Neoliberalism and the Third Sector in Australia

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Abstract
In an effort to reduce costs and do more with less, Australian governments have called for increased community organisation activity and greater levels of volunteerism. The rationale, apart from providing cost savings, has been described as tapping into the commitment of individuals, who are motivated to provide high standards of caring service under the auspices of non-profit organisations such as welfare, aid or environmental agencies that comprise what is called the third sector. Whilst this would seem at odds with an otherwise, arguably heartless, neoliberal agenda, the engagement with the third sector represents an important strategy as governments shift their activities away from service provision, particularly from welfare services. This paper argues that western governments such as those in the UK, US, Canada and Australia have utilised the third sector as a means of quelling potential political opposition by rendering these community organisations dependent on funding tied to performance and outcome measures set by government; silencing these organisations from criticising government and restructuring the sector through amalgamation and closures. Together these tactics are having the effect of institutionalising the neoliberal agenda while quashing political opposition.

This paper commences with a discussion tracing the rise of the neoliberal state in Australia before turning to an examination of the apparent incongruence between the economic rationalist actions of the Howard government with its espoused concern for the welfare of its more disadvantaged citizens and its call for a more engaged community. The paper concludes with an overview of the mechanism by which neoliberalism has become embedded in the operation of the third sector.

The Ascendancy of the Neoliberal state
Beginning in the 1980s, Australia underwent a sustained process of state restructuring, a process, which has largely transcended changes of government at state, federal and local levels. The impetus for restructuring has largely come from the federal level, where both conservative and Labor governments have implemented a major and ongoing reform of the public service and associated agencies, which commenced with introducing managerialism and public service restructuring and developed into a major privatisation program. The developments were presented as part of an agenda of ‘microeconomic reform’; a liberalisation aimed at making the national economy internationally competitive. The microeconomic reforms included the imposition of increased management control over employees and individualising the employment relationship, along with further de-layering of state structures and the transfer of service-provision functions to the private and community sector.

The separation of ‘purchaser’ and ‘provider’ under the influential doctrine by Osborne and Gaebler (1998) saw increased use of contracting out of government services and the development of markets in areas traditionally served by government. The envisaged result of these policies was a smaller government with greater control over coordination and policy development (steering) overseeing more efficient service delivery (rowing).

1 Dr Bernadine Van Gramberg and Ms Penny Bassett are associates of the Centre for International Corporate Governance Research at Victoria University. The authors acknowledge the assistance of Ms Justine Ferrer.
by private providers (Elwood 2002). Smaller government was to be created firstly, through employment downsizing. Employment reduction played a pivotal role in this phase of the modernisation process; being justified on the grounds of increased efficiency and expenditure reduction (Joo Cheong Tam 1997: 68-9). Second, smaller government was to occur also through the devolution of responsibilities to private and third sector agencies. Efficient service delivery was to be gained through individual competition for government contracts which included performance and results-based measurement criteria.

Despite the emphasis on market regulation, the neoliberal agenda has pervaded more than just commercial transactions. Indeed, while many writers argue that neoliberalism sees the centrality of the market as the dominant model of economic management, its actual application has extended to the nature of politics and the manner in which governance and policy is created (Hartman 2005). This has led at least one commentator to note: ‘Neo-liberalism involves the dominance of the market in society to the point where it becomes an end in itself’ (Hase, Phelps, Saenger, & Gordon-Thomson 2002, p.3).

In Australia, there has been a targeted withdrawal of government provision of services at all three levels of government. Through its National Competition Policy, the federal government rationalised the withdrawal of the state from service provision as a means of facilitating greater private sector involvement in service delivery and, at the same time, removing the threat of the state ‘crowding out’ other entrants. However, after years of public sector outsourcing, contracting out and privatisation, there are now entrenched boundaries between many service providers. In practical terms, it means that with both public and private bodies providing government services the integration of those services is more difficult and there are gaps in information flow and service provision. Further, there are markets into which the private sector is not prepared to venture because of the lack of profit. These developments have been accompanied by government’s rhetoric of the importance of the community sector’s role in welfare provision and the need for a greater number of individual volunteers. The solutions are part of what is known in Australia as ‘whole of government’ initiatives, aimed at filling policy and service gaps (Management Advisory Committee 2004). Importantly, the solutions to bridge shortfalls in service provision do not encompass direct investment of funds by government, for example to stimulate the local economy. Indeed, in his statement on social coalitions, Prime Minister Howard (2000, p. 11) stated: ‘few Australians still believe that the answer to pressing social problems lies solely in the hands of the Government. Even fewer believe that simply spending more taxpayers' money is the answer’. Such action, under a neoliberal analysis, would risk crowding out private investment sources.

