along and they put their own outcomes on it which are maybe not necessarily the ones that you want to achieve right so there's a real danger there that the purpose gets sort of diverted into pleasing the contractor sort of thing or whoever you contract with and no longer working towards achieving your other goals or maybe your main goals.

The reliance on government funding does make it difficult to separate out what factors are government aims and what are those of the charity. When the charity has a very specific motivation for operation the tension with funding prescriptions can be amplified. If the charity has less of a fixed purpose then they are able to provide services that are more flexible.

The tension between the purposes of the charity and the government are also seen when policy changes. When charities are providing a service that policy does not support then they are not in line with government aims for the spending of that money. So the expectations within the contract change and the charity must adapt. It does not mean that all the services they perform will continue or that they are now irrelevant but it means that the charity has to re-evaluate its purpose and how well that contract sits within that conception. It's not just a matter of providing the service, it is also a matter of whether they agree that that service will be the most beneficial approach to the issue for the community. The government provides the funding for the services regardless of who offers the services.

Dean - they did what they were obviously wanting to do for a while and have much more targeted services which they have done by contracting out to a range of agencies with very specific contracts, very specific ones.

The targeting of the contracts allows the government to get the outcomes they desire. When there is competition for contracts the charity has to transition into the government aims in order to be able to receive funding and to continue to operate. If they were to remain

entrenched in an inflexible purpose of operation then another charity would be able to take over the contract and do it the way that the government agency desires them to do it and the charity that stuck to its ideals would lose a funder. Without government contracts, there are alternative forms of funding available, the issue with this funding is that it is smaller, less consistent and remains difficult to access.

The charities cannot speak publicly about the issues for fear of losing the contract and they have to be careful about how they handle the relationship with the government agencies as that can also affect the contract. The participants were assured of their own and their charity's anonymity in the interviews and for that reason they were comfortable to share although they still, at times, were careful about what they said in regards to the relationship.

Volunteers

The role of the volunteers is very flexible and this is one thing that attracts people to the sector other than the satisfaction of the work. Even for the paid workers the flexibility of the sector was seen as a positive and helped encourage them to take on their role. As volunteers they have other commitments. For some it was home and family life as well as commitments to other charities and to their day job. Others were able to commit fully to the charity. So the charitable work can be done at a time that suits individuals but there are also various roles within the charity that allow for different levels of commitment. A board member, for instance, is not required to be there during standard office hours but is expected to meet with the other members of the board regularly.

For the volunteers it seems to be a balancing act between flexibility and commitment within the sector. They are committing to providing a service or a role within the organisation and if they are not able to do that then the responsibility falls on the charity as they are accountable for the service through the contracts. So the charity has to expect a level of professionalism from the volunteers. They interview them and some run police checks on people who want to be involved. However, as Audrey indicates the charity has to consider the costs and benefits of volunteers:

Because we've still got to train them it costs too much to keep them for the service we get out of them.

The level of commitment from the volunteer is important. The charity has to know that the training they give to the volunteer will be worth their effort and money. For them to be

willing to offer the training to someone they need to be sure that they will follow through and finish that training. If they were to complete the training and then leave, the charity would be out of pocket so they have to be very careful and very professional about how they advertise, interview and choose volunteers to join them. The risk to their integrity, financially and professionally is too high for them not to be careful.

Some do not go through the process of advertising and interviewing because they are able to find volunteers through their service. For some it is pointless in having volunteers who do not have first-hand experience of the issue as they will not know what is needed nor will they be able to provide the appropriate support. Clients often step up in this situation when they see that there is a space for them to give something back to the charity that has helped them in a time of need. When the service is small this works quite effectively. If the service were to grow it would become more difficult to find the volunteers with the specific experiences and so the growth of the organisation would separate the functions of service and management as it is not necessary for the management or the skilled workers (those looking after the accounts) to have knowledge or experience of the issue. Whereas those on the frontline who are delivering the service are less likely to be paid but are able to provide a quality service because of their understanding of the needs.

Obviously this growth doesn't work for all the charities. Some of the skills on the frontline require training. The people with these sorts of skills are paid through the contracts which does allow the opportunity for the charity to entice people to join their workforce. Getting people with these skills and experience to volunteer their time is incredibly difficult as they have the opportunity to earn a higher wage in other sectors. These skills are the sort that if they were not trained the situation would be hazardous or they would be completely out of their depth without that accreditation to their name. If there is an issue with clients and the charity has not done everything to ensure everyone's safety then the charity is accountable and that would cause tensions with their funders if they are aware that the service they are funding is not being provided to a quality standard. So for the sake of maintaining funding they need to ensure that they have the correct recruiting processes in place. They need to know what skills are necessary for the role and if their candidate does not have all of the skills they have to evaluate whether the cost of training that individual is going to pay off with the commitment that they make to the work. If the individual turns up with all the right skills then they are the most cost effective option for the charity to take.

Adrian - So we don't recruit a lot of volunteers because then we'd need a volunteer coordinator and to manage those people, I mean because volunteers are just paid staff it's the same thing so there's a lot of work involved in that too so we're more about involving people that really want to be involved with the organisation for one reason or another, they've got some passion, they've got some motivation. We don't just take on volunteers for the sake of them contributing their time. It's more about them minding the Kaupapa of the organisation too. So we don't have a lot of volunteers.

As Adrian indicates with high numbers of volunteers comes high levels of coordination. This creates another job within the organisation. A job that is potentially required to be paid. The more growth of the organisation, the more they need to be aware of the capacity of the organisation as there is risk in recruiting more volunteers, if they are not going to be able to manage them in terms of the skills needed to handle that increase in the organisation and the finances needed to pay for those skills. It can also draw away from the aims of the charity and for this organisation the decision was made to keep the number of volunteers at a level that is manageable within their current capacity and to make sure that they do not take away from the culture of the charity. This is a way of managing the professionalism of the contract culture. Keeping the workforce smaller allows them to manage their capacity and to maintain their community feel.

One of the issues that Elena identified was that the Board members are also volunteers and asking for more of their time was not something she felt comfortable with:

When you have a committee you have volunteers that are part of the committee so you are relying on their time and their good will so you can't be saying oh you've got to do this and expecting more of their time and more of their mental resources to get things together.

Volunteers also make up the Board or Committee that oversees the running of the charity. They are volunteering their time and expertise and have made a commitment to the charity. As expressed in the above quote there is some caution about expecting more from them, about asking too much of them and turning them away. The management committees have people from the community with knowledge and networks that are valuable to the charity. It's a separation from the management within the charity and those who are on the front line.

Expectations and realities

John - well once we've signed the contract our expectation is that the contractor meets their side of the bargain. They meet the payments that are required to be able to deliver the contract um and also that we are able to set up an ongoing working relationship so that we have people that we can open up a relationship with so that . . . there are no surprises on the other side

John outlined what he expected the government agency to provide to them in regards to their contract. The expectations placed on the contractor by the charity are rather straight forward. They want open communication and consistency in the funding. This allows them to plan ahead and to know where they need to be using their resources. The relationship with the contractor is also valuable to the charity as it ensures that the government agency will be knowledgeable of their specific situation and community, as well as being clear about the future of their funding.

The charity also desires to have clarity within their relationship with the contractor as well. They need this for their stability and for their future planning. If they do not know what will happen with the contract the next time they have to apply it can be quite stressful. Maintaining a positive relationship with the contractor means that they will find out sooner what the ministry is planning and how it will affect them. If they didn't have this information then there is increased stress for them that the contract may be lost. The uncertainty of that situation is not the kind of position they want to be in when they are trying to run the charity like a business.

John - In other words can you meet the timetable, what staff can you apply to it, what sorts of reporting are you going to be undertaking to show that you're meeting the requirements that you have, do you have the infrastructure to be able to deliver it, you know things like financial support, HR support, managerial support all those things

John also indicated that the expectations for the charity are more extensive. The above requirements are needed to be able to apply for a contract. The charity really needs to be aware of their capacity, skills and purpose to be able to enter into a contract agreement. It takes a level of experience and knowledge, that is specific, to be able to report on the financial situation of the charity. As Adrian notes the contractor also expects that the charity has the proof that they are able to operate and that the contract will be fulfilled:

It did start small but of course we had to prove our worth

If there is not an adequate structure within the charity then it is very difficult to be able to handle a contract so the contractor needs to know that the charity is worth funding. The level of required structure and preparation for the contracts is significant, especially for smaller charities with less experience in the contract culture.

The idea that they have to prove themselves to the government agency is interesting. If they are not able to get access to funding straight off then they are having to find the business skills from somewhere else. They are not receiving any sort of training in conjunction with their contract so they have to have that business acumen before they get a contract. If there were a service that was needed in a community and there was a contract available the group that had previous experience with contracts is more likely to receive it regardless of whether the other group has the appropriate contacts or have a better approach to it. This provides a small insight into how they fund as the focus on the structures and planning rather than the actual role of the charity and its services means that the contract culture's focus on accountability overtakes the evaluation of the relevance of the service.

Ryan - I think sometimes I find pressure with funding arrangements it gets too, um, sometimes funders they get a bit overbearing I think they um, I think you want an arrangement that is a bit flexible that suits the reality of operating

Ryan noted that the contractor often expects that the charity provides a service but the reality of operating is not always able to stay within the confines of a structured contract funding model. John also questioned the reality and expectations of operation:

Um, yea pretty much, I mean one of the difficulties at times has been when the contractors um you know when you acquire a contract and your first payment is six months down the line so in other words your organisation has basically got to carry the cost of that contract for that first however period of time it is. Six months might be a bit long, three months might be more usual. Increasingly, because you know, you've got a lot of overheads to meet so you've got wages to meet, office accommodation and you've got you know all of those sort of admin issues that you've got to cover off.

The expectation that the charity provide a service before they receive the entirety of the resources they need to be able to do it would indicate that the charity and the contractor have different expectations. From a charity's perspective the reality of the services is not

understood by the contractor. This limits the ability of the charity to provide their services because they have added pressure of the expectation to provide without having the financial support to be able to do it. There is little room for flexibility with the funding they receive and yet there is a contract offered without the first payment available to them. The increased pressure to find the funding from an already stretched budget is a heavy expectation to place on these organisations who are unlikely to have the means to make a profit or carry a surplus to be able to cover these unforeseen costs. If they were aware months before that they would have to carry the cost of the service for a certain amount of time they may be able to plan ahead effectively to be able to handle that. This situation lends itself to the question of what the government agencies are expecting of them and whether it is too large an expectation.

Dean - Um well it's a complex sort of problem here ah in the sense that there have been triennial contracts um and each time the contracts have altered from 1990s onwards

Another factor that can cause pressure within the charity is the uncertainty of the contract itself. As Dean indicated, Charity B's contract changed every three years. The requirements and the expectations placed on the charity were changed and that takes reassessment and restructuring on the part of the charity to be able to deal with and facilitate these new expectations. In this way the contracts themselves are a cause for pressure for the charity when it increases the uncertainty of those operating the service.

The expectations of the contractor on the charity create a tension with the contractor. For those who are facilitating and delivering the service the requirements of the contractor are secondary to their desire to help so to have the contractor so present in the operation of the charity is frustrating for them. On the other hand, they cannot provide the services without the funding so they do meet the requirements despite feeling as though they need a bit of space to be able to function.

The financial issues that charities face are not helped by the level of experience needed to be able to understand the management of the charities' finances. Mark voiced his concern about the future of the sector in regards to their finances:

Not understanding the financial statements that are being produced at the end of the year right, a lot of them can't understand how you can make a profit even though your bank balance went down or vice versa. So even though this is the more correct way of not only representing it but of knowing where you stand, so the understanding is not there, so often community organisations run into trouble though the signs were there for many years in the

financial statements but they weren't able to understand. So I would say that's the next big issue to be able to understand what's being put in front of them and know where they stand financially.

It is incredibly difficult for charities to be able to survive without some financial knowledge. If they don't understand what is happening with the accounts then they can't compete for contracts nor can they plan ahead. As so many of their services are reliant on having the funds available, if they don't understand what their goal is with the accounts whether it be to run a surplus or break even, they won't be able to use the money accordingly and they will run into problems with doing this. As mentioned in the above quote, it is difficult for them to see the signs of trouble if they don't understand the accounts and if they don't know they are in trouble then they can't change the way they are doing things.

Understanding of the financial statements has become a major factor in running charitable organisations. It is important for those who are making decisions about the future of the charity to be able to interpret these statements so that they can make informed decisions. However, finding the people to be able to understand these statements means that a certain amount of business and financial knowledge is needed. Here we see another aspect of the contract culture at play. The skills have increased to be able to run a charity and the professionalised application of those skills ensures that the doors stay open and that they don't have any unforeseen issues.

The coping strategies within the contract culture

Motivation and support

Ryan - it was a testing time because it proved to me once again why I do what I do, and I have affirmed for myself that no I am doing it for a reward but it's more that there should be always that intrinsic reward of helping even though do need to deal with the external pressures that come with funding with contracting and chasing after that but we must always have our goals.

