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# **Contracting for Care:**

## **Constraints and Opportunities**

A thesis presented in partial fulfillment  
of the requirements  
for the degree of  
Master of Philosophy (Social Work)  
at Massey University

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## Abstract

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This thesis is a case study of the responses to changes in government funding by one branch of the Open Home Foundation, a Child and Family Support Service in Aotearoa/New Zealand, between 1989 and 1999. The research focuses on adaptations in its organisational structures and social work programmes and in its wider organisational context.

During the last decade political and economic change in Aotearoa/New Zealand has affected all sectors of society including the third sector<sup>1</sup> and its nonprofit organisations. Devolution of government responsibility and the introduction of contracting with nonprofit organisations are national and international trends. The research found that the branch studied was significantly affected by these changes.

The branch adapted its organisational structure to meet the new legal, accountability and contracting requirements. An increasing emphasis on professionalism led to specialised roles for paid, qualified staff, with the role of the Director focusing more on management. The branch is part of a well-established national body with a reputation for delivering effective and professional social work services. Thus the organisation successfully competes against other nonprofit organisations for the limited pool of government funding. In part the reputation of the Open Home Foundation has also enabled it to maintain its original Christian value-base while becoming more professional in its business and social work practice.

Contract requirements have influenced the type of social work programmes delivered by the branch. Government's specification of outcomes limits the range of service delivery and restricts preventative work. Maintaining non-governmental sources of funding has been essential for the branch in order to provide programmes not considered by the government as 'core services.' These sources of funding enable the branch to retain a degree of autonomy and to avoid becoming an 'agent of the state.'

The branch of the Open Home Foundation has to a large extent adapted to meet the demands of government while still maintaining its Christian philosophy and integrity. It is argued that the changes in government funding over the past decade have, on the whole, positively affected the branch's professionalism, its efficient organisational structure and effective social work programmes.

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<sup>1</sup> The third sector includes all organisations that are non-government and non-private. This definition is discussed further on P.14.

## Acknowledgments

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Reaching the end of the thesis process is an interesting and helpful place from which to reflect. I have thoroughly enjoyed the experience of researching and writing this year, perhaps even more than anticipated. I would like to offer my heartfelt thanks to a number of people who have significantly contributed to the development of this thesis.

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While developing this thesis I have been ever mindful of the importance of creating accessible and useful research. In some small way I hope the findings of this piece of work will be useful for both the work of the Open Home Foundation and other Child and Family Support Services throughout Aotearoa/New Zealand. For that, ultimately, is what this research has been all about.

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# **CHAPTER ONE**

## **Situating the Research: An Introduction**

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### **Introduction**

The last ten years has seen significant changes in the nonprofit social service sector in Aotearoa/New Zealand<sup>1</sup>. Arguably, one of the most influential developments has been the introduction of contractual agreements between the government and nonprofit organisations. Two pieces of legislation in particular, the Children, Young Persons and their Families Act 1989 and the Public Finance Act 1989 have contributed to rapid and significant changes for nonprofit organisations. The Children, Young Persons and their Families Act 1989 enabled the creation of Child and Family Support Services; a new type of organisation empowered to administer parts of the Act. These organisations have undergone a series of changes over the past decade due to their newly acquired status, the evolution of contractual agreements and their developing relationship with the Department of Social Welfare. The Public Finance Act 1989, in support of the contracting environment, has required these Services to change their management and social work practice in order to meet specific accountability and monitoring requirements. The organisational structure and social work programmes delivered by Child and Family Support Services have also undergone change due to the redefining of the core social services to be purchased by the government.

This chapter will discuss the organisation explored in the case study undertaken for this research. The reasons for this study and the key research questions will be explained followed by an outline of key terms and definitions. The second part of this chapter provides a historical perspective of government funding of nonprofit

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<sup>1</sup> Aotearoa/New Zealand is written in place of New Zealand to acknowledge the bicultural nature of this country and as a recognition of Maori as tangata whenua or the indigenous people of this land.

social services in Aotearoa/New Zealand. To conclude the chapter a guide to the structure of the thesis is provided.

This research explores the extent of the impact of changes on the organisational structure and social work programmes of one branch of a Child and Family Support Service, in this instance the Open Home Foundation, in Aotearoa/New Zealand. The Open Home Foundation provides a number of support services including foster care, preventative social work, foster parent education, and in some branches counselling and tramping trips for young people. The Open Home Foundation has a strong Christian philosophy and a commitment to strengthening families.