What is clear is that this relatively new push for volunteerism does not stem from a new social movement. Social movements develop over time in many societies as reactions to (for example) unacceptable economic conditions or to a perception that government has failed to perform its functions. Salamon and Sokolowski (2001) argued that volunteering can be seen as a social movement arising in two ways. First, a perception that because government is unable to produce certain kinds of collective goods, volunteers take it upon themselves to step in and fill the gap. In this scenario, the greater the gap in service provision, the greater the incentive for private volunteer action (Weisbrod 1978). This reflects a market driven view that high government involvement discourages entrants (such as not for profit organisations or volunteers)
and removes a need for business philanthropy. Second, there is a view that it is a human desire to form social solidarity networks such as volunteering (Fukuyama 1995) and that these networks are less likely to form where there are government restrictions on such organisations.

From the above, it might be hypothesised that low levels of government service provision lead to high levels of volunteering. In their study of 24 nations, Salamon and Sokolowski (2001, p. 9) found that the opposite was actually true, with high interventionist governments such as Sweden and Finland proving to have the highest rates of volunteering. Australia, Ireland and the US, with moderate levels of government spending, demonstrated moderate levels of volunteering. Those countries with very low levels of government spending on services such as Mexico and Romania scored lowest on their rates of volunteering. Indeed, it appears that the level of social connectedness in a country through various social networks and through the non-profit sector, enhances the propensity to volunteer (Sokolowski 1996). Such a finding appears to contradict the proposition that government intervention in service provision ‘crowds out’ private volunteer action.

Rather than being the product of a new social movement, we argue that the greater emphasis on the third sector has been driven by government itself. In January 2000 Prime Minister Howard published his statement on the importance of creating a social coalition (Howard 2000). The concept of a social coalition involves a partnership between business, government and welfare organisations aimed at tackling social disadvantage. At its heart lies another Howard government concept, mutual obligation: ‘that those who have done well have an obligation to the less fortunate, and that those who are supported by the community should give something in return’ (Howard 2000). Proponents of the social coalition concept see it as a means of unlocking Australians from a welfare mentality: ‘the social coalition can be viewed as an anti-statist, neo-conservative call to arms - promoting individual remedies above collective ones and stressing the need for individual and business responsibility’ (The Australian 2000, p. 16). The aim of mutual obligation, as echoed in the final report of the Reference Group on Welfare Reform (2000), centres on the social and economic participation of recipients. The federal government’s response to the final report was their policy ‘Australians Working Together’ which advocated, amongst other things, that dole recipients be engaged as volunteers on community projects as part of their fulfilment of mutual obligation (Job Network Bulletin 2002).

Third Way researchers led by Anthony Giddens (1998), have argued that the welfare state encourages passivity from its citizens and has contributed to welfare dependency (Pearson 2001) and ‘paid inactivity’ (Latham 2001). Certainly, the criticism of the welfare state in these terms is consistent with neoliberal philosophy (Hartman 2005). The coherence of the social coalition statement is evident when one considers similar statements by other neoliberal governments. In New Zealand, the Ministry of Social Development (cited in Gower 2002, p. 6) claimed that the ‘government will be an active partner in building a relationship based on honesty, trust and integrity (tika and pono); compassion and caring (aroha and manaakitanga); and recognition of diversity’. Similarly, the British Blair government also encouraged government-community partnerships (Fine 2003).
Neoliberalism and Social Capital

The recognition of the strength and value of communities is generally known as social capital. The term was described by Eva Cox in her 1995 Boyer Lecture as being a combination of reciprocity and networking between people. Bullen and Onyx (1998) extended the definition of social capital to include participation in local community, neighbourhood connections including those between family and friends, work connections and a set of feelings such as trust, safety, tolerance of diversity, and to value of life. Social capital represents an investment thought to offer an effective answer to neoliberal critiques of social spending as wasteful, and a source of dependency. In attempting to integrate social and economic needs, social capital underpins social programs that advance economic development (Midgley 1999). Giddens (1998) argued that restructuring the welfare state to enhance reciprocity or obligations represents an opportunity to increase the value of social capital.