For Ryan the time without contracts was an opportunity to reassess. By returning to his goals and the main altruistic focus of the charity he was able to maintain his motivation to stay in the non-profit sector. Having that goal at the forefront of their operation was one of the

strongest coping strategies that the charities I spoke to used. The motivation to continue to offer services that are beneficial to the communities in which they work is demonstrated by Adrian. As he was facing the loss of the contract funding, on which the charity relied to operate, he was considering ways to reduce the service but not close the service down completely:

We may have to downsize, to maybe become a one-man show again, because that's what I was for quite a while, just one person working through the whole of the South Island.

For Adrian coping with the pressures of the loss of government funding encompassed looking at the capacity of the charity. The motivation remained to provide the service regardless of what scale it had to be offered on. The issues of funding consistency were a hindrance to their goals but it was not able to remove their motivation to provide the services.

To be able to maintain that motivation and to ensure that the workers aren't overwhelmed by the stress of the tensions identified in the previous section, the majority of the charities I spoke to provided support in some form, whether it be through mentoring or training. One of the most structured support systems was described by Charity A.

Mary - Everybody here has an external supervisor which means they can go and talk to somebody outside once a month about their work and their relationship to their work.

Mary identified the need for this support for the workers on the front line and those in management as well. Both internal and external support was offered through their networks and was included in the role of many of the management staff. They have guidance and they have systems in place so they know who to go to if they have issues with their work. The management have to be aware of the demands on their workers and be careful that they don't overdo it. A lot of the roles within charities can be emotionally demanding and for them to have someone to speak to and lean on is important. This is especially the case in high risk situations.

There are networks that charities can draw on for support and advice which can provide experience and expertise. These are mostly internal, through people on their Boards or other positions within the charity but also some are external, coming from other charities or through other positions within the community and the sector. There are also support networks for the professional side of the business. When they need legal or financial help for the charity they are able to use their networks to get informed advice as well. There are support networks to

draw on and this is a part of their ability to cope with the contract culture. Without these support networks the ability of the charities to be able to handle the contract expectations would be diminished. If their workers are over extended then the pressures add up. Without support structures and an awareness of the demands on the workers, the charity risks the loss of workers. The training and time that is invested in the workers, whether they be paid or voluntary, means that the charity has to manage the stress of their workers in order to make the most of their investment.

Culture

To install a support network for the workers, the charities that I spoke to had to address the culture of the organisation. For Dean the age of Charity B made it difficult to adjust to the contract culture:

We have had a difficulty in reconciling um long standing culture with the contract culture.

The tension between the 'long standing culture' and the contract culture is played out in the autonomy of the charities and their ability to adhere to their goals. Charities that operated before the introduction of the contract culture have had to adapt to the integration of the focus on government outcomes or outputs through the contracts they receive. This is not always in line with the way that the front line workers want to provide the service or how they view the goals of the charity. The shift in the culture of the organisation to a professional contractor can put strain on the altruistic culture of the charity.

Successful adaptations to the culture of the charity include the balancing of the expectations of the front line workers, the management and the funding obligations. Providing professionalism while also providing the goals and motivation for people to want to offer the service means that for the charities to cope they need to be looking at the way that their culture works. That change to a more professional culture comes from the top down in the charity. It comes through the need to provide quality reporting processes. Front line workers are more distanced from the contracting processes than management, especially in larger organisations. As many of the front line workers are volunteers, creating a culture that encompasses the different types of commitments people make to the charity can be difficult.

The awareness of the value of the culture of the charity was present in the charities I spoke to. Anne spoke of the development to a wider culture within Charity A which provides a range of services:

So other than that I think having building our culture a bit because we've come from a history where each of the services were just their own identity they weren't pulled together by a manager, it was just little community groups together under one umbrella, um so we're trying to build a culture here of, you know, professionalism, positive working and just that kind of strength based stuff. That's a job in itself as well, getting people to work together. You think it would be easy but it's not always sometimes. We're getting there though.

Anne highlights that these charitable organisations are built on individuals and that despite the best intentions it can be difficult to maintain a cohesive environment. The use of the culture to cope with the pressures of the contract culture hinges on the ability of management to negotiate the differences in individuals, services and motivations. When the service provision is separated from those in management (who are facilitating the contract) the management team needs to be aware of how to translate the requirements of the contract to those on the front line.

Separation

The charities described several ways in which they were able to separate roles to be able to provide the service and handle the requirements and coordination needed to fulfil contractual obligations. One of the ways in which the larger organisations achieved this separation is described by Samuel:

[B]ut at this role we don't see any clients as such, my role and this office's role is to ah facilitate that to occur, service delivery through to funding and policy.

The workers on the front line deliver the service while the management coordinates the workers and the funding. In the larger charities there would be separate roles for dealing with the organisation of the charity and for those delivering the services. It is a sign of professionalisation as these two sides to the charity could not operate independently of each other and reach the same outcomes. The separation of the roles of provision and facilitation are an indication of how to cope with the two sides of the charity.

Audrey -they can't be bothered with all the rest of the crap that goes on around them, the bureaucracy or the, or any of the petty issues that you might get in organisations.

As Audrey notes, the interest of the volunteer does not lie in where the funding is coming from but that they are able to do their work. Whether they separate themselves or are

separated by management from the contracts is another matter. In some instances they separated themselves and in others management did not provide them a chance for input into the contracts. The line between management and front line workers is also blurred in smaller charities as those in management positions also have to play a role in the delivery of service. The separation of roles is harder to achieve in smaller charities because their size does not allow for full time dedicated management roles.

Ryan - So I think that I find that sometimes funders are sort of auditor types whereas you are a practitioner in the field and dealing with day to day people and circumstances.

Ryan demonstrates that the funder is not the same as the charity and the charity is aware of its different role within that relationship. Not all of the charities would be able to separate themselves so easily from the funder.

Audrey - But this time round I had no worries at all I knew we were a shoe-in because as I said earlier, Work and Income needs us just as much as we need them because they couldn't afford to do what we do if they bought those services in house into the local Work and Income office. They couldn't deliver the same level of service with that bit of money.

As Audrey indicates, the reliance between the charity and the government agency can become blurred when the services are so closely linked. This demonstrates that not all charities separate their role from that of the government's role so easily. There is a second separation occurring between the government and the community. The charity is the medium through which the community and the government communicate with each other. The separation of the government from the community is very much a part of the contract culture. The charities take on the role of service providers within their communities and the charities pass on the first-hand knowledge of the community to the government. The understanding of the communities needs is one of the aspects that contracting through charities was intended to provide (see Perri 6, 1997).

There are two aspects of separation; of the manager from the workers on the front line and of the government from the community. The separation of the management from the workers is common amongst the larger and longer established charities and is a sign of the professional nature of the organisations.

Professional development

Another coping strategy that the participants described in their interviews was the professional development of the charity and the individuals working for them. The main issue that was highlighted around the professionalisation of the charity was attracting the right people.

Samuel - and there's not the money and these sorts of roles, these sorts of organisations aren't necessarily that sexy for people either so you know um, one, the pay's not as good as it might be elsewhere, that's a problem, attracting the sort of people you want. So it's a bit of a chicken and egg argument on that light too.

As Samuel notes the charities can't offer financial incentives to attract the people with the skills that they specifically need. Dean also describes how the competition with the public and private spheres affects the ability of the charity to keep those workers they do find and train:

Similar jobs in the prisons for \$10,000 more, we keep losing our field workers, so that just shows the pay gap, so financial things have been a real problem.

It is difficult for the charities to find the right people for the right roles but it is also difficult to keep the people that they do hire. The up-skilling they receive in the voluntary sector is attractive to other government or private organisations.

Mary - yeah consistently the same which is an issue because I've worked here for 12 years, I've had two, three pay rises in 12 years, cost of living goes up, wages don't.

As Mary's experience demonstrates the money available to pay wages is limited. They cannot compete with government or private organisations in a financial sense as they are not able to raise wages often. For the charity to attract people with the right skills they need to consider how they are going to be able to do this while offering either no wage or a lower wage than other sectors.

Ryan - It's just no longer the case that you start with a bank account you know you kinda start with a bank account and then you gotta get an IRD number then you gotta be sure that you are going to be from day one ready to report back on the use of funds and things, just helps you to grow and move forward.

Ryan clarifies the importance of the initial structures of the charities. The need to be aware right from the start of what they are doing, how they are going to do it and how they are going to report back on it if they are funded through the government is clear. The level of professionalism needs to permeate all areas of the charity to be able to offer quality services.

John - So we never appoint people without interviews.

The charity has an obligation to make sure that the people they hire are the best for the job. This obligation is not just to the funder so that they are able to provide quality services but also to the clients and themselves. John states that new workers are always interviewed. The need for the interviews is a professional development to help cope with the need for specific skills, the accountability for the services and the need to offer quality services in order to be competitive.

Anne - Recruiting we actually go out and recruit, we advertise, we interview, we select. We don't take just anybody who walks in the door because we can't afford to do that really. The risks are too high.

Before new workers are even recruited the charity has an idea of what they need and advertises accordingly. Anne indicates that they are aware of what they need in each role and for the sake of cost-efficiency they advertise for someone who already has those skills. They interview and make sure that the candidate is appropriate and they hire them. This is much the same fashion as in the corporate world. It demonstrates the professionalisation of the workforce but also accounts for the need for this. If they are going to risk relying on this person and their commitment to the charity then they need to ensure that they have taken the appropriate precautions.

Mary - We all keep up our training and membership of our various professional bodies.

As Mary indicates managing the risks of providing services also means that individuals have to remain updated in their training. Maintaining their membership and training to their professional bodies, which are separately run accreditation services, shows that the charities have to have a level of service that is both informed and consistent. Due to the sensitive nature of a lot of the services provided, the workers and the charity could put clients in inappropriate positions if they are untrained or even put themselves in risky positions. If an instance such as this occurred it would fall on the charity and on the government when they handle a situation inappropriately. So it is about their accountability to the clients and the

government as well. The service improves because they have to be accountable to the people they are helping so that they get a quality service.

Audrey - well even then some of them might not even like having to be trained, but the reality is you've got to have a standard of quality of service.

Audrey indicates that for both volunteers and paid workers there is an expectation that they will undergo training and maintain their knowledge of their area of expertise. This is what leadership expects of them as workers at the charity. There is clearly some tension here as they do not want to have to train all the time or feel that the training is worthwhile. For volunteers it is another commitment on top of the work they already do. It is also about updating or changing the way certain services are offered and this training is a part of the volunteer coming to terms with the change. The idea that change to the service is needed or that they need to continue to be up to date with new initiatives and ways of handling the services is not necessarily why the volunteers have come to help the charity. It is, however, an indication of how the charities are coping with the pressures of contract funding. The requirement of training and the upkeep of professional accreditation demonstrates that the ability of the charity to cope in the contract culture relies on the workforce and the knowledge and skills within it.

Beyond contracts

Alternative funding

The use of alternative funding as a way to expand the charity was discussed by the majority of participants with all but one seeing ways in which they could expand their current services. Alternative funding was seen as a means to provide services beyond that of their contract or current provision. Alternative funding was also described as a way to ensure the sustainability of the charity. John described the intentions behind Charity A's interest in alternative funding:

We'd be quite keen on finding ways of setting up a generating arm that can generate some funds for us that we can then put back into the organisation to, that we can then become more diversified.

Diversification of services was described as a way to address the gaps in social provision that the charity had first-hand experience of and also to ensure the sustainability of the

organisation. This wasn't a knee jerk reaction to the contract culture. These charities and individuals had all been involved in the voluntary sector for a few years at least. They had experience of the contracts and had built the charity up to a position that would allow them to seek funding elsewhere. They intended to keep their contracts and were in a position not just to consider what benefits there are to having alternative funding but also how they would be able to do it.

Dean - by contracting out to a range of agencies with very specific contracts, very specific ones and what we discovered this year, is that, is that through the office people are falling through the cracks for those and those that fall through the cracks turn up at our office because we've had a brand that people know about

For Dean, the idea of the gaps in the services was a problem for the contracts. The contracts are prescriptive and do not allow for extra services or responsiveness to changing circumstances. The ability to be flexible in the services that they can provide to clients would adhere to the expectations of those providing the services. Those with altruistic motivations would appreciate the flexibility to provide responsive services. Alternative funding is both a way of providing themselves with security and flexibility in the services that they can offer. Owen saw the need to raise alternative funding as a way to address the gaps that they were seeing.

But we, we do have quite a lot of discussion about gaps. It's certainly in our [pause], and that's formal and informal discussions too, and with our strategic plan we, we're looking to get more involved in issues that aren't being addressed.

There are gaps that the charities can see in the services they provide through the contracts. So for them to go beyond the contracts they do need alternative funding or an adaption of their contract. They expressed frustration at seeing these issues develop in their community but were also aware of the capacity of their organisation to be able to address these issues.

It should be noted that gaining alternative funding is a long process, made longer by the commitments of the charity to their contracts and elsewhere. They are busy and it is difficult to be able to expand funding whilst maintaining contracts.

Sustainability

Considering the sustainability of the charity also takes into account the use of alternative funding. For Ryan the use of alternative funding was a way to ensure that with or without contracts, Charity D would survive:

So we are thinking beyond good old contract funding to standing on our three legs as it were [laughs] so that if one falls off we still stay standing.

The idea of the sustainability of the charity is linked with the funding and how they are going to ensure that the reliance on contracts is not detrimental to the long term provision of services. For the charities to be able to survive they need to be able to maintain their services regardless of the consistency of the funding. It is also a way for them to provide the charity with the means to diversify and to be more responsive to the needs of the community.