## **PART ONE: Families Helping Families: Introducing the Organisation**

The Open Home Foundation was developed from the experience of a married couple in Aotearoa/New Zealand who had been caregivers for a number of children within their home during the 1970s. As they cared for increasing numbers of children the couple became aware of the need to have other caregivers ready to house and care for the children. Influenced by a book from the United States which discussed a Christian approach to the care of children unable to remain in their own family environment, the couple began to consider alternative ways of caring for the children in need of out-of-family care. In April 1977 a number of people from several Christian denominations came together to discuss this need for foster carers. The committee formed from this meeting saw the establishment of the Open Home Foundation. Initially there was a reliance on local churches to find appropriate accommodation and care for the children and young people. As caregivers moved to other areas around Aotearoa/New Zealand the vision of 'Families helping families' was transplanted into other communities. With the support of a National Director, local committees were set up outside of its original base in Wellington and the Open Home Foundation was extended. There are currently 15 branches of the organisation throughout Aotearoa/New Zealand.

Since its establishment the Open Home Foundation has retained its Christian philosophy. The organisation employs people who identify as Christian however it is non-denominational in that staff and foster carers are affiliated with a range of Christian churches. The Christian ethos of the Open Home Foundation is further discussed in Chapters Six and Seven.

In 1989 the National Director was invited to meet with the Department of Social Welfare to discuss the changes brought about by the Children, Young Persons and their Families Act 1989. One of the new developments in the Act allowed for social service providers like the Open Home Foundation to become approved as a Child and Family Support Service. This would entitle the organisation to not only provide the foster care and social work services it was already undertaking but also to have custody or guardianship of particular children. At that time, the Department also outlined the responsibilities of the organisation including the need to follow good employment practices in line with their increasingly professional role in the community. It was made explicit by the Department at these meetings that the Open Home Foundation would be in direct competition with other Child and Family Support Services for financial support from the government.

In 1992 the government adopted a contractual model of funding for nonprofit organisations which was accompanied by detailed accountability and monitoring requirements. Since that time each branch of the Open Home Foundation has been expected to negotiate with the Department of Child Youth and Family Services for funding. The branch examined in this case study has two separate contracts, one for a specific number of bednights provided by the branch and the other for community care which includes preventative social work with families. As the level of funding has generally been inadequate to fully service the work of the branch it has been necessary for the branch to secure additional financial support through trusts, donations, parents of children in care and other fundraising activities (These issues are further discussed in Chapter Six).

The Open Home Foundation provides a range of services including crisis intervention, social work support and preventative social work, counselling, long-term foster care, respite care, advocacy for children, referrals to other agencies and abuse referrals to both the Police and the Department of Child Youth and Family Services (OHF, 1998-99:3). As a level one Child and Family Support Service the Open Home Foundation may have custody or guardianship of children requiring care. The main emphasis in service provision for the branch under discussion is on foster care. Triseliotis (1998:332) describes foster care as:

*an umbrella-type term that covers a wide variety of arrangements in which a child is cared for temporarily in a family, not their own, for an allowance or fee. Fostering can be public or private, for short, medium or long periods, or it can be used for assessment or remand purposes.*

In 1999 the New Zealand Community Funding Agency contracted the following services from the Open Home Foundation:

- Foster care for referrals from Department of Child Youth and Family Services and from the community;
- Social work support and education for foster carers;
- Social work support and preventative programmes to keep families together;
- Family skill development for families with a child in care (NZCFA, 1999:2).

In the 1999/2000 year the branch under examination provided 12,500 nights of care (commonly referred to as bednights) for the Department of Child Youth and Family Services.

The main sources of referral for families are from family members, health service providers such as General Practitioners or Plunket nurses and the Department of Child Youth and Family Services. While the reasons for a child being placed in foster care are diverse, the main presenting problems are isolation from family support networks, the inability of parent(s) to deal with behaviour problems or parent(s)

being unwilling or unable to care for the child (OHF, 1998-1999:5). In the 1998-1999 year the majority of the clients at the branch were Pakeha aged between 6-13 years. Only a slight majority of these children were male (OHF, 1998-1999:4).