Social capital has been likened to people’s capacity to voluntarily work together without the direction of government (Lyons 2003). Yet, we argue here, that there has been deliberate government intervention in this area as indicated in the Prime Minister’s statement of social coalition and in the Treasurer’s call for more people to volunteer.

Apparent contradictions between neoliberalism and the endorsement of the third sector

There is an apparent lack of congruence between the concerns expressed by the Howard government about the necessity to engage government and community groups and the general tenets of neoliberalism. First, a call for a greater role for society appears inconsistent with other versions of the role of society in the neoliberal paradigm. For instance, one of the hallmark addresses given by former British Prime Minister Thatcher in 1987 announced that there was ‘no such thing as society’ (Thatcher 1987). The statement reflected the neoliberal concept of society as a myth because it is actually a collection of disparate individuals. Indeed, in the same vein, another contradiction arises based on the economic rationalist belief that the common good is achieved when disparate individuals act to advance their own circumstances in competition with each other.

Second, the actions of the Howard government are not consistent with its recent encouragement of the third sector. One commentator noted the discrepancy between the language of the social coalition statement and the actions of the government: ‘Using language imported from the US, the Prime Minister is the ultimate wolf in sheep's clothing: he is trying to convince the Australian public he has a heart while he is busy ripping the guts out of welfare and services to families’ (Swan quoted in Martin 2000, p. 8). These contentious actions have taken a number of forms, including radical industrial relations reforms, which will assist in lowering wages, enhance employers’ power over dismissal of workers and, perhaps further casualise the Australian workforce. Cutbacks to welfare and the concomitant lifting the bar on eligibility for welfare support also go against the grain of a caring government. Education has fared no better. Funding to government schools has been restricted whilst there have been significant increases in non-government school funding (Harrington 2004). University funding has been gradually wound down and there has been an expansion of the full-fee paying system. In health, bulk billing has been almost removed while the promotion of the private health system through the introduction of the private health insurance rebate continues. These neoliberal policies
and practices contrast sharply with what might be expected to be an adequate investment in social capital. Indeed, it would seem that the factors driving the government appear to be the increasing dependence on welfare, unemployment, increasing single parenthood and an aging population rather than a desire to invest in social capital (Smyth, Nelms & Perkins 2004).

Further, whilst calling on communities to assist in dealing with welfare problems, at the same time the government decries welfare dependent citizens as ‘dole bludgers’; some of whom must be hunted down as ‘welfare cheats’ (Allard 2002, p. 1). Despite the apparent inconsistencies, there are a number of reasons why neoliberalism would encourage the use of the third sector, besides the obvious cost cutting benefits.

**Volunteerism: the rise of the third sector in a neoliberal context**

The volunteer sector is widely known as the third sector comprising self-governing, independent and non-compulsory organisations such as environmental and religious groups, animal welfare bodies, aid agencies, political parties, cultural and artistic societies, educational bodies, unions and industry associations, lobby groups, private clubs, and recreational and sporting groups (Schaper 2004, p. 55; Beerli, Diaz & Martin 2002). The concept of communities managing themselves, particularly social services, is not new (Darcy 2002). It has been associated with social movements of the 1970s, which advocated highly responsive and personalised services run by committed individuals. Others described the phenomenon as a reaction against a large and dehumanising bureaucracy (Nyland 1993).

In Australia, these organisations are estimated to earn over $33 billion, and employ over 600,000 people (almost 7 per cent of the workforce). Volunteers are an important part of the service delivery and management of third sector organisations. The sector engages around 4.4 million volunteers who donate some 558 million hours of unpaid labour - equivalent to employing about another 285,000 full-time staff. The value of the unpaid labour is estimated at around $8.9 billion (Schaper 2004, p. 55). Volunteering has been described as time given freely to benefit another person, social group or organisation. It is a helping behaviour but can be distinguished from the act of spontaneous assistance, or the helping behaviour of caring for one’s family (Wilson 2000). ‘Volunteerism can be defined as long-term, planned, prosocial behaviours that benefit strangers and occur within an organisational setting’ (Penner 2002, p. 448 see also Penner 2004). Indeed, its growth within the business environment has led to it being considered an integral and growing part of organisations (Gomez & Gunderson 2003).