John - 20 years' time, it might look quite different to the way it looks now, but that to me is the sign of a dynamic organisation is one that's moulded itself to the time and circumstances really.

For John, sustainability was important to the way that the charity expects to grow and adapt in the future. Six of the eight charities involved did not identify how their charity would handle future growth or whether their charity had an end point.

Conclusion

In this chapter I discuss the findings from the interviews with my participants. Within the contract culture, charities are maintaining a balancing act between their traditional role as charities and the formalisation of that role. They have to sit between the funder and the user and be accountable to both. They also have to balance between the paid workers and the volunteers and manage the expectations that people from different aspects of the charity bring to the organisation.

While charities have managed to formalise their role through the professionalisation of their workforce they still maintain a traditional viewpoint of their role. The frustration at the inability to be responsive to the needs of the community, the desire to have less restrictions on the money they receive and the struggle with adapting to the requirements of contracting

demonstrate that charities are struggling to conceptualise themselves as contractors. Since the late 1980s the contract culture has been operating in New Zealand. Despite this, the ways that charities see themselves and the ways that the contract culture operates in New Zealand have not significantly changed. In the following chapter I analyse the findings using a top-down comparison of the current model of contracting and Friedman's ideal version of liberalism to explore why there haven't been any significant changes and why charities continue to struggle with the contract culture.

Chapter Six Analysis

Introduction

In the previous chapter I presented the findings from the interviews in the categories of: the autonomy of the charity and volunteers, the relationship between the charity and the government, the ability to attract the right people to the roles, the coping strategies and the ways that charity are thinking beyond contracts.

In the previous chapter I outlined the findings of my interviews. In order to analyse further I need to acknowledge the disconnection evident from the charities' perception of themselves as contracted service providers. In order to address this disconnection, this analysis chapter will shift to a counter-narrative to understand the basis of the contract culture. Using Friedman's conception of liberalism as a touchstone, this chapter will explore why charities struggle to cope in the contract culture and what they need to change in order to cope. In this I argue from a position that the contract culture is not likely to change in the near future and therefore charities need to be able to adapt in order to fulfil their aims of helping the community and to address the issues that continue to arise in the literature, such as the charities autonomy and the ability to attract volunteers.

Charities have had to face different ways of operating as a consequence of the move towards a contract culture. Many of these different ways of operating cause increased pressure for them. The charities that I spoke to acknowledged that they were under pressure to be able to function in a contract culture. This chapter will analyse the extent to which the charities ability to prosper in a free market economy has been hindered by the ways that they and the government approach the contracts. I argue that charities are operating in a less than ideal free market and that traditional notions of charity are incompatible with competitive funding processes. This is relevant to the thesis because it demonstrates how both the charity and the user of the service are hindered by the failure of neoliberalism to achieve a realised free market economy and by the unintended consequences of this failure. A mixed economy of welfare that maintains a smaller welfare system, which is supported by charity, the private business and family support, is not the ideal economy for the contract culture to operate in.

The best indication that charities are coping is the fact that they have not disappeared, that they continue to be able to contend and gain contracts, and that the number of charities within

New Zealand continues to increase. The tensions identified in this chapter are, I argue, based on contradictions in the understandings of charity, markets, and contracts.

This chapter examines the role of the charity and the government by cross referencing the implementation of the free market between the ideal liberal version, as described by Milton Friedman in his *Capitalism and Freedom*, and the reality of its implementation in relation to the contract culture and charities in New Zealand. Friedman's conception of the role of the government in a free market provides a framework for understanding the failures of the current implementation of the neoliberal free market.

The current model of welfare in New Zealand is a mixed model, including government, voluntary, and private sectors in the provision of services. With the monopolisation of services and the paternalism of the government in the voluntary sector, the contract model is currently far from the ideal version of neoliberalism as based on Friedman. Is the current model the best for the user of the services and for the funder of the services? Can charities provide both that service to the client and the cost-effectiveness of delivery to the funder?

The first section discusses the "neighbourhood effects" (Friedman, 1962: 27-32) of the contract culture as it raises the question of the role of government and how beneficial paternal models of governance are for the survival of charities in the contract culture. There are many aspects of the contract culture that have resulted in unintended consequences, both for the charity and the users. The partnership myth, the monopolisation and paternalism of the government are unintended consequences of the introduction of the contract culture in New Zealand. In the first section I explore how these in turn have their own neighbourhood effects. The loss of the autonomy of the charity and the users are also analysed as unintended consequences of the contract culture.

The second section of this chapter discusses the misconceptions of the charity in a contract culture. The exploitation of volunteers and women is veiled by the charities and the government in order to provide services through charity. It is a misconception that reduces the volunteers' role in the contract culture. The second misconception that is discussed is the survival of the charity. Survival means the perpetuation of the need in an unrealised free market. This misconception is problematic for the purpose of charity in New Zealand. Moving between interventionist policies to enabling policies for those in need would be more effective and so beneficial.

In the third section of this chapter I discuss the need for the re-evaluation of charity to aid in the creation of a more competitive market for contract funding. Through flexibilisation the charity can compete for specific skills that they need and target people to work for them. The self-conception of the charity needs to be re-evaluated in light of the issues with partnership and the reliance on government. Also the failure to implement true or full neoliberalism has meant that traditional notions of charity are continued and that the charity is not framed in a manner that would be suited to the contract culture. Finally this section concludes by discussing the importance of the marketability of the charity in a competitive model of funding.

Best model

In a mixed economy of welfare, the charity is one of many options to provide the service and this is reflected in the contract culture and its supposed competition. From the findings of this study there is less concern with gaining a contract as there is with keeping the contract. For those without a contract it is a very difficult system in which to get your foot in the door. For those already in the system, while it is not guaranteed that they will have their contract indefinitely, it is a system that supports them to maintain the status quo. However, as detailed in the literature review, the contract culture is meant to be based on a competitive system. This model would provide the best outcomes for the clients, communities, government and taxpayer. The limits on the competition for funds is indicative of a wider problem. Not only is the contract culture a shadow of the intended model, but neoliberalism, which was meant to provide the economic groundwork for the contract culture, has also failed to be realised.

Returning to Friedman's model of liberalism, which is based on a competitive free market, it is clear that neoliberalism has not achieved its function through the implementation of contract culture for charities in New Zealand. There is still a centralised bureaucracy that offers paternalism to those that need it. Paternalism, that in turn reduces the autonomy of the clients of welfare services and prevents the market from being open. It also encourages monopolies to occur, which also has the effect of limiting the market.

Continued government provision of welfare is also a major challenge to the idea of neoliberalism which would include the shift of government provision from centralised to localised organisations and the decisions of provision to move from the centralised bureaucracy to the decentralised communities. The paternalism of the state and the monopolisation of contracts are symptoms of the failure of neoliberalism in New Zealand.

As the contract culture is based on the assumption that the free market of an ideal neoliberalism is in operation, there is a continued issue in the purchasing of contracted services. My thesis argues that a system of competitive tendering that was intended to be effective has stagnated the voluntary sector as the reconceptualization from charities to contractors has not occurred.

Unintended consequences of the contract culture

This section explores the unintended consequences of the contract culture in a less than ideal free market economy. The “neighbourhood effects” (Friedman, 1962: 31-32) of the contract culture will demonstrate the consequences of the loss of the autonomy of the charity and the user. I will also call into question the partnership discourse between the charity and the government for hindering the free market. The paternalism of the government and the monopolisation of the contracts and services also raise concerns about the ability of the charity to compete in a market that does not encourage innovation. Finally, in this section, I will analyse the unintended consequences of the current contract culture on the volunteers of the charities.

There are multiple benefits to the community of charitable work. Those with the most need are given the means or are helped to improve their situation. The community is stronger as people are less isolated in a social sense which improves social cohesion. People are no longer in the position of seeing the vulnerable and being distressed by the situation of others. While the direct intention of charity is to help those in need, the social cohesion of communities and the easing of distress are neighbourhood effects of charitable work.

Neighbourhood effects are positive unintended consequences that arise out of other people’s actions. Other people pay for the charity and others offer the services but the effects do not just benefit those that are working for or paying for the charity, the community in which it operates also benefits from its work. The benefit is equally for the community if they or someone else pays for the charity. As the contract culture is funded through the redistribution of taxpayer money, everyone who is paying tax in New Zealand is contributing to the benefits of charity. However, even well intentioned charitable contributions can have positive and negative unintended consequences.

Partnership myth

As indicated by Larner and Butler (2005: 80), the return of social democracy saw Third Way politics reimagine the government departments as being in a “partnership” with the charities they contract to. Partnership is not a new phenomenon between the voluntary and government sectors, however, the return to partnership is problematic within a competitive tendering model. A partnership discourse that is based on forced relationships and communication between contractor and employee (Tennant, 2007) increases the concern that it is skewing the contract model.

The discourse of partnership has distorted the self-perception of the charities and has resulted in a fundamental contradiction to the contract culture. The discourse of partnership has veiled the relationship between the government and the charity, which has resulted in the unintended consequences of the privileged conception of charity and the monopolisation of contracts. In a competitive marketplace, monopolies and funding by right dispel potential contenders and reduce the effectiveness of the contract culture.

A key theme in the findings was that the charities placed a lot of value on their relationship with their contractor. For the charity, a strong relationship with their contractor provides a higher likelihood that their contract will be renewed or that they will be considered for other contracts. They are informed of changes in the way that the contract will be offered or if new contracts will be available for them to take on. In this way charities benefit from the relationship with the government department they are contracted through. It is valuable to their survival in a contract culture to enter into these relational contracts. The financial security that they can achieve through these relationships has become a focus of many of the charities I spoke to, as the finance means they are able to continue to provide services and maintain their own roles.

Extending this relationship into a partnership entails that the charity and the government are both working towards the same goals and are inputting equally to this. However, the charities often made a more significant input into the relationship with the government department. One participant spoke of their relationship with the department they worked with:

Dean - there's always been a tension I've observed from the field workers who have to get on with the staff in the Corrections departments and if you put their backs up you don't get cooperation. There's a system problem of, of say me (in management) criticising Corrections

and there's a grass roots problem of the field workers having to get along with the Corrections department.

There are expectations of the way in which the charity should deal with the contractor. As it is to the charities benefit to have a working relationship with the government, it becomes their responsibility to maintain the relationship. For them to maintain that relationship is a way to ease the pressures that come with the contract culture as the funding is more secure and consistent. There is less worry about where the money to continue to provide the service will come from. It provides a stable base from which to plan ahead and to maintain roles within the organisation.

Being that one member of the relationship is the funder of the other, there is a distinction in the ways that the government department and the charity relate to each other¹⁰. As a service provider, the charities were following up on issues or ensuring that everyone within their organisation were dealing with the contractor in an expected manner. They also made sure that new government employees that they had to deal with were informed of the role of the charity. In return the charity could receive advice or guidance from the funding department about the contracts and their implementation.

In the contract process there is also room for negotiation on the costs of providing the services and the outputs that are required. However, in order to continue to receive the funding the charity cannot afford to create conflict. The effort put into maintaining the relationship with the government department by those on the front line, and those in management, increases the pressures on the charity as they have to limit their criticisms and make the effort to please the contractor.

Through the charities' focus on survival in a mixed economy of welfare (that was intended to be a free market), the charity relies on the partnership with the government. This partnership is intended to reduce the pressures on the charity in the contract culture, however it creates a tension between maintaining the relationship and developing and expanding beyond traditional notions of charity.

As Tennant (2007) indicates, the return to this partnership discourse is based on forced and formalised interactions between the charities and government departments. It is required on

¹⁰ It must also be noted that some government departments were more focused on establishing relationships with the charities they contracted than others.

the part of the government to fit with social democratic principles and the focus on the community but it is also necessary for the charity to maintain funding. While the partnership is intended to foster collaboration and interaction, this forced version is contributing to the continuation of tensions within the contract culture and the perpetuation of social issues.

The charities cannot risk the loss of the contract as alternative sources of funding are not available in the size or consistency that they can gain from government contracts. As charities have understandably cocooned themselves in government funding the ability to find alternative contracts for social service provision is limited. Unlike the private sector, charities are limited in the funding or contracting options they have because welfare is still considered to be in the realm of government.

The distinction between the funder and the contracted service provider is blurred when value is placed on the relationship. When charities conceptualise themselves as being in a partnership with their contractor they reduce their ability to understand the contract culture and distort the value of their role. Having a positive partnership with the funder does not guarantee that the charity will continue to receive their funding indefinitely. At some point the contract will change or the requirements will change. There is also the possibility that another organisation will take over the contract. Relational contracts and the myth of partnership can stunt the ability of the original contracted charity to be able to cope with this change.

Charities in this long term partnership gain a sense of rightness, of surety that their contract, their service, and their ethos is right and that by that right they will continue to receive funding. This does not improve the efficiency of the system as other charities, by rights, are not eligible for the contract. They do not have the partnership with government and therefore do not have the chance to establish relational contracts. The competition does not have the opportunity to drive the price down or target services in alternative ways.