In 2000, the Open Home Foundation is operating 15 branches throughout Aotearoa/New Zealand and is providing social work services, foster care, parenting education and counselling services. Approximately 120 staff including social workers, administrative staff, practice managers and directors, are employed throughout the organisation. The philosophy, structure, funding and social work programmes in the branch under discussion are further discussed in Chapters Six and Seven.

### ***Observing Change: Beginning the Research***

This thesis originated out of an interest in the possible impact of the contractual environment on nonprofit social services and particularly whether it posed a threat to the philosophy and mission of those agencies accepting funding from the government. On my return to Aotearoa/New Zealand in 1998, after 3 years overseas, I noticed significant changes in the social service organisations with which I had previously been involved. The increased accountability and monitoring systems, continuing pressure to secure adequate funding and a greater emphasis on professionalism were immediately obvious. While some of these developments had begun before I left Aotearoa/New Zealand the effects of these changes became increasingly noticeable after the model of contracting had been in place for a few years. I was particularly interested in whether agencies with particular cultural or spiritual values had been able to retain their mission and philosophy throughout this period of intensive change in government funding. After an initial literature search it became apparent that there was a lack of research from the Aotearoa/New Zealand perspective of these changes in the third sector. Since embarking on this thesis a small number of theses focusing on aspects of contracting in the social services have come to my attention, however none of these have specifically focused on both the organisational structure and social work programmes of a Child and Family Support Service.

Prior to 1990 most social service organisations in Aotearoa/New Zealand received funding from the government by way of grants or capitation payments. This funding was often provided after services had been delivered and was not targeted at specific service provision but rather at covering the costs of programmes, rent, or equipment. The introduction of a contracting regime in the early 1990s created significant change in the third sector. Only specific 'core' services were eligible for funding and an environment of contestability, accountability, monitoring and funding insecurity was firmly established. This research set out to explore some of these issues in relation to a branch of the Open Home Foundation, with the intent of discovering what influence the contracting regime has had on the organisational structure and social work programmes of a branch of a Child and Family Support Service.

### ***The Research Question***

The research question is: How have the organisational structure and social work programmes of a branch of a Child and Family Support Service, in this instance the Open Home Foundation, been influenced by changes in government funding arrangements between 1989 and 1999?

This question lends itself to the examination of several specific questions:

1. What specific changes in funding arrangements have occurred in the branch during the period between 1989 and 1999?
2. How has the structure and staffing of the branch been influenced by the changes in funding arrangements?
3. What impact have the government funding arrangements had on the range and availability of social work programmes?
4. How have the contractual funding arrangements of the government impacted on the philosophy and value base of the organisation?

## 5. Has the contracting model had any other affects on the branch?

A small-scale case study was conducted using qualitative methods. Documents from the branch provided initial information and a foundation for the interviews. The National Director, Branch Director, Branch Practice Manager and the Chairperson of the Board of Trustees each participated in individual semi-structured interviews. The Board of Trustees was involved in a feedback session after the initial data had been gathered. This enabled the Board to clarify and contribute to the research and to receive the preliminary data analysis. This study explored the perceptions and beliefs of these individuals concerning the consequences of the changes in government funding requirements on both the structure and services of the organisation.

### ***Research Concepts and Definitions***

Aotearoa/New Zealand has always supported and maintained a sector of society which provides community and social services that are separate to government provision and which operate in a non-profit-making way (Tennant, 1989). With significant changes occurring in the social, political and economic environments of Aotearoa/New Zealand since the 1980s, there has been a marked increase in these non-governmental, nonprofit social service organisations. Despite the widespread nature and use of these services, terminology describing these services continues to vary amongst practitioners, academics and service users (DiMaggio & Anheier, 1990). It is important therefore to clearly define the terms I have chosen to use throughout this thesis.

The terms 'voluntary', 'charity', 'nonprofit', 'not-for-profit' and 'non-government' are often used interchangeably in literature to refer to organisations that deliver a range of non-government social services throughout Aotearoa/New Zealand. None of these terms alone adequately describes the Open Home Foundation. To further clarify, the Open Home Foundation is a Child and Family Support Service under the Children, Young Persons and their Families Act 1989. This means it has met certain

government-prescribed standards to provide particular services under the Act (This is discussed further in Chapter Two).