The third sector accounts for the difference between public sector and private sector, providing goods and services that governments or the public sector no longer want to supply or are unable to supply, and that the private sector has perhaps priced out of range for some people. In the US, Penner (2004) has argued that the US government has been decreasing the range of goods and services supplied to the needy despite the need for these types of services increasing within many communities. The gap has given rise to a call by governments for volunteers and their donated services.

In the past, a benign legal environment allowed nonprofit organisations to conduct their activities with little accountability to government despite often considerable funding (Cleary 2003). Through the process of contracting out, there have been significant shifts in the manner funding is allocated to the third sector, which in turn
has had to transform its structures, operations and administration in order to meet government accountability and reporting requirements. Importantly, the third sector has some distinct advantages over for-profit competitors and in this sense, contracting out is not conducted on a level playing field. First, registered charities have tax-exempt status and other benefits related to payroll. Second, in Australia, unlike for-profit firms, many non-profit organisations benefit from monetary donations; have the opportunity to receive grants as well as the opportunity to use volunteer labour.

The reshaping of nonprofit organisations over the past 20 years has been significant. First, there has been a gradual decline in some nonprofit organisations as a result of a general societal reluctance to become members of institutions. This has resulted in lower church attendance, falling unionisation rates and lower participation in community activities (Cleary 2003). Second, state and federal governments have deliberately reduced the size of the nonprofit sector by ‘nationalising groups of non-profit organisations, by ending their funding arrangements or by changing the rules by which nonprofits receive government funding to provide services; or by using their power as the main source of funds to force amalgamations of several nonprofits’ (Cleary 2003, p. 23). This has resulted in a range of small nonprofit organisation closures, amalgamations and conversion to for-profit firms. Efficiency measures such as competitive tendering, at the same time as the implementation of collaborative policies, have simultaneously exposed nonprofits to partnership arrangements while ensuring they are also pitted against each other in competition for funding opportunities.

A recent example of funding tied to efficiency measures was in the 2005 federal budget allocation of funding to Volunteers Australia, the peak body covering volunteer work. A renewal of a contract for funding was made contingent on minor and incremental changes to the Voluntary Work Initiative contract to bring areas such as data collection and monitoring in line with DEWR's reporting requirements. Volunteering Australia is exploring with DEWR what this means and will work with the Department and volunteer centres to ensure that these do not have a major impact on centres' operations (Rose 2005, p. 1).

Funding is often tied to meeting detailed data collection requirements which may not have direct relevance to the service provider. In a submission to Socio-Economic Consequences of the National Competition Policy Select Committee, one community group noted:

Logically, where tenders are awarded on the basis of specified outcomes, management and accountability should be focused on the measurement of outcomes. However, we found that management and accountability were based on the collection of onerous, and in part irrelevant, information. For example, organisations were required to provide a breakdown of staff hours by client and further, by task. Gathering data on the time spent on referral for the client, on assessment of the client and so on is time consuming, not particularly informative at a program level, and totally uninformative about whether stated outcomes are being met (Wollongong Youth Accommodation and Support Association 2000, p. 8)
Regulation of funding of nonprofits by government has also been used to quash adverse political comment or advocacy by nonprofits. There is a neoliberal argument that nonprofit organisations receiving government funding should not lobby against or criticise government (Cleary 2003). Indeed Padraic (2003, p. 13) decried the use of public funds to ‘finance the propaganda activities of churches, charities, advocacy organisations and non-government organisations devoted to the destruction of capitalism’. Others have condemned the tax-exempt status of wealthy charities. For instance, the Australian Council for the Defence of Government Schools in its submission to the Inquiry into the Definition of Charities and Related Organisations (2002) claimed: ‘indirect subsidisation of wealthy private institutions because of their ‘charitable status’ makes a complete mockery of the common sense concept of ‘charity’’ (cited in McGregor-Lowndes 2003, p. 1).