Relational contracts do not do any favours to charities. While they offer an opportunity for the charity to discuss local issues with government representatives, this is outweighed when the contract is not renewed. The vindication that the charity feels for their work is pulled from under them when they realise that the contract is just a contract and as an employee of the government they have not held up their responsibilities. Alternatively, they may have held up their end of the agreement and the need for their service has been significantly reduced, signalling to the government that they are no longer in need of funding. The charities self-perception as the rightful provider of services reduces the charities' ability and willingness to be flexible which is fundamental to the free market.

The government is looking at the outputs and the outcomes of their contracts and evaluating whether others could do it more efficiently, for less money or more in line with their expected way of provision. Relational contracts and the discourse of partnership distort this role. Services are not updated to be responsive to the needs of the community because the charity is encouraged through the partnership myth to maintain the status quo. A partnership further supports the charities self-perception that they are providing a valued service and that they are operating in the manner that is expected of them. Challenging the charities' self-belief is difficult when they are operating in partnership with their funder. They cannot assess in an objective manner whether they are providing the best service for the clients as they have a vested interest in maintaining the status quo and continuing to offer the service they are contracted to provide. If they challenge the status quo then they will lose their funding, their partnership and the charity will close which means that the paid workers will lose their income and the volunteers will lose their occupation.

As charities continue to be supported in this frame by the partnership of the government, they are stuck in a misconception of their role in a contract culture. By maintaining the status quo they contribute to the perpetuation of social issues and to the loss of autonomy of the users of the services. The focus on their survival hinders the way that a competitive contract funding model operates and reduces the effectiveness of the services and the model as a whole.

Contracts based on the relationship with the government encourage charities to become para-governmental providers. The distinction between the services the charities provide and the services provided through the welfare system are lessened. Charities are providing services that the welfare system would offer if it were maintaining the centralised bureaucracy.

Monopolisation and paternalism

Partnership discourse has resulted in the misconception of the privilege of charity and distorted the role of charity away from contracted service providers. As an unintended consequence of these issues, the monopolisation of services and contracts has been amplified.

Certain contracts have remained in the same organisations since the beginning of the contract culture. Other charities have gained multiple contracts based on their relationship with their contractor. Friedman's free market sees the need for the reduction in monopolies in order to allow competition. A contestable free market increases efficiency and innovation as competitors find cheaper ways of operating (Friedman, 1962). Monopolies of contracts are

reducing the competition that is necessary to achieve the best outcomes for the community in the contract culture.

The funding of charities via the contracts they receive is mostly through the redistribution of taxpayer money. New Zealand has a limit on what amount can be spent on social welfare. Resources are not endless. When the resources that are available to use on social services are filtered into the same organisations annually, the amount that is available for other organisations is reduced. When competition for those funds that are not monopolised occurs there is little available for those not in partnership and it is spread thin across a range of charities. These monopolies, often held by larger and well established charities, force others out of the market (Morris, 2000).

A neighbourhood effect of the monopolisation of contracts is that the smaller charities find it difficult to get started in the contract culture. Access to potential contracts is limited as contractors then return to the same charities without a tendering process. Small charities that wish to target specific issues struggle to get the funding as larger organisations are more likely to be considered for the funding. Small and new charities have to provide proof and justification that they are not only viable but also that they are the better option than a well-established charity that has a strong relationship with the contractor.

Monopolisation also reduces the capacity of the market to produce cost-effective alternatives. If there is no chance for multiple organisations to tender for the contract then the contract remains the same. The potential that a competitive tendering process could produce more cost-effective services or providers is disregarded in favour of the continuation of the monopolisation of contracts and thus the maintenance of the status quo.

This lack of competition is to the detriment of the users of the services, the government and the taxpayer. The range of services that are offered are limited as alternative ways of providing the service are not funded to the extent that those that are monopolised can be funded. A lack of competition means that the users are not able to access the most up to date and effective provision as the status quo continues. Of concern to the user's autonomy is that the users of the services are not offered the range of services through which they could exercise their choice.

The users of charitable services are able to benefit from services that are funded by the redistribution of taxpayer money. This implies that there is a benefit to the taxpayer when the services are provided in the most cost-effective manner. Their contribution to the welfare of

the country is increased when the redistribution is entered into a market that can keep costs down. The users of the services are provided with quality services and the taxpayer sees a higher return in positive neighbourhood effects of the redistribution of their money. The government also benefits as it sees increased positive outcomes. Government department's success is also increased when contracts are fulfilled to a high quality as it contributes to their implementation of policy.

The taxpayer is funding the contract culture through the redistribution of their money. They receive the positive and negative neighbourhood effects of the services chosen to be funded. While their investment in the provision of services is indirect, the charity and the government both have a responsibility to the taxpayer to use this money to the best effect. When there is a lack of competition for funding, the government is not encouraging the innovation of charities to be able to provide services in a different or more effective manner. The outcomes that are achieved through the contract culture are limited by the lack of innovation. Maintaining the status quo allows charities to survive but it prevents the advancement of the services they provide.

Friedman's ideal form of liberalism includes reference to the forms of taxation and social provision that would offer the best outcomes for those in need of charity. A negative income tax would provide the opportunity for individuals to exercise their freedom without the assumption that they are irresponsible to take care of their own needs (Friedman, 1962). The redistribution of taxpayer money into charities is not the ideal social provision in a liberal model as it assumes that the users are irresponsible and thus need government paternalism to take care of them. This is especially the case when the competition of the market is undervalued.

There is an assumption underlying the current mixed model of welfare in New Zealand. That is, those in need are not able to take care of themselves and thus need intervention to be able to survive. A centralised, top-down model of welfare means the decision of which services and needs will be targeted in communities is not performed by the potential users of the service but rather through the government and charities interaction. When a need is identified a contract is formed and offered to a charity to deliver the service. The charity reports on the agreed outcomes to the government and the government offers the finances and the prescriptions within the contract. The users of the service are observed by the charity. The issues that they face are reported from the front line workers to the management, and from the management through the channels of partnership to the government.

This model of assistance reduces the user's voice to that of an observation while also increasing their reliance on the assistance. If they feel that someone is acting on their concerns and adapting to them then they are justified in asking for help. The mixed model of welfare allows a reliance on charity and government that was not intended to be continued in a neoliberal framework. A continued reliance on the provision offered through charities is contributing to the increased paternalism of the government. There is an irony in this situation. The shift to contract culture was meant to decrease government paternalism in welfare, however, what has happened is that paternalism has continued and now extends not only to the recipients of the services but also to the service providers themselves. In a free market the paternalism of the government intervenes and reduces the effectiveness of the market. The return of the partnership discourse has also disguised the role of paternalism in the contract culture.

Critics of the contract culture have argued that the shift to decentralised social service provision through the purchase of contracted services is removing responsibility from the state for those in New Zealand who are vulnerable (Martin, 1995). This would mean that the government is meant to be overseeing citizens' lives as they are not responsible enough to look after their own. A paternalistic view of the government is closer to social democracy and does not fit with the free market, where the role of the government would be to ensure that the rules that are needed in the market are produced through democratic means and to then enforce those rules (Friedman, 1962). While the contract culture is not the ideal form of liberal social provision, it should allow the user to exercise their freedom of choice. This freedom of choice is questionable when the monopolisation of contracts occurs.

There are multiple benefits to the reduction in monopolies. How monopolies entered a free market and how to remove them is based on the relationship that the charity establishes with the government. In the previous section there is consideration of the relationship that has developed between the funder and the charity. The focus on the relationship with the funder is based on the assumption that the charity has to please the contracting department and has to ensure that they continue to get the funding. It is based on the charities' assumption of their irreplaceability. In a free market contract culture model, if the charity is replaced it will be to the benefit of the user. Attempts to solve the issue at hand are also separated from the survival of the charity, as the needs of the community are what ensure the continuation of the charities' funding.

Autonomy of the charity and their clients

A significant concern for the future of charities in the contract culture was raised in the literature from the 1990s (Perri 6, 1997; Smith and Lipsky, 1993). The ethos of the charity was under threat when they had to follow the prescriptive nature of the contracts. It is common for a charity to start out with certain ideals of what they want to achieve. These ideas do not necessarily align with the government contracts that are on offer to them. To get the security of a government contract the charity then provides a service that is not necessarily in line with their own agenda. The compromise in goals that charities make in order to receive funding is restricting of their autonomy and causes a tension between the contractor and the charity. The exercising of autonomy is restricted from the perspective of the charity because they are not able to acknowledge that traditional forms of charity are no longer relevant in a competitive system of contracting when they continue to rely on their partnership with the government.

The contracts that are offered to the charities change based on the policy of the government department at any given time. The policies of government departments shift with different public opinions and with different goals or outcomes that they wish to achieve. The contracts that they offer reflect that shift in policy. As charities adhere to their contractual agreements they are implementing the policy in the public domain. This is most prominent when we look at the charities' expected outputs. These outputs can range from having certain percentages of ethnic groups they are expected to assist within their contractual timeframe and they are required to report on these numbers. In other circumstances the charity receives an incentive for helping a person stay out of prison for the first twelve months after their release. These two examples provide an insight into how charities' roles are defined by the contract and by the drive behind the contract. For the Corrections department, they are looking at reducing recidivism rates and that first twelve months is key. The charities that do this work may not be as interested in reducing recidivism rates as they are in working with the families of inmates or with providing services that would reduce first offending for instance, however, the policy at this time is to reduce reoffending. The charity becomes a part of the application of the policy in the civil domain.

The autonomy of charities to act on the services that they want to act on is limited when they are reliant on contract funding. This is especially the case when there is tension between the charity and the government about the ways that the service is being provided. Contracted charities are unable to speak publicly about these issues, however they are able to use their

channels of partnership to raise issues with their contractors. Charities that persistently maintain independence from government funding are making the decision to act independently of the government and allow themselves the opportunity to raise issues in public space about their cause. Both dependent and independently funded charities are able to speak on behalf of those they serve. The difference between the two is that the contracted charity does not have the choice to speak publicly about these issues and the partnership with the government does not guarantee that they will be heard. When charities are praised for their connection to the community, yet their opinion is being disregarded, they find a tension in the relationship with the contractor.

The bureaucratisation of the charity, according to Weber, would result in the reduction of freedom, initiative and individual power (Courpasson and Clegg, 2006). The autonomy of the charity is reduced via the prescriptive nature of the contracts, while the individual's autonomy, who works within the charity is also reduced in the face of the compliance costs for the contract. The bureaucracy that charities have developed to cope with the contracts have created their own *iron cage*. The contract culture has introduced a necessary and more pervasive bureaucracy into the running of the charities. Without the bureaucracy they would not be able to access the contracts for it is the structures, knowledge and planning that bureaucracy entails that ensures that the charity is competitive enough to win contracts.

Adrian – [over the past 15-20 years] we've become a lot more accountable to the Ministry. I mean not that I wasn't accountable I mean a lot more um accountable with sufficient records, data and reporting

Mark – Yeah and then there's the new financial reporting standards coming in in 2016 which are causing a lot of anxiety in the sector so I think that drives it as well.

With the high level of reporting that is required of charities and the time, expertise and planning needed to be able to fulfil these requirements, the bureaucracy that is required to be able to continue to gain contract funding reduces the time and resources available for the charity to be able to exercise their initiative and work on independent projects. The bureaucracy that charities now need is a result of the need for accountability and it has become a part of the system of survival for the charity. This *iron cage* of bureaucracy means that there is a significant focus on the financial running of the charity, on maintaining contracts and complying with the requirements of the contract. A charity cannot maintain this sort of activity at the expense of the services or the philosophy of helping vulnerable people in

their community. If the charity were to lose the focus on the community they would lose their unique ethos of non-profit, community benefits rather than financial profit.

The community focus and the appeal this ethos holds with the public is important for the charity to foster in order to retain volunteers and their labour. It is a risk that they have to balance in some manner. A key theme in the findings was that charities are coping with this pressure by separating the roles of those workers who provide the service and those that facilitate the contracts. It is an attempt at maintaining their focus in terms of why they are there and not solely focusing on the continuation of funding at the expense of the service provision. Being successful in a competitive market is about understanding their role in the contract culture and what charities bring to the market that others cannot offer.

In a free market clients in need of assistance should have the freedom to choose where they gain help from in a contract funding model. This is the main argument put forward to show that the user will benefit in a contract culture (Perri 6 and Kendall, 1997). The targeting of contracts to communities should provide the vulnerable with choice of which organisation to use. However, targeted services via these contracts mean that specific social concerns are focused on and if the client does not like the approach of the service in their community then they need to look at shifting to a different community to be able to access the service that they need, in the way that they desire it to be offered. The autonomy of users is not greatly improved with a greater selection of service providers. If their need is specific, then they have no choice in which service provider they use. The targeted services do provide a greater overall range of services than universal social service provision, however, they do not allow for the choice of the user in the current model of contracting.

When the user cannot relocate in order to exercise their right of choice, the users input as to the social provision that works for them is limited. When the range of services is limited by the small size of New Zealand or by the location of the user, then the user's freedom to choose social services is not achievable. This is a contradiction of the freedom that neoliberalism entails. Instead of increasing the choice of the individual, as an unintended consequence, it is restricting their autonomy.

Friedman's conception of liberalism acknowledges that some level of government paternalism is needed for those citizens who are not able to be responsible for themselves. If users are not able to exercise choice in what social provision they receive then the paternalism of the state, through the contracting of services, is labelling them as irresponsible. The government has

decided for others that these are the services that they will offer and that they are relevant to the users. The opportunity to use their autonomy is diminished when it is decided for them what the best option will be (Friedman, 1962). Assuming that the users are unable to be responsible reduces their ability to act for themselves and increases their reliance on the government.