The term 'voluntary' may be linked to the Open Home Foundation because the Trustees work on an unpaid basis however in general the staff are paid employees. Volunteers contribute to the work of the Open Home Foundation by way of prayer and financial support but the actual social work and management of the organisation is undertaken by paid employees. For these reasons the term 'voluntary' is not considered the most appropriate description of the Open Home Foundation. Charities are generally defined by legislation, for example, the Charitable Trusts Act 1956 that sets out the rights and responsibilities of such organisations. This Act incorporates a supportive tax regime although this is less favourable than in other Western countries (Nowland-Foreman, 1995). Charities also rely on altruism in that they are largely supported by donations from people who do not necessarily receive any tangible reward for their generosity. The Open Home Foundation is incorporated as a charitable trust and therefore receives tax benefits as well as relying, to some extent, on charitable donations. The level of reliance however is minimal in that the government provides approximately 80% of their funding income, and therefore only 20% of their income is from donations, sponsors and other fundraising efforts.

The terms 'nonprofit' and 'non-government' have more obvious definitions and together they best summarise the nature of the Open Home Foundation. Generally the latter is implied in the first term, nonprofit, which refers to a wide range of social services operating in Aotearoa/New Zealand. Child and Family Support Services, while covering a range of nonprofit agencies, are perhaps a special category in that they, under statute, fulfil government requirements and standards in order to be eligible for both funding and certain types of service provision, for example the custody and guardianship of children.

All of these terms can be further categorised into the voluntary or third sector. Writers about society distinguish between four sectors: the private business (first sector), the public sector (second sector), non-government, non-private sector (third sector) and the household (fourth sector) (DiMaggio & Anheier, 1990; Hawke & Robinson, 1993). The voluntary, nonprofit or third sector<sup>2</sup> contain 3 key aspects:

1. The decision to form an association is voluntary – it is a matter of choice rather than a matter of direction.
2. The end goal is service rather than profit.
3. The sector exists beyond the public and private sectors (Hawke & Robinson, 1993:104).

The Open Home Foundation sits comfortably within the third sector having met all the above criteria. Throughout this thesis therefore, I define the Open Home Foundation as a nonprofit organisation. This term encompasses its not-for-profit nature as well as its non-governmental status. The phrase ‘Child and Family Support Service’ will also be used when denoting its specific character and role in providing particular social services. In a generic sense the organisation belongs to the third sector and will be referred to as such when appropriate.

‘Contracting’, ‘contractual model’, ‘contracts’ and ‘contracting agreements’ are terms used throughout the thesis and are used interchangeably to describe the funding model the government has adopted and used with Child and Family Support Services since 1992. This model is discussed in detail in Chapter Three.

Throughout the 1989-1999 decade the Department of Social Welfare has undergone several name changes due to considerable restructuring. In 1992 the New Zealand Children and Young Persons Service and the Community Funding Agency were established as two of the five business units incorporated under the Department of

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<sup>2</sup> While these terms are generally used interchangeably I prefer ‘third sector’ which acknowledges the essential role of non-profit social services in the structure of society. There is some debate that being ‘third’ implies it is ‘below’ the first two sectors (Hawke & Robinson, 1993) however I do not believe this is generally the case.

Social Welfare. The Service was renamed the Children, Young Persons and their Families Service in 1996 to better reflect the title of the Children, Young Persons and their Families Act 1989, while the Community Funding Agency retained its title at this time.

In January 1999 the Community Funding Agency and the Children, Young Persons and their Families Service were amalgamated to form the Children, Young Persons and their Families Agency. Further change followed in October 1999 when the Agency became the Department of Child, Youth and Family Services after separating from the Department of Social Welfare. This service is commonly referred to as Child, Youth and Family (See Ward, 2000: v, for a more extensive explanation of the name changes of the Department of Social Welfare). To prevent confusion I have chosen to use the contemporary title of Child, Youth and Family (CYF) throughout this thesis, irrespective of its previous titles. I use this term to refer to the care and protection and youth justice elements of the former Department of Social Welfare. The community funding arm of Child, Youth and Family is referred to as such or under its former name, the Community Funding Agency. This section of the Department has a relationship with the Open Home Foundation based on funding and is therefore helpfully differentiated from the care and protection work of Child Youth and Family.

Throughout the thesis I have used a small number of initials to denote recurring key phrases or terminology. These include initials for the Open Home Foundation (OHF), the Department of Child Youth and Family Services (CYF) which is also referred to as the Department, the Community Funding Agency (CFA), the Children, Young Persons and their Families Act 1989 (CYP&F Act 1989) and Child and Family Support Service (CFSS).