The argument has been used to justify funding cuts and it has placed many nonprofits in an invidious position: without the funding they cannot achieve their mission, while at the same time serving their mission may require speaking out against government policies affecting their clients. Legislation proposed by the government links advocacy or lobbying with the loss of the tax free status enjoyed by charitable organisations if the advocacy is deemed more than incidental or ancillary to their charitable role. Specifically, Clause 8 of the draft Taxation Charities Bill would deny charitable status to organisations that have among their purposes: ‘changing the law or Government policy’, or ‘advocating a cause’. As argued by the Director of the National Trust:

the key role of the National Trust of Australia (NSW) is one of heritage conservation, and a primary means to achieve this is through advocacy. This would put the National Trust in a serious position under Treasurer Peter Costello's proposed charities legislation, as we certainly engage in advocacy as more than ancillary to the other purposes of the organisation (Atkin 2003, p. 58).

We argue here that as much as non-profit organisations should not use their funding to engage in party politics, neither should government funding be defrayed to political ends. The cooption of third sector organisations by the government effectively brings them into the bureaucratic organising principles of the dominant administration (Darcy 2002). At the same time, the transfer of accountability for and governance of service provision to the third sector by government has given rise to what has become known as the ‘shadow state’ (Wolch 1989). Here, the voluntary sector has in effect become a shadow state: that is, a para-state apparatus with collective service responsibilities previously shouldered by the public sector, administered outside traditional democratic politics, but yet controlled in both formal and informal ways by the state (1989, p. 201).

The development of the shadow state in countries such as Canada has been associated with the steady cutting back of welfare provisions by the national Mulroney government and a concomitant increase in regulatory and funding control over third sector organisations which operate to fill the gap (Mitchell 2001). In Australia the shadow state is evident in policy statements such as: ‘in return for funding, organisations are expected to contribute to government policies that support families
and communities and to carry information between the community and the Government on important social policy issues’ (Department of Families and Community Services 2002). In Canada, these compliance measures ensured that citizens seeking services were first screened to ensure they were fully entitled to the services funded by strict government regulation. This was a notable break from past practice where many third sector organisations would have attempted to provide some level of support to individuals in need (Baines 2004).

The phenomenon has been called the ‘marketisation of welfare’ (Salamon 1993) but unlike other types of marketisation which have attracted large private enterprises seeking to expand their profit base into delivery of government services, the welfare sector is not seen as profitable and has been dominated by non-profit and volunteer groups. Furthermore, there has been ‘a shift in ideology of welfare provision from entitlement to one emphasising the obligations of provider and recipient’ (Flick, Bittman, & Doyle 2002, p. 4). This, Cox (cited in Flick et. al. 2004) argues, devalues volunteering in a ‘coercive push on those receiving government payments to repay the taxpayer as part of “mutual obligation”’ (quoted in Flick et. al. 2002, p. 4).

Conclusions
The devolution of state responsibility for policy and program delivery to the community and its citizens has been heralded as providing a greater role in participatory governance by citizens. Certainly, this was implied in the Prime Minister’s call for a social coalition. Indeed the extent to which the third sector has been involved in service delivery and policy formation has been criticised as creating a shadow state in the sense that the government has gone too far with devolution of governance itself.

We have argued here that there is little in the way of altruism by government in this picture. Neither is there a shadow state. Both these versions entail a handing over of power and decision making from government to the third sector. This is not the case in Australia. Instead, we argue that government has retained control over the sector in order to pursue its own political and ideological ambitions. First, there has been a deliberate strategy to embed the government’s neoliberal agenda into the operation of third sector organisations. This has occurred through ensuring that funding is tied to organisations to provide specific types of welfare to specifically eligible recipients as determined by government and performance measurement based on a narrow range of indicators dominated by efficiency.

Second, control over the third sector has been used to ensure both silent compliance with the government’s agenda, and, at the same time, to effectively quash political opposition. Silence is affected through the taxation and funding systems imposed by government. Finally, the third sector has clearly provided a convenient means by which the government has been able to rid itself of difficult and unprofitable welfare sector functions. Together with its concept of mutual obligation, the government vision is for communities to fend for themselves and, in return, for recipients to respond through economic participation. This has been best illustrated by the government’s Work for the Dole program.

Whilst at first glance there would appear to be contradictions between the growth of third sector and the policies of neoliberal governments, we have argued that the nexus between them has been in the successful cooption of the former by the latter in
ensuring that it delivers the political and ideological goals of the government. This is not to say that the third sector is completely disenfranchised. Indeed, it is likely that by handing greater power over to citizens, even in a heavily supervised way, this neoliberal government is sowing the seeds of a new social movement.

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