The autonomy of the charity is limited in the current contract culture. This is less about the prescriptions of the contract and more about the way that the charity approaches the model of funding. The contract and the level of reporting and accountability that is necessary, do decrease the time and resources available for the charity to expand or address alternative issues. However, the charity is a service provider that is contracted by the government. For it to claim a favoured status it relies on its history of complementary welfare services. Relying on traditional notions of charity ignores the competitive nature of the contract culture and hinders the free market.

Misconceptions of charity

As discussed in the context chapter, New Zealand has not provided the ideal economic basis for the contract culture. This has encouraged the reliance on the partnership between the charity and its funders and has resulted in the loss of the charities' and the users' autonomy. This section addresses the misconceptions about charities and charitable work in the mixed economy of welfare.

Gendered and voluntary exploitation

Mary – *Yeah we have loads of volunteers, they're fantastic they are so, so good. These women are, and it is all women I have never seen one man step over our doorstep to volunteer to be our receptionist or to, to help, not one. Don't know why, maybe they're all fully employed and that's great.*

They just come. People just say you know. I've stopped work now, kids are gone to school or whatever it is and looking for something to do. I mean there's always the hope that it may turn into something permanent which we haven't got the resources to pay a receptionist it would be fantastic if we did but we just don't.

The voluntary sector is coping with the pressures of delivering services in a contract culture by exploiting the labour of a highly gendered, voluntary workforce. Exploitation may seem like a harsh word to use in this situation as the role of the volunteer is inherently voluntary, however, they choose to commit to this work without financial recompense for their time and efforts. It is simply that if volunteers were to do the same work in a different sector, public or private, they would receive an income for their time and efforts, therefore in the third sector their time and efforts are exploited in a free market economy.

Of the 8 charities I spoke to, 6 have over 50% volunteers to paid workers¹¹ (Department of Internal Affairs, 2014). They are coping because they have a unique workforce that provides free labour. Just as women's domestic work is undervalued considering the impact it has within the household, community and beyond, so is the role of the volunteer. It is unpaid work that is undervalued but necessary for the function of society. Volunteers provide a valuable service to their community. They want to give something back and engage with their community. It suits them to work in a flexible environment that is unavailable in paid employment when they have other commitments. These volunteers are often living off one income, the pension or WINZ benefit.

Volunteers are able to receive their WINZ benefit while volunteering. There are some voluntary schemes that provide the benefit to them and some bonuses. If paid work comes along then they must take it at the expense of the voluntary work (Work and Income New Zealand, 2015). When volunteers are on the benefit, they are essentially being paid for that work. As they are required to seek paid employment, it raises the question of the value that is placed on the volunteer. When the volunteer is on a benefit the government is essentially paying a wage for the service that the individual provides through the charity. The need for the volunteer to accept paid work that arises means that the government is not willing to pay twice for a service that they could get for free from others who are not on a benefit or who are not in a position to take on paid work. This conception of volunteering undervalues the role of the volunteer.

The amount of income spent on the wages of paid workers in the charities I spoke to varied. The percentage of those receiving wages within each organisation ranged from zero to 65%. The potential wage earning ability of volunteers is set aside when they volunteer and have

¹¹ Data accessed from the Charities Services online. The national charity does have volunteers but only has information for the office where the money is administered to other areas of NZ. High turnover with the last charity.

other forms of financial support. A two income household is often required to be able to sustain a family or lifestyle and so the volunteer is sacrificing an income and lifestyle. There are risks associated with them doing this. In a two income household, the loss of one income would be manageable, however in a one income household the loss of one income is unmanageable. The flow on effects of this mean that the volunteer may end up needing the service that they provide. It blurs the line between volunteers and clients.

From a financial perspective it is not in a person's best interests to volunteer. They could be earning in the workforce. Rather than relying on one income they could be a part of a two income household and contributing to the stability of their family. In some cases the volunteers also have paid occupations and the voluntary work is fit around this which raises the question of what kind of expectations are placed on them?

In terms of gendered exploitation, charities were traditionally seen to be run by women who were not in the labour market, or who were supported through their husband, independently through the pension or personal wealth. The gender divide is still present to an extent within the third sector. There are more women in the sector, however there is increasingly space for men in the sector although their role is more in management. It is also dependent on the issues being dealt with and certain issues attract more women than men to volunteer. Women's commitments, such as caregiving for children and other family members mean that they are unable to get fulltime regular employment and so charity work becomes an appealing option with its flexibility.

When men volunteer it is likely that they will only be on the front line if it is an issue that they have specific personal experience with. In management roles their motivation can be either personal experience of the issue or they are focused on making a difference. It is interesting that the role of men within charities is more likely to be at higher levels, such as management, within the organisation. This gendered role of men would indicate that they see making a difference as being possible at the management level not the front line, which in turn undermines the role of the volunteer as being less important than that of management. On the other hand the people in management positions are more likely to be educated because it is necessary to be educated in those roles. As men's qualifications rank higher than women's there is a gender division of status even when both men and women have the same

qualifications¹² (Alksnis et al., 2008), which would also explain why there are more men in management roles than women.

Social inclusion is based on the participation in paid work for both genders (Larner, 2000). When not in paid work, the social inclusion of individuals is limited. Where do volunteers fit in this? Volunteering is not paid work but the expectations on the volunteers are increasingly becoming more like the expectations placed on paid workers.

Charities would struggle to be competitive in a contract funding model if they did not have volunteers. The charity cannot be competitive without the financial exploitation of volunteers. The cost-effectiveness of the services and the charity relies on the exploitation of volunteers. It is the standard and expected way of operating a charity but why is the charity and the government accepting this exploitation? It is a misconception about charity that the benefits of the charitable work are outweighed by the means of achieving them.

Would a charity be a charity without volunteers? The question raised integrates charities and volunteers as one and the same. Without volunteers the charity would be a contracted service provider with paid workers, regardless of whether they intended to make a profit or not. Maintaining the exploitation of volunteers means that the charity is able to continue. It is able to be the favoured provider of services in the current funding model, but it was also able to survive its long history in New Zealand because of voluntary labour. If charities paid their workers from the 19th century in New Zealand then we would have a different landscape of charity. The mixed model of welfare would not be reliant on charitable assistance as the cost would be significantly higher.

For charities to survive they have to continue to exploit voluntary labour. The neighbourhood effects of the voluntary labour place pressure on the finances of volunteers.

Success as demise

The contract culture emerged with the aim of increasing the effectiveness of social service provision in a market focused economy. Previous models of social services were deemed no longer relevant or practical in an economy that redirected the centralised bureaucracy of the government to local communities. Charities roles in the community have increased due to the mixed economy of welfare, however, in the face of the return to a social democratic

¹² Despite claims of equality, participants in Alksnis' research would not offer a woman the same salary as a male counterpart for the same job.

conception of welfare and the increased formalisation of the role of the charity, the ability of the charity to be flexible, adaptable and to survive has become reliant on the relationship with the contractors.

The targeting of services to address certain issues through charity do not encourage charities to conclude their service as it would mean the loss of their roles, incomes and position within the community. As one of the unintended negative consequences of the contract culture, the focus on the survival of the charity has its own neighbourhood effects in that the users are not provided with the choice of service, the improvement of services isn't a focus and the end of the client's need for the services does not occur.

For the purpose of this section I will look at the use of alternative funding as a way to survive. There are over 26,000 charities in New Zealand that conform to the definition of charity that the Charities Services use¹³ (Department of Internal Affairs, 2014). If they all wish to survive, it is worth understanding who benefits from their survival. Do the taxpayer, the government, the user and the charity benefit from their longer existence? In the findings chapter of this thesis one of the common themes identified was the way that the charities were looking beyond contract funding. The participants were looking at ways that they could support their current income with different kinds of user pays model, fundraising schemes and grants from local businesses and organisations. This focus on alternative funding was about the ability to provide services that were outside of the contracts and about remaining viable without contract funding. This was based on the awareness that contracts are both prescriptive and targeted. There was a focus on the sustainability of the charity and its ability to thrive in a contract culture.

If a contracted private sector business approached the government department they were working with and requested more money for a service they were already providing, or for a different way of providing that service, they would, understandably, be told that it is not possible. The system of contracts in the voluntary sector is not performed in the same manner that they would be for private sector contracts due to the relationship they develop. This relationship distorts the value of the charity to the government and thus the charity does not see itself as a contracted service provider. As contracted suppliers, charities are employed by the government to provide a service. This relationship of employer and employee is distorted

¹³ This is a count of the charities registered on the Charities Register. However, due to the guidelines of what defines a charity, there are a number of other NFP organisations that will not be able to be registered on the Charities Register.

not just by the charities but also by the government departments through the partnership discourse.

One of the concerns that emerged out of the literature is that the charity, especially the smaller and newer charities, will struggle to survive in the contract culture (Morris, 2000). What my findings have revealed is that this is still a concern for small charities but it is also a concern for the larger charities. Their concern is based on the potential loss of contracts but also on expanding the services they offer in conjunction with the contracted services. They are looking for space to exercise their autonomy and their insider's knowledge of the needs of their community.

In a mixed economy of welfare the charity is a part of a wider system that operates on the basis of other people's needs. There is no incentive for the charity to provide the solution to the problem. They would lose their workforce, their jobs and their sense of job satisfaction. The contradiction in providing services through traditional notions of charity is that the charity is not encouraged to substitute its self interest in remaining open with providing the service that will see the end of the need for that social provision. The charity is in the position of seeing a need and dealing with it but not ending it. The survival of the charity relies on people needing their social services so there is little incentive for them to end the need for the social service they are providing.

The targeting of services through the contracting of charities means that specific solutions and specific needs are being addressed. When the need is specific the approach to the solution can also be targeted. This allows a plan to be followed in order to achieve a solution, even if it is on a small scale. The success of the charity in this situation means that the need is no longer present in the community and therefore the contract is not offered and that the charity is then closed down. The loss of a contract is not a failure when the charity has made a significant difference through that contract on the targeted community they serve.

The current model does not see the end of targeted services but their continuation. This demonstrates the need to shift into a realised contract culture and acknowledging that contestation for contracts is a part of the contract culture. The competition for funds is intended to improve efficiency (Perri 6 and Kendall, 1997). The ideal form of the contract culture would see the service offered, targeted and completed regardless of which charity was offering the service. It would be about the outcomes of the services on the community and users and the cost-effectiveness for the government and taxpayers.

The benefits to the charity and to the volunteer of the continuation of the needs of the community are more significant than the benefits to the community. Charity can be a selfish model as those providing the service are able to feel good about helping other people. They get a sense of satisfaction from providing the service. The impact of that service on the community is not considered in great detail. There are issues of reliance on charitable services and of irresponsibility for the user of the service that would see the user continue to use the service. Providing a service that enables the user would be contrary to the charities' self-interests, however, it would be more beneficial to the user.

Purpose of charity

The role of the charity has changed with the role of the welfare state in New Zealand society. Moving from complementary, supplementary and alternative has meant that the voluntary sector is closely related to the ways that the welfare state offer services. When welfare provides universal and comprehensive assistance, as it did in the heyday of social democracy after the Second World War, the charity provided supplementary services as there was less of a need for them to provide comprehensive services.

The mixed model of welfare sees the charity as the band aid for the social issues present in New Zealand. They are the ambulance at the bottom of the cliff that does not prevent issues arising. The role of the government is to provide the structural changes that will create more significant differences to the lives of those in need. This expectation of paternalism from the government challenges the ideals on which the contract culture was introduced and on which it is based.

Currently, the charities are limited by the unrealised free market that they operate within. The centralised bureaucracy is diminished but still remains the decision maker in terms of what services are provided and who will provide them. The role of charity in the unrealised free market as a supplementary provider as the welfare state should not be as pronounced as it continues to be. It cannot be as a complementary provider as that implies that the government and the charity are working in partnership. In a competitive market they must offer alternative services to the welfare state. A welfare state that, in a truly free market economy should not be in operation.

The free market approach to social services means that charities have taken responsibility for their community. They provide a ground up approach to these services that is in line with the decentralising of government power. If responsibility is then with the charity it does increase

their levels of pressure, however, providing a service without the responsibility for its delivery is problematic because it would allow others to take advantage of the situation by fraudulently setting up a charity. It would also allow users to be mistreated by charities without being discovered. The accountability that charities face is necessary for the clients and communities they work with.

Adrian - We're supposed to not get any more at the end of this year. We've been told that that will be it because now the National government, they're more interested in having a national provider of services um and there's a group up in the North Island that is set up to do that, whereas we're still very much working at the grass roots here, community so I go into the communities to talk to those people to be in touch with those people um who may be affected by (the issue) or not, just trying to work and target that population.

When a charities approach to the issue is not the approach that the government sees as being effective there is a cross purposes of ideas. Who decides what the best approach is? It seems that the government does through the allocation of funding. Adrian's role has been in education and prevention and it has been effective. But now the government agency is looking at the clinical side of things and switching to funding that. It's not saying that his work hasn't been effective but it is saying that it's no longer relevant to the contractor.