## **PART TWO: Funding Nonprofit Organisations in Aotearoa/New Zealand: An Historical Perspective**

Nonprofit social service organisations in Aotearoa/New Zealand have a long history of providing support and assistance to the disadvantaged members of the community. To some extent the third sector has always been dependent on financial support from the government (Lineham, 1994; Nowland-Foreman, 1995a). Charitable ventures in the earliest colonial times were often short lived due to pressures of caring for one's own family, the constraints of time, energy and the need for continuous fundraising (Nowland-Foreman, 1995a). Since the turn of the twentieth century, nonprofit providers have accepted increasing financial support from the state and other institutions such as local authorities (Munford & Sanders, 1999). Until the 1980s the state and nonprofit providers had complementary roles which enabled a wide range of services to be delivered to a variety of client groups (Munford & Sanders, 1999). However, growth in the number of social service organisations and a decisive move away from a welfare state philosophy led to a number of reviews and reforms concerning government funding from the early 1980s (Nowland-Foreman, 1995a). The move by the government from significant state intervention in welfare to increased individual responsibility has also led to substantial changes in legislation. Several of these changes and the impact of these on funding for nonprofit organisations are discussed in the following section.

### ***A Century of Change***

Nineteenth century European immigrants arrived in Aotearoa/New Zealand with a strong sense of leaving behind the poverty, industrialisation and urbanisation of Great Britain. Immigrants determined to work hard on the plentiful land, support their families and establish new lives for themselves (Bryder, 1991). The Liberal government of the 1890s sought to establish a state built on individual enterprise and land ownership (Thorns, 1993). Social problems were largely ignored and self-reliance and family support were promoted as the cure to any existing social ills. While the government gradually began to incorporate legislation (for example, the

Destitute Persons Act 1877) to address some of the increasing social problems the principles of deterrence and the 'deserving poor' became firmly entrenched (Bryder, 1991). The government encouraged voluntary social service organisations to provide charitable support to these 'deserving poor.' Churches, including the well-established Anglican and Catholic denominations, initially established many of the nonprofit agencies in Aotearoa/New Zealand (Lineham, 1994). The church organisations reflected the concerns of society more quickly and adequately than the state. While the state did become increasingly aware of its need to be active in social policy and to provide support for the needy it also became more demanding and dictatorial to the churches and the other secular services it funded (Lineham, 1994).

After the depression years of the 1930s Aotearoa/New Zealand began to establish itself as a leading welfare state with comprehensive social service provision. With the full employment of the post-war years and a thriving economy Aotearoa/New Zealand was acknowledged throughout the world as a successful and prosperous welfare state. An extensive range of social services in the areas of health, education, income support and housing was provided on the basis of need. These services contributed to Aotearoa/New Zealand enjoying one of the highest living standards in the world (Kelsey & O'Brien, 1995)

The roles of the state and the third sector were complementary and a diverse range of services were available throughout this time (Munford & Sanders, 1999). Churches continued to provide support for certain sectors of society, in particular, children and the elderly. However, not all of society was supported and the Maori community in particular did not always receive the benefits from this comprehensive social service structure (Walsh-Tapiata, 1997).

By the 1970s the state had become the dominant funder and provider of social services (Florence, 1996). Despite innovations such as the Domestic Purposes Benefit in 1973 which provided financial support to single parents with children, weaknesses in the welfare system were being exposed as unemployment increased

and more citizens began to seek income support. There was increasing concern as to whether the welfare state could be realistically afforded and sustained (Walsh-Tapiata, 1997). A variety of nonprofit social service organisations supplemented the government provision of social support. In general these organisations were provided with financial support from the government through grants and subsidies which supported the operational rather than the programme costs of the organisations (Munford & Sanders, 1999). Changes also occurred in some church organisations during this time as they sought to gain credibility with the public and potential clients against a decline in denominational support and the consequent pressure to find funding. Social workers without religious affiliation or any loyalty other than to an agency and their profession began to be appointed in the church organisations. Government funding for these services was attracted through increasing professionalism and introducing more business-like methods (Lineham, 1994). During this time most nonprofit social services were supported by grants from the government and donations from the public or church members (Jefferson, 2000).