Calling himself a 'ground up' charity means that Adrian sees himself differently to this national charity and that his connection to the community is stronger. They are losing out in the sense that they aren't getting his community understanding and connection as well as his first-hand experience.

The outcomes that the smaller organisations detailed were not the type that the government placed value on. Social interaction and advice, as well as improvements to mental wellbeing and confidence, on a small scale are not seen to be as profitable an investment as is advice, advocacy and food parcels on a larger scale. The outcomes that are focused on are the numbers using the service and especially the number that have been referred from state departments (Crack et al., 2007).

Samuel - I mean there is no doubt about it we are growing at least 5% a year if not more around our distribution so this was always putting continual pressure on the FTE structure we had. But that doesn't really cut it, um with the ministry as far as they are concerned and they um would prefer that it didn't grow but . . . you know, that's a function of the people of

this country not a function of how we might do things as such. It's not, it's not down to us on who walks in.

The Ministry had concerns that the need for this service was increasing, but the service is not intended to prevent the issue from happening but to intervene so that the outcomes are not as detrimental as they have the potential to be. It does not address the reasons that people want and need the service. The Ministry is not happy that the need increases as that reflects negatively on them, while it shows that the charity is targeting the right people.

Is the focus of charity to prevent issues from happening, to intervene or to enable people? The most beneficial thing that services can aim to do is to prevent and enable people. That will reduce the number of people in need of the services and then it will allow people who are in need of help to learn and have the resources to improve their circumstances for themselves so that they don't return to the service. The success of the service is when no one needs it.

It is here that the consideration of the role of charity in a contract culture has to be taken into account. Is it the role of the charity to prevent the issue from happening? Or, is it the role of the charity to intervene in an issue? Charities currently offer both services to different extents. When the service offers education or awareness they provide the means, through their personal experiences, to prevent an issue from continuing. However, when charities intervene in an issue they provide the band aid. They provide a service that will allow individuals, families and communities to continue to survive in the short term but not to allow them to make changes that will stop them from needing that service again in the future.

As the need continues and the charity continues to offer the services that provide the short term fix to the need, without addressing underlying causes, the need is perpetuated by the charity and the role of the charity is entrenched into that service and community. The charity's role and the needs of the clients are normalised. The charity becomes the common name for the service and they are accepted as a means to help the community. At the same time that the charity is accepted and normalised, so too is the hardships of their clients. It is no surprise anymore that there are people in need and that charities are a means of support for those less fortunate.

It also means that the role of the charity is not questioned. The effectiveness of alternative roles are not evaluated and so services continue that could be tweaked or run out by new innovation if the competitive nature of the free market was allowed the space to find new

options. So charities survive by remaining inflexible in monopoly situations, but in doing so they are always at risk of perpetuating the issue they are trying to improve.

As Lupton (2011: 3) states; “[w]hen we do for those in need what they have the capacity to do for themselves, we disempower them.” If charities continue to provide the ambulance at the bottom of the cliff, the user will continue to be disempowered through their irresponsibility for their own welfare. Providing a band aid for the issues that those in need are struggling with means that they will continue to rely on that assistance when the issue arises again. A band aid does not prevent the fall. For Lupton the role of the charity should aim to aid those in need to be self-sustainable so that they no longer rely on charitable acts for their survival.

A shift to community embedded models of social service provision allows the community to take responsibility for its own issues. This responsibility is limited by the prescriptive nature of the contracts. As the contracts are a part of government policy the responsibility of the charity is also to deliver the services that fit with the public policy at the time. Responsibility becomes about more than a service to the community. It also becomes a top down approach to policy provision that conflicts with the ground up approach that is taken to be the role of charity. A ground up approach does not just improve the issues of community but also the social cohesion and encourages active citizenship. It is the targeting of services that provide the charity with the opportunity to make a difference within certain groups rather than applying a one size fits all approach.

The focus of charities, as stated above, has to be balanced between their survival and the community they service. This balance, when lost, can create further negative unintended consequences. For the charity it means that they lose their ethos of community based assistance. They focus on the ways that they can survive but not on the best ways to serve the community. Failing their ethos does not attract volunteers and it removes the community feel from the organisation. To a lesser extent, when the charity focuses on their survival by maintaining monopolies, the unintended consequences effect the community. The inability to re-evaluate and determine the value of the service and of the charity itself to the community when focused on survival is to the detriment of the users of the services and the community in general.

There is always the risk that government and charitable intervention create neighbourhood effects that most often effect the vulnerable members of the community. When the effects are negative for the clients then they come to rely more heavily on that government and charitable

intervention until the reliance on that intervention continues to perpetuate the original need for assistance. This is where it is clear that the implementation of the neoliberal free market has failed those vulnerable citizens. This is not because a free market economy hasn't fit into New Zealand, it is because New Zealanders continue to rely on welfare as a security blanket and the social provision of charity continues to expand. Nostalgia for social democratic paternalism means that there is too much intervention in the free market for neoliberalism to be fully implemented or to achieve what competitive capitalism in a liberal framework was meant to achieve; the freedom of the individual.

The concept of freedom returns to Friedman's conception of liberalism. The introduction of neoliberalism, based on the free market economy in a competitive capitalism, should ideally have little regulation. However, the level of intervention in the market and the prevention of the charity from acting as an independent agent would indicate that the ideal version of the market has been distorted. It reduces the autonomy of the charity and the intervention to address neighbourhood effects of early neoliberalism on the vulnerable in New Zealand have stilted the ability of the charity to address those needs.

The need for a re-evaluation of charity in New Zealand

Having established that charities are coping with the contract culture, it is worth examining the ways that the charity can improve their ability to cope. When charities are coping the government benefits, the clients benefit and the community benefits. The factors that make it difficult for the charity to cope are not the concern of the government, the clients or the community who all see the intended and unintended benefits of the services.

While it is difficult for the charity to adapt to the contract culture and wade their way through the pressures of providing social services in a contract model, the charity remains limited by its own self-perception. Reconciling an ethos of non-profit business to fit a model of funding that involves competitive tendering could be improved through a better understanding of the relationship between the third sector and the government. This re-evaluation has to acknowledge that charities operate in a less than ideal representation of the free market and this has limited their function.

This section will continue with this theme with a reconsideration of Perri 6 and Jeremy Kendall's justifications for the use of the charity as a service provider and the ways to apply these to a brand.

Flexibilisation

The previous section of this chapter raised the risk of the monopolisation of contracts. This risk is that the charity will focus on survival, and survival for the charity means the renewal of contracts. It provides no incentive for them to complete the service, to see an end to the services that they provide. Those working within the charity have a vested interest in the continuation of the contract in that it provides them with employment, skills and purpose.

An unintended consequence of the targeting of the contracts is that the services that charities have provided are not necessarily transferable to a different contract and targeted service. The structure, the management and those that facilitate are aspects that can transfer easily across different charities (and sectors). This again is a divide within the charity between paid and voluntary workers. The ability of a charity to have more than one contract and to compete in order to survive relies heavily on the volunteers understanding the role of the charity and their commitment to the community, not the specific issue. Volunteers that are concerned with specific issues will have less motivation to provide alternative targeted services. When volunteers focus on a community in general it is easier to transfer the focus from one service to another so long as it benefits the community.

In a free market economy, in order for the charity to survive they need to be flexible¹⁴. In a contract culture the charity has to find a way to be flexible that suits the majority of their workforce, which is often volunteers. Volunteers will offer their services free of charge because the charity is helping their community and the neighbourhood effects of this are felt by themselves, and their friends and families. If charities want to survive in a contract culture they need to find a way to convince their voluntary workforce of the value of not just one service but multiple services. This is a challenge for charities that hold long term contracts providing a targeted service. A shift to other services can conflict with the worker's conception of what the charity is aiming to achieve. When the ethos of the charity is specific to one targeted service rather than a general intention to improve the community, it is difficult to shift the workforce towards a different service. The challenge for the charity is to create a culture that encourages its workforce to be flexible while maintaining an ethos that allows the room for the diversification of services.

¹⁴ This is based on the assumption that the ideal situation would be a free market with less intervention in the market by the government, which would allow for more competition and tendering for contracts.

Charities' ability to be flexible is limited. One of the main issues that prevent the flexibilisation of charity is that the majority of their funding will always come from the government, whereas the private sector is able to contract from a variety of sources. The charity has few alternatives that will provide the amount and consistency that a government contract will provide. This lack of choice for the charity is why it is so important for the government and for the charity to get their relationship right. That limit of choice for charity reduces their autonomy as they cannot justify refusing a contract to provide the service, even if that contract does not provide all the resources they would necessarily desire to provide the service.

The inherent contradiction in the contract culture is that the charity is encouraged to believe that its flexibility is maintained despite the increasing formalisation. Flexibility focuses on the autonomy of the organisation and the individuals that work for it. As discussed, the autonomy of the individuals and the charity is limited by the formalisation of the contract culture and the charity. Both are necessary in order to be competitive in a free market, however they are problematic conceptions that seem to oppose each other which makes it difficult to combine them in one organisation.

Bringing together the formal structures, rules and regulations of the charity with the ability to be flexible is not an easy task. It is not made easy by the targeting of services which require specific training or knowledge to be able to deliver them. When the contract ends, the skills that have been developed in the delivery of services are not as transferable as the skills to facilitate the contract and the service. For those on the front line, the volunteers, the skills needed in one service are not the same as those used in another. The service may also have a different target population. Changing from one contract to another means that the charity has to ensure that the voluntary workforce will stay or that they have a strong enough brand to attract more volunteers. It is easier for the charity to maintain the status quo and keep to their contract than to look at completing the service and moving to another contract or closing their doors.

When charities are normalised and their name becomes synonymous with a social issue or social provision it is more difficult to shift between services. For a charity to move from contract to contract with different services they need to be flexible, not just in their management but also in their ethos.

If a charity wants to continue to operate they need to be able to move between multiple contracts, whether it be at the same time or concurrently. It is about their ability to be flexible. There are many challenges that charities have to overcome to be flexible, competitive and sustainable in a contract culture and there are potentially sacrifices to be made of traditional notions of charity. It is about moving between these contracts because the charity has the workforce, systems and knowledge to be able to do so. So how does a charity create this environment? The workforce of the charity is based on the volunteer and the concept of not-for-profit. Maintaining that workforce means that the charity has to attract people with a passion for the community and for offering services in a volunteer capacity rather than a paid role.

The workforce is not just about the delivery of services. The charity also requires the knowledge and expertise of finance, law and management to be able to set up the structures to run the charity and compete in the market. Knowledge and expertise can make a huge difference to how a charity is run. One of the main themes of the findings chapter was the struggle to find the level of knowledge needed to operate in the contract culture. For those that I spoke to the emphasis was placed on the financial and management knowledge as being valuable to the charity as it is setting up and as it diversifies.

John – One of the real challenges for many, many trusts is this whole issue about um competent governance and competent management, financial management in particular, they struggle to find treasurers and they struggle to handle things like payroll if they're employing people

The requirement of accountability for the money they receive means that the charity has to be aware of the financial and legal ramifications. These skills are not specific to the third sector and so the charities must compete for people with this knowledge with the private and public sectors. Knowledge of such specific reporting requirements means that the charity has to compete for that input from individuals who are likely to be earning high wages in the private sectors. Attracting the input of accountants and lawyers can be valuable to the charity for ensuring that they are complying with the contract and for setting up the systems needed to report. With its limited funds, charities cannot offer high wages or significant financial benefits to those individuals they need. The ability of the charity to financially recompense these individuals is limited by the prescriptive nature of the contracts¹⁵. So how do they get

¹⁵ Although external audits are necessary in some contracts and can cost 1-10% of contractual income to have them done in private sector.

the right people? It is about the culture of the charity and its ability to provide value to the work through the satisfaction of the job and the clarity of the focus of the charity in the communication between facilitators and providers within the charity.

Their ability to attract these individuals to help is based on the marketability of the charity. The strength of that brand can make a huge difference to the desire of others to help and contribute to the work of the charity. The success of the brand for charities is that they are able to attract people with appropriate skills to their organisation. With a strong workforce the charity can improve its flexibility and provide more services.

The effectiveness of an organisation in a competitive market is that it can provide both stability and change. With the reduction in the autonomy of the charity it is worth looking at how the private sector maintain their formal and flexible nature and how this might be implemented in the charity. Formalisation is often considered to be restricting on flexibility, however, it is often a facilitator for innovation. This conception of formalisation as a way to provide the space for flexibility would allow the charity to increase its ability to be flexible.

For the charity, it is important that the formalisation that occurs does not overtake the individual's flexibility. The "formal institutionalisation of flexibility" is one way that this can be achieved (Mattes, 2014: 484). While the formal rules and regulations are adhered to, they also provide a measured space for flexibilisation. It is in the institutionalised freedom of the individuals within the organisation that is enabled by the formal structures.

Alternatively, formal rules can be applied in a flexible way. The formalised aspects of the organisation are implemented and used only when deemed to be relevant to a particular issue. "Formalised flexibilisation" is focused on the decisions of individuals as to what rules apply to particular situations (ibid). Formalisation is used as a "toolkit" of frames which can be applied. This toolkit does not prevent flexibility but encourages it within frameworks that are appropriate to the design of the organisation (ibid).

While the concepts of flexibility and formal rules do not seem to be compatible, they can be implemented in ways that provide the organisation with the benefits of both. For the charity it is a matter of considering how they can implement flexibility in and around the formal structures that they need to gain contracts. One of the main themes in the findings chapter is that there is a separation of roles within the charities I spoke to. Management or the facilitation of both the services and the contracts are separate to those who are offering the service and fulfilling the contract in many cases. The formal institutionalisation of flexibility

or formalised flexibilisation are both achievable for the charity. It is a matter of which works to the best effect in the individual organisations. The separation of roles would indicate that the flexibility would be in the ways in which the services are provided but there is room within the formal structures of the organisation to be flexible with the use of some funds to encourage flexibility.

Adrian - Well like I say we have had to do a lot of things outside of the contract, but coming up with the money to do it, you know through financial juggling has been the only way we can do that

The formal side of the charity, as in the management, can enable flexibility which is the formal institutionalisation of flexibility. In other cases, those on the front line may be aware of the prescriptions of the contract but also feel that they can offer something different or a service on top of those they currently offer.

Dean - last year when I went out in the field again they were trying to find TVs for prisoners, now they weren't in the contract you know but prisoners wanted TVs, there was a whole range of things. Prisoners wanted their properties sorted and so we kept storing property by buying stuff and doing all of those things. Things that are not in the contract you know and when the manager tried to exclude those, there was all hell broke out locally and the field workers were hard to change, so I guess the point I've been making is that while the Corrections contract became more specific about the targets they wanted us to do, we tended to deal with everything and continue to deal with everything.

This is the formalised flexibilisation. The field workers choose which frameworks are suited to the situation and applied those, allowing the flexibility of formal structures.

Charities' self-conception

The challenge for charities that want to continue to operate is remaining viable while serving the community in the best manner for the community. It is about acknowledging that the bureaucratic *iron cage* that sees charities sacrifice service in favour of survival is not suited to a free market framework of contracting. The focus on survival is a failure to come to terms with the free market economy that the charities operate within. It is not the contract that is the root of the issue for the charities. The contract is positioned as the issue, however the contract sees the agreement between the charity and the government as it would any other employee relationship. The charity's role is redefined in the contract culture.

Charities have moulded themselves, to an extent, in the image of the private business sector. This has been an unintended consequence of contracting services through charities. The shift to professionalism means that traditional notions of charity are being challenged. In a realised contract culture they would be contracted service providers. However, as the economy for the ideal contract culture has not been achieved, the charity is both a contracted service provider and a traditional provider of services. Negotiating these self-conceptions is difficult but with a return to partnership and a complementary role the charity is not able to move towards a modern conception without re-evaluating its role in the contract culture.

In this section I return to the reasons that charities are used to provide service contracts to the community. The volunteer plays a substantial role as well as the ethos of the charity, however, many of the reasons that Perri 6 and Jeremy Kendall (1997) identify as being the selling points for charity in a contract culture have been diminished. I believe it is time to re-evaluate these points of difference and address their continued relevance in the contract culture.

The first argument for the use of charity to deliver social services is its ability to be cost-effective. As we have discussed in this chapter, the voluntary workforce that is unique to the sector requires minimal financial upkeep in order to function. The services that are provided would have to have waged staff if they were offered through the public or private sectors, which would increase the costs for the government. As noted in the findings chapter the ability of the charity to stretch the money that they do receive is an expectation that comes with the contracts. They have an awareness of the need to use the money they receive to its best advantage. However, this cost-effectiveness is not a selling point for the charity if the charity is not able to tender for the contracts or no longer has to enter a process of tendering. It is then less cost-effective for the government and the taxpayer. It also increases the potential that user pay models will be introduced which would also be a detriment to the clients.

The focus on the cost-efficiency of the charity also contributes to the exploitation of voluntary labour. Without free labour the charity cannot be cost-effective and the government cannot benefit from a cheaper service. Without a cheap service there is less money to spend on a wider range of services.

The need for using the money to the best advantage is also beneficial to the clients. Perri 6 and Jeremy Kendall also identified the increase in choice for the clients of social services as a selling point for the use of charities. The enhancement of the choice for the client is

debateable. There is an increase in choice for the client so long as that need is not part of a monopolised service and that the user is mobile enough to shift to different communities to be able to exercise their choice in service provider. The ability of charity to use the increase of choice as a unique advantage for their sector is limited in New Zealand, with the size and resources of the country, reducing the range of services that can and will be provided.

There is space for the determination of the value of specific contracts and services through the voice of the clients of those services. In a contract model that is limited by the extent of government intervention and monopolisation of contracts, the user does not have the opportunity to voice what it values through its use of one service over another. The neoliberal or market driven model is not in effect. The mixed economy of welfare with a contract service model is dominant and thus the user's choice is not the central determining factor in the services provided. So if the market were working the level of use and the voice of the client in the use of the charity would be part of determining if it is working and whether it should be continued to be funded. What has become very evident is that within a mixed model of welfare, the client's voice is not heard and thus there is no indication of whether the system is working. The partnership of the government and the charity, and the monopolies of services that it entails reduces the autonomy of the user. The focus on the survival of the charity to the detriment of the service it provides also contributes to the upkeep of the status quo.

The third reason put forward to argue for the use of charities as service providers in a contract culture is their flexibility. Charities can be flexible, however, that flexibility comes at a price and as discussed in the previous section of this chapter, the charity has not yet adapted to a fluid way of doing business. There are limits to the flexibility of a charity that is contracted. The prescriptive nature of the contracts create an inherent contradiction in the self-perception of the charity. Promoting themselves as flexible while also strictly adhering to the compliance of the contracts means that only certain aspects of the charity can be flexible (like the hours that the volunteer works). Other aspects of the charity, such as the training and professionalisation of volunteers means that there is a greater responsibility on the charity and the individuals within the charity to deliver a high standard of services. It also means that the formalisation of these roles occur and that these expectations reduce the ability of the charity to be flexible. Accountability and the focus on the survival of the charity does not provide the basis for the ability to be flexible.

The innovation of charities is also debateable. The role of innovation, despite being a selling point is not valued in a contract culture. Innovation would mean finding new and effective

ways of addressing issues within the community. As the charity is on the front line and working from the 'ground up' they are meant to be the one representing and understanding the specifics of their community. Charities see gaps in the provision of social services, however contracts restrict their responsiveness to these issues as they are targeted to certain issues and communities.

The initiative that was described to me was in the ways that the charities were looking for alternative funding, in the ways that ideas were passed to those in a better position to provide that service, in spreading their limited funds even further and in coming up with new and original ideas for founding charities, through an insider's understanding of what would fulfil the need. The initiative in the provision of services was not available because that would take extra funds. There is some initiative and innovation but not to the extent that it could be called promotional material for the third sector.

The space for innovation in the services is not provided in the contracts. It does not encourage charities to take matters into their own hands. What has to be considered in this argument for the use of charities is that the charity is contracted by the government and therefore in effect it is an employee of the government. Should they allow innovation in the services when charities are the employees who are contracted? How much can the innovation of an employer be valued? It can and will be valued to the extent that the innovation does not cost extra resources or the innovation is well-planned and proven in some manner to achieve the desired outcomes. Again the self-perception of the charity is hindered by the partnership discourse and by the misconception of their relationship.

Anne - I guess the way I like to look at funding is um and contracting is a bit like the funder is a partner so instead of the funder being the one that decides what happens . . . we sit around the table and decide what's important for our community and they're a partner in that. They bring funding, we bring resources and people.

Targeted services as opposed to universal services are able to be provided through charitable contracts. This is demonstrative of the ground up approach to community assistance as opposed to the previously top down, centralised approach (Larner and Butler, 2005). The targeting of services are beneficial to the user to an extent and they also allow the charity to provide very specific aid to communities that would otherwise be missed. It is not unique to the third sector to have specifically targeted groups, however it is their connection to the community that provides the charity with the advantage in this situation.

The targeting of services through specified, prescriptive contracts reduces the ability of the charity to be flexible. When the partnership with the government department is placing value on their ability to provide this targeted service (as opposed to their ability to attract volunteers), there isn't the space in the self-conception of the charity to extend their services or to diversify the way that they operate which would contribute to their survival. As the charity focuses on one aspect of concern for the community they build skills within their volunteer and paid workforce that are lost if the contract is lost. It is more beneficial to the sector to keep these people in the charity as the value of the experience of managing and facilitating contracts is highly valued. To ensure that the sector does not lose these skills and knowledge developed in charities, they need to look to diversify their service and flexibilise their ethos of helping the community in general not just a specific proportion.

Finally, we come to the pursuit of community and social cohesion. What charities offer that is unique to their sector and what the government is yet to achieve is to inspire people to action about a social issue in their communities. Charities encourage active citizenship through voluntary participation (Russell and Scott, 1997). Charities are able to acknowledge that individuals have different circumstances and are able to work on that individual basis. Centralised top down approaches to social service provision were not able to do this in the past. There were no individual circumstances just universal issues and it is one of the strengths of the charity that they are able to engage the community in an issue. Charities are also able to improve the strength of the community through social cohesion. Through voluntary action people become engaged in their community.

The problem in continuing to claim that charity should embrace the selling points identified by Perri 6 and Jeremy Kendall is that the reality of the operation of the charity no longer fits with these concepts. The effect of these misrepresentations on the self-perception of charities will reduce their ability to adapt and survive in the contract culture.

Audrey - But this time round I had no worries at all I knew we were a shoe-in because as I said earlier, Work and Income needs us just as much as we need them because they couldn't afford to do what we do if they bought those services in house into the local Work and Income office. They couldn't deliver the same level of service with that bit of money.

There is a necessity to re-evaluate how charities value themselves as is demonstrated in the misconceptions of the benefits of contracting to charity. There are improvements that need to be made in the way that contracts are conceptualised in order for charities to claim that the

targeted services are of benefit to the user, that their ability to be innovative and their flexibility is at an optimum level. Positioning the contract as the issue does not address the underlying reasons that the contracts are not working for the charity.

Marketability of the charity

The arguments for using charity as contracted service providers are not as relevant in a mixed economy of welfare as they would be in a competitive contracting environment. A true free market would provide the ideal basis for the contract culture in New Zealand. It would also challenge traditional notions of charity that are based on partnership, monopolies and privilege. In a competitive environment, the charities would be competing for contracts and funding with other charities and private business. Surviving in this environment relies on the ability of the charity to negotiate exploitation, marketability and flexibility.

As discussed above, when a charity relies on their right to receive funding based on the partnership with the government funders, the charity and the government are distorting the competition in the market. Without the right to funding that charities depend on, the charity would need to re-evaluate its ability to be competitive.

What makes a charity unique? It is their community embeddedness, their ability to inspire active citizenship through voluntary action and their focus on the profits to the community, not financial profits to the organisation. How do these translate into a competitive market, and how could charities use unique aspects to encourage funding from the public, government and beyond?

This chapter has already detailed how charities rely on the exploited workforce of volunteers to be able to provide their services. To remain competitive in a free market the charity is not going to be able to change this exploitation. They are able to offer a service at a lower cost because they do not have to pay a significant proportion of their workforce a wage. To be able to maintain this workforce and thus their ability to be competitive, the charity has to provide the volunteer with something to keep them working for them and to keep others interested in coming to work for them.

The satisfaction of the job is a huge enticement for volunteers and paid workers in the voluntary sector. In a competitive market the job satisfaction is not based on the validation of partnership and co-operation with the government but on the outcomes that are seen in the community. It is about the ability of the charity to maintain its community feel whilst also

providing high quality, professional services to keep the community wanting to use them to provide services. The users' choice in service providers would be another factor that shapes not only the service but also how the service is provided in a competitive market.

Balancing between the community feel and the professional services is important for the marketability of the charity. If it is cold and sterile, why would people want to use their service? If they can offer the personal approach of people who have empathy for them, in a professional setting then the user would feel enabled rather than disempowered.

Without relying on traditional notions of charity, the charity has to find ways to show that they are working for the community but also professional enough to handle competition, and flexible enough to handle changes, whether they be in the way that the contract is offered or the service provided. Targeting and attracting people to work for the charity, who have the skills and the knowledge that the charity needs, is a challenge. It is a challenge because the charity has to consider the value of those skills and whether they will need to pay a wage to attract the person they need. It is about the value that is placed on different roles within the organisation.

As contracted service providers they need to consider whether it is worth offering a wage for those skills that they cannot operate without. They are effectively sub-contracting individuals to provide a service for the charity or the community. Again, there is a balance to be held between the contracted service provider and the community embeddedness. If people are attracted to charities because of their intention of active citizenship then the charity need not offer a wage. To remain competitive in a free market charities need to look at the ways that they can encourage more active citizenship in their community, as the charity and the community benefit. The charity can maintain its cost-effectiveness and the community is provided a service that is backed by the skills and knowledge of individuals who care about the community.

The ability of the charity to survive in a competitive contract culture does rely on its flexibility and marketability. With a strong brand, the charity can entice people to work for free and with a flexible workforce and ethos, the charity can also provide a range of services through different contracts and thus aid their longevity in a competitive market. With more volunteers the charity is able to be more flexible as it relies on a wider range of people rather than a small number who could be hard to replace.