During the mid-1980s the philosophy of the 'New Right' and a liberal model of welfare began to transform many aspects of Aotearoa/New Zealand society. This regime included a commitment to market liberalisation, free trade, minimal state intervention and a deregulation of the labour market. The subsequent state reforms and the resulting changes from comprehensive welfare provision to one of targeted welfare are well-documented (Cheyne et al, 1997; Florence, 1996; Munford & Sanders, 1999). Separating funding from the provision of social services was a significant part of these reforms that began with the fourth Labour government and continued as National assumed power in the early 1990s (Higgins, 1997). The specific changes in funding and the principles underlying these developments are discussed in detail in Chapter Two.

The reforms and the consequent restructuring of the government sector had a significant influence on both the public and third sectors. The reforms emphasised individual responsibility and the expectation for families to support kin in times of

stress or need. A commitment to full employment was abandoned by the state as increased free trade and the development of a market economy were instead supported (Munford & Sanders, 1999). The changes in the funding of third sector organisations and the consequent pressures on their services need to be considered in light of the increasing unemployment, poverty and stress on families (Munford & Sanders, 1999).

In the 1990s the welfare sector was increasingly driven by government policies which focused on the devolution of state responsibility for service provision and emphasised the use of non-government agencies to deliver services on their behalf. These policies and reforms created changes in funding arrangements for service delivery and enabled a wide range of groups and individuals to enter into agreements to deliver services on behalf of the state. Contracting for social services was also part of these reforms and this has fundamentally changed the nature of the relationship between government and nonprofit organisations (Florence, 1996; Munford and Sanders, 1999). Contractual agreements were introduced in the early 1990s and brought substantial change to organisations which had previously received grants-in-aid, capitation payments or subsidies.

The reforms also introduced the notion of a separation of ‘funders’ and ‘providers.’ This was initially implemented in the public health system. It primarily focused on creating competition which was thought to improve the level of efficiency that in turn would give better value to the taxpayer (Thorns, 1993). The funder/provider division was later extended to incorporate the third sector. The state then became the purchaser of social services and nonprofit organisations the providers (O’Neill, 1997). These changes led, in many cases, to structural change in nonprofit organisations so as to improve responsiveness and accountability to the government rather than continuing to emphasise the needs of the users of the services (see Chapter Three for further discussion).

Third sector organisations now vary to a large degree in the extent to which they rely on government funding. Earles & Moon (1997:139) comments:

*In addition to delivering government programmes, nonprofit organisations also operate within the parameters of government policies but use their own funds and thirdly they perform services in which government has no direct interest. Thus, nonprofit organisations have become fundamental to the delivery of numerous community services, but maintain their distinctive philosophies, goals and modes of operation.*

There is some uncertainty within the third sector as to whether nonprofit organisations can in fact maintain their ‘distinctive philosophies, goals and modes’ with the pressures associated with the contracting environment. This is one of the key issues that underpinned the development of this research project and will be given further consideration in Chapters Seven and Eight.

While nonprofit organisations tend to seek out opportunities for growth and funding stability, other motivations guide them as well.

*In particular, voluntary agencies are typically influenced by a strong sense of purpose and commitment. Thus non-profit organisations are torn between organisational maintenance and pursuit of their purposive objectives.*

(Smith & Lipsky, 1993:149)

While these organisations are not a substitute for publicly funded services ideally their activities complement the activities of both the public and the private sector. Third sector organisations are aware of the difficulty in securing ongoing funding from philanthropic or private sources when they are considering accepting government contracts. Most nonprofit organisations depend on substantial levels of government funding to exist. As Smith & Lipsky (1993:149) comment:

*While government contracts entail some risks at the beginning of the contracting relationship, they represent a welcome infusion of substantial funds, with certainty of ultimate delivery, and a release from the grinding annual problems of raising money.*

Whether government funding does in fact provide this relief from continual fundraising is debatable and was another issue considered throughout this study (Chapter Six discusses this issue in relation to the OHF).

## **Organisation of the Thesis**

This thesis is divided into two main parts. The first part considers the theoretical and methodological basis of the thesis while the second part provides an analysis and discussion of the research findings.

### **Part One:**

Chapter Two explores the theoretical and political basis for the contractual model of funding introduced to the third sector in the early 1990s. This chapter focuses particularly on significant theories and legislative changes. The definition and principles of contracting and how these have impacted on nonprofit organisations in Aotearoa/New Zealand are discussed in Chapter Three. In Chapter Four the overseas literature concerning nonprofit organisations and the contracting environment as well as an examination of current relevant literature from Aotearoa/New Zealand is examined. The research methods used for this thesis are outlined in Chapter Five.

### **Part Two:**

Chapter Six provides a discussion of the findings of the research in relation to the first part of the key research question. The chapter outlines the funding arrangements of the branch of the OHF and the changes in its organisational structure since the introduction of contracting by the government. Chapter Seven continues the discussion on the findings of the research by exploring the influence of government funding on the philosophy and the social work programmes of the branch of the OHF used in the case study. The overall impact of the contractual model of funding on the

branch are also outlined. The conclusions drawn from the research and recommendations for further research are discussed in Chapter Eight.

## **CHAPTER TWO**

### **Reforming the Third Sector?**

#### **The Social Policy Context Between 1989 and 1999**

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##### **Introduction**

This chapter will examine the policy context of Aotearoa/New Zealand over the past 10 years and explore the reforms and ideologies that have been pervasive over this time. Two key pieces of legislation, introduced during the time of the reforms, which have strongly influenced the third sector, will also be discussed.

Social policy affects all four of the sectors that make up our society. These include the public sector, the private sector, the voluntary or third sector and the household/informal sector. These sectors are constantly undergoing change in their size, shape and function and are, in part influenced by the political and economic changes occurring within society (Marshall, 1996).

The radical and comprehensive reform of the state sector introduced by the Labour government in 1984 and consolidated by National after 1990 was based in neo-liberal ideology (Boston et al, 1996). One of the key principles of the reform was that of the devolution of government involvement and responsibility. Non-governmental organisations that were efficient and effective were to carry out services previously performed by the government (Boston et al, 1996). Underpinning the reforms were the theories of public choice, agency theory, transaction-cost economics and managerialism (Boston et al, 1996). The neo-liberal philosophy of applying market forces to the public sector has subsequently had significant implications for community organisations (Walker, 1999). This has been emphasised by the concurrent focus away from a collective approach to welfare toward increased individual responsibility. The move

from grants-in-aid or capitation payments in nonprofit organisations to a system of contracting has also been influenced by these managerialist theories.

## **The Influence of Theory on the Reforms**

Public sector reform during the 1980s and early 1990s was the outcome of an ideological shift to the New Right. This period of economic, political and social change was based on the principles of a free market economy, individual responsibility and reduced government intervention (Boston et al, 1996). A preference for a smaller public sector and a greater reliance on market mechanisms including contracting out, commercialisation, corporatisation and privatisation became apparent (Boston et al, 1996). Influential theories that contributed to the reforms were public choice theory and organisational economics, in particular agency theory, transaction-cost economics (TCE) and the new public management (NPM). The public choice and agency theories are especially evident in the changing relationship between the state and the third sector during this time.

*The Public Sector Reforms focused on improving the performance, responsiveness and accountability of government agencies in terms of Government requirements. The principles guiding the reforms were derived from a set of economics-based theories and new public management.*

(Gill, 1999:7)

Public choice theory asserts that all human behaviour is dominated by self-interest and people do not in fact seek 'the common good' or do things out of 'public interest' (Boston et al, 1996). In Aotearoa/New Zealand this theory has contributed to an increasing preoccupation with the development of incentive packages, rewards and sanctions, contracting and contestability and an emphasis on a purchaser-provider model of service. The influence of public choice theory is also apparent in the emphasis on transparency in the contractual agreements between the state and nonprofit organisations (Boston et al, 1996). The minimisation of the role of the state and the limiting of the functions of government departments are direct consequences of the adoption of this model into the political-economic arena.

The new public management model assumes that a generic set of management principles exist which can be applied in both public and private sector settings (Boston et al, 1996). It encompasses:

- the devolution of management control coupled with the development of improved reporting, monitoring and accountability mechanisms;
- a preference for private ownership, contestable provision and the contracting out of most publicly funded services;
- a shift from relational to classical modes of contracting (that is, from long-term and generally poorly specified contracts to shorter-term and much more tightly specified contracts);
- the imitation of certain private sector management practices such as the use of short-term labour contracts, the development of strategic plans, performance agreements, corporate plans and mission statements;
- a stress on cost-cutting, efficiency and cutback management (Boston et al, 1996).