In a competitive market, the exploitation of volunteers does not necessarily have to be monitored. Since the introduction of the contract funding model, there has been little to no mention of volunteers in contracts. In a realised contract culture, the inclusion of volunteers in the contracts would be beneficial to prevent their over-exploitation. For the contractor to acknowledge that the service is being provided by a voluntary workforce and that the charity has a responsibility for the wellbeing of that workforce would be enough to ensure that the volunteers are not exploited beyond the financial exploitation.

Acknowledgement of volunteers in contracts would also be valuable to the volunteer as their role in the contract service provision is currently invisible. Volunteers are the pillar of the sector and the lack of notice they receive in formal channels is glossing over their role and their exploitation. There has to be an acceptable level of exploitation in a free market that does not infringe on the volunteers' freedoms or it will contradict the basis of the ideal free market.

One of the issues that I found in the interviews was in the naming of the sector. Some of the charities that I spoke to saw themselves as not-for-profits or non-governmental organisations, both of which hold different connotations. The term not-for-profit was more common than non-governmental simply because they are funded by the government and cannot claim a separation from the government. Many are para-governmental providers, which is a difficult notion to shake due to the close association through contracting.

The charity needs to re-evaluate its privileged position in the contracting model. The self-perception of the charity does not fit within a competitive market when the charity is focused on the relationship with the government which distorts the free market on which the contract culture is meant to be based. The model of contract funding can be strengthened by the removal of relational contracts as well as monopolies of contracts by the government and charities. The charities' self-perception can also be improved by the re-evaluation of the role of partnership.

Conclusion

This chapter has discussed the issues that have arisen out of the contract culture and the impacts that these issues have had on the effectiveness of charity. The contract culture was intended to be a competitive market place that would encourage the production of the best

outcomes for the clients of social services. Government intervention in the free market has reduced the ability of charities to be competitive and increased the pressures on the charity. While the system of decentralised contracting produces the outcomes desired by government and provides services to the clients of charities, it has not been implemented in an ideal way to use charities to the best advantage.

The failure to implement a free market that would allow the competition and flexibility to create charity that is dynamic and diverse has turned the contracts themselves into the issue. The reduction in the effectiveness of the contract culture through the monopolisation of contracts affects the charities that wish to compete in the market. The resources they are able to compete for are limited and it therefore becomes harder to break into the market.

Chapter Seven Conclusion

Introduction

In the previous chapter I argued that the current mixed economy of welfare is not the ideal model for the contract culture. This is because the autonomy of the charity and the users is reduced, women and volunteers are exploited, the partnership between charities and government lack an acknowledgement of the role of charity and contribute to the reduction of the market and therefore there is a limit on the function of the competition to provide the most cost-effective services.

It analyses the economic climate that is best suited to the contract culture and provides insight into how the current climate is hindering the charity. If charity continues to be para-governmental providers then the contract culture becomes irrelevant and there is no need for change. It is not the best system for the user nor is it the most cost-effective option to return to traditional notions of charity. Providing a more liberal framework will allow the contract culture to increase competition and enhance the outcomes that are possible.

At the substantive level issues such as the charities' autonomy, relationship with government agencies and professionalisation are still present. The exploitation of volunteers still occurs and the pressures of funding consistency and access to resources remain issues that are pertinent to charities. At the theoretical level the mixed economy of welfare is not compatible with the contract culture. This is due to the restrictions and interventions in the free market. With paternalism and intervention, monopoly contracting is encouraged. These distort the market and uphold the privileged role of traditional charity.

In terms of policy, the competitive nature of the contract culture needs to be encouraged in order to increase the effectiveness of the sector. Charities need to examine and re-evaluate how they fit in the contract culture. Currently they fit and operate but if liberal concepts of the free market were to be implemented then charities need to look beyond being traditional and look at community bureaucracy and social enterprise.

This thesis is limited in its conclusions for the small number of participants. While theoretical saturation was reached, the scope of the voluntary sector in New Zealand is significant and cannot be represented by eight charities in one region. Due to the limits of time available to conduct interviews and complete the research a smaller number of participants in one region

was the best approach. The range and variability of purpose, age and scope of charities in New Zealand means that research into this sector will struggle to be representative.

Situating the contract as the issue disguises the environment in which they are provided. Does neoliberalism provide the best framework to offer these contracts? Is neoliberalism operating as it was intended? Are the contract culture and neoliberalism compatible? What model do we operate in now? What model would work better? If the contract culture is the issue then consideration of how to have a more effective contract culture is necessary.

Current model

The issues identified in the findings chapter include the restrictions on the autonomy of the charity. This is an issue that was also identified in the literature review chapter. The longevity of these issues and concerns for the charities raises the question of whether the contract culture is working for the charities. If the charities are not able to handle the issues that arise out of them contracting through the government then there would not be a voluntary sector. The sector would not be able to continue without funding and either the purchase of contracted services would have to change or private sector businesses would step in to offer these services. Currently the charities are still operating and they are still receiving government contracts.

For the charities, the access to contracts is simplified by the relationship with their funders. When that relationship is working well, the charity has fewer requirements and more leeway with the funding requirements. As discussed in the previous chapter, it is of benefit to the charity to maintain that relationship with the funder and to put value on that partnership. The unintended consequences of partnership effect the users and the taxpayers, who are essentially funding the charitable services provided. Users and taxpayers are not provided the most dynamic and effective service as the partnership myth restricts the competition that would enable innovation in service provision.

Without true competition the contract culture that has existed since the late 1980s is not a realised contract culture but a shadow of the intended version. Charities focus on their survival and the user is not provided with the best possible service as the focus is on the intervention at times when people are in need rather than preventing people from experiencing these negative outcomes. Intervention rather than prevention or enabling and empowerment

services from the charities mean that the user is likely to return. They are likely to need the service multiple times if the service provides only a short term solution for them. In this way the charity is assured of their survival. If people continue to need their service then they are able to continue to get funding for the service.

How beneficial that service is to the user is not often able to be determined as the choice and the voice of the user is limited in the current model. For example WINZ or other government agencies will refer individuals to certain charities. The client has to attend or face the loss of financial means or other punitive measures. Without a choice in service, the user cannot demonstrate what service works best for them or what they want to see in the services they use. The client's input into the services is excluded when the charity and the government work so closely and thus the client is deemed as irresponsible.

As the charity provides a service that intervenes in the user's lives as unfortunate circumstances strike, they are not provided with the means to prevent these circumstances from occurring again. When they do occur again, the user knows that they can rely on the charity to provide assistance and thus the pattern of reliance on the charity is perpetuated. The normalisation of both the role of the charity and the needs of the users means that they continue the focus on the survival of the charity. Neither the users nor the workers at the charity have any reason to see the charity stop providing the service.

In the current model of contracting, the charity is responsible for the funds they receive. They are accountable for this money and thus they have to report on the funds. In this model they are not responsible so much to the users of the services.

In the current model of contracting, the volunteers are exploited for their labour and are not provided with the consideration for their role. It is not acknowledged in the contracts that volunteers will be providing these services, however the monetary provision would indicate that they are intended to provide that service with only a small number of paid workers. As the charities treat their volunteers the same as paid workers to the extent that they are expected to provide a level of service and that they are often provided with job descriptions, they still offer a different sort of recognition for their volunteers. It is the glossing over of the exploitation of the volunteer.

It is this current model that is a cause for concern for the charity. It limits their autonomy and restricts their flexibility.

Ideal model

The continued paternalism of the government indicates that the ideal model of liberalism has not been implemented in New Zealand. Government paternalism continues and its intervention in the market means that neoliberalism is not operating as more than an ideology. The decentralisation of bureaucracy has been limited by the government's maintenance of the contracts and welfare state.

The ideal model of social service provision, in line with liberal principles, as discussed by Friedman, would see the government play a minor role. The government's role would be to allow the free market to operate and to provide penalties to those who break the rules as agreed upon by the democracy. The role of charity would be to support those who are irresponsible to take care of themselves.

The role of the charity would be to enable people to take care of themselves as well. To provide them with the means to prevent the same issues from reoccurring. As this role becomes obsolete or a less necessary response to those in need, the charity's role would be diminished. However, there will always be those that need help when they cannot take care of themselves. These are the citizens deemed as irresponsible to look after themselves. It is a significantly less involved role than the current model. This role would also be supplementary to government. In liberalism the government should not have to provide for its citizens, the market should ideally be able to do that. The supplementary role of the charity means that it is providing a service that is in line with state ideology in that it supports the lack of intervention in providing the service. If the government were to offer to take care of those that are deemed irresponsible then they are intervening in the market. The redistribution of taxpayer money would be in the form of a negative income tax.

Contract culture

So far this thesis argues that the contract culture is not the problem because the current model of contract funding is not the theoretical version of the model that would operate in a free market. The contract culture is not able to be implemented because there is too much paternalistic intervention in the market. The unintended consequence of this involvement by

the government is that the relationship between the charity and the government funder distorts the competitive nature of the contract culture. Without the competition the charity stagnates and social services remain a mix between neoliberal ideology of individual responsibility and social democratic ideology of privileged welfare provision.

If the partnership discourse were to be removed from the relationship between the funder and the charity, the charity would have a clearer idea of what is expected of them in a competitive market. The free market would not have so many restrictions on it as the government would not need to intervene to ensure that their partnered charity is receiving the funds. The contract would go to the charity that had the best tender application regardless of their contact with the government.

In a realised contract culture, with a deregulated free market, charity is not just operating in a competitive environment but it is also encouraged to be competitive. Monopolies would be diminished as competition for funds would be encouraged. Without partnerships the charities would have to rely on their ability to provide the best services in order to compete. It would also encourage them to be innovative and flexible in order to offer better services.

The benefits for the user in the contract culture are that they are able to exercise their choice as to which service to use. Through this exercise they are able to send the message to the funders of the service that this service is working because clients want to use it. The reverse message is also possible. When no one is using the service then the funder knows that the service is not working and thus should stop funding it.

As discussed in the previous section the charity is currently focused on its ability to survive to the detriment of the effectiveness of the service. In a more competitive model the flexibility of the charity is a necessity to provide the best outcomes for the clients and funders. If a charity wants to survive then it cannot provide the same services. They have to offer a reason for the funder to provide them with funds over and above other providers.

This also includes the understanding that if they are not offered contracts for a service that they have been providing then the service is no longer needed. It is a success to lose a contract when no others will pick up a similar contract or the contract has to be modified significantly in order to be offered to another provider. It means that area of concern has been addressed.

The difference between short term and long term results for clients is a part of the survival of the charity and the perpetuation of issues. If a charity is providing intervention or a short term

fix then they are likely to have clients return. If they prevent the issue from happening or provide enabling strategies to the clients then they have long term fixes which mean that the client is less likely to need the services in the first place and that they are unlikely to return once they have used them.

In a realised contract culture the charity would need to provide a mix of all three to address the initial and continuing issues that are present in New Zealand. Providing families who need food with meal planning advice is not going to allow them to survive to the next day so there is still need for the intervention in social issues, however, in the contract culture, in order for the charity to be competitive they have to offer a service that will provide positive outcomes for the users as other providers may be able to provide better services or cheaper services. What angle the charity takes in addressing the issue needs to be considered.

Volunteers in a contract culture are also contracted service providers. To be competitive, charities will continue to rely on voluntary labour. Volunteers allow the charity to offer a service that is cheaper than alternative providers because they do not have to pay their full workforce. They also allow the charity a selling point. Their marketability is increased because they can attract voluntary labour and create active citizens.

Issues with contract culture

The user's choice is limited in New Zealand. While more competition would allow the users voice to be heard through their use of the service it is not ideal in a small country like ours. We have a large number of charities, however, shifting from one service to another due to the way that they provide the service is limited when the scope of charity covers geographical areas. How can clients access the service they want if it is in another town or city? Do they commute, do they shift to that area? Can that service come to them?

For charities to be competitive and for the contract funding model to be effective, the voice of the user needs to be considered. They know what services empower them and they know what services perpetuate their issues. If they are unable to voice their opinions about the charity and the services that they are provided then how does the government know what services and charities are working? If clients cannot exercise choice in their service provider then they need an alternative way of including their input in the system of services.

The recommendations that follow are based on the remodelling of the contract culture from its current stilted function to a more liberal system that would benefit both the charity and the user, and in turn the government departments that contract social services through charities.

Recommendations

The following are the recommendations that I would make to those government departments that contract services through charities and to the charities themselves. These follow the ideal of the free market as detailed by Milton Friedman.

For government:

- Remove the partnership discourse and relational contracts
- Regulate the monopolisation of contracts and services
- Introduce reference to volunteers in contracts

For charities:

- Flexibilise the workforce and ethos
- Re-evaluate self-perception as rightful service providers
- Work on building the brand based on the insight into the uniqueness of the voluntary sector

Conclusion

Charities in the contract culture have faced and continue to face many challenges to their operation. Understanding the ways that charities cope with these pressures and tensions deepens the sociological understanding of a significant aspect of New Zealand society and it also offers insights that may allow room to improve the system of social provision in New Zealand.

This thesis argues that the pressures felt by charities are due to the lack of a shift away from traditional notions of charity. While the contract culture has increased the formalisation and professionalisation of the charities it has not made significant changes in the way that they view themselves since its introduction. Government intervention in the free market has been

the most detrimental aspect preventing the implementation of a successfully cost-effective and innovative contract culture.

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