While these principles were initially applied to the public sector, they became increasingly evident in the changing relationship between the government and the third sector (Melvill & Nyland, 1997).

*While the policy changes have mainly concerned government-provided services, they also permeated thinking within the community services where nonprofit networks have long operated. They have affected existing relationships and informed mechanisms to establish new services.*

(Earles & Moon, 1997:147)

With significant levels of government funding going to third sector organisations it became apparent that non-government organisations would also be subject to the principles of the reforms. In particular from the early 1990s tightly specified contracts and substantial accountability, reporting and monitoring mechanisms were introduced to third sector organisations. The modes of contracting and several principles of the

reforms including contestability, accountability and efficiency are further discussed in Chapter Three.

Agency theory, as understood in the context of organisational economics, also underpinned the reforms (Shaw, 1999). This theory contends that social and political life can be understood as a series of agreed relationships (contracts) between an agent (for example, a service provider) and a principal (for example, the purchaser of service contracts). It is concerned with the contract for labour and the exchange of services. Proponents of contractual agreements believe agency theory emphasises cost-effectiveness, improvements in responsiveness, efficiency and quality. Along with public choice theory it assumes individuals are rational, self-seeking opportunists (Boston et al, 1996). The theory emphasises the importance of finding the most satisfactory way of negotiating, specifying and monitoring contracts so as to minimise the likelihood of violations resulting from opportunism on the part of the agent. Agency theory has a broad definition of 'contract' and is primarily concerned with the contracting of labour and the exchange of services. It therefore focuses on the selection and motivation of agents (Boston et al, 1996). Agency theory is particularly concerned with ensuring contract compliance on the part of the agent, in this case social service organisations in the third sector.

Agency theory includes an emphasis on transparency and the importance of curbing the role of vested interests in government policy-making so that there is less scope for political interference in certain policy areas.

*Through a contractual approach it is possible to have much clearer specifications of the goods or services to be provided and therefore the obligations of the agent are transparent and enforceable.*

(Cheyne, 1997:61)

In relation to the changes in the funding arrangements between the third sector and the government, agency theory is evident in the creation of contracts, the compliance measures of reporting and monitoring and the selection of 'appropriate' service

providers according to the government's definition of specific 'core' services (Morris & O'Brien, 1999). The influence of agency theory is evident in the debate around whether the contracting environment inhibits advocacy, lobbying and other 'political' work in nonprofit organisations. This is seen in the very limited funding from the government for advocacy and preventative work and the fear of reprisal should organisations step outside of the government-defined boundaries of specific service provision (Munford & Sanders, 1999; Nowland-Foreman, 1995a).

The theory of transaction-cost economics (TCE) is primarily concerned with minimising costs relating to production and is therefore less relevant to this discussion (Boston et al, 1996). Perhaps TCE is most evident in the issues of cost-effectiveness and the emphasis on outputs and outcomes. The measuring of outputs and outcomes has received increased emphasis and attention since the beginning of the reforms (Boston, 1991; Hawke & Robinson, 1993; Kelsey, 1993).

*State activities are now organised on a series of output classes and budgets related to these services. If an activity cannot be located and identified then it will not be funded.*

(Hanna, 2000:14)

TCE also focuses on the costs of measuring and enforcing contractual agreements. The contracting system has introduced a complex system of accountability for nonprofit organisations and CFSSs in particular are subject to regular extensive reviews of their service provision. "The application of transaction costs theory leads to an emphasis on evaluating the relative merits of the alternative forms of delivery of services" (Cheyne, 1997: 60). It is apparent that the government has been very concerned about the cost-effectiveness and delivery of specific core services since the introduction of the contractual model (Morris & O'Brien, 1999).

## **Paving the Road to Contracting: Legislative Changes**

In the third sector the introduction of the contractual model of funding has also led to increased accountability requirements between the government as the purchaser and the

nonprofit organisation as the provider. To survive, many nonprofit organisations have had to become competitive in their bid for government funding. This element of contestability was given as a positive reason for introducing contracting into the third sector (Shipley, 1991). Having a range of social service providers, rather than only one provided by the government was expected to increase client choice and create a situation where the best services would be able to be purchased at a competitive, and therefore lower, rate. From a purchaser perspective the competitive tendering process also enabled the government to change service providers as the need and priorities for specific services changed (Munford & Sanders, 1999). Client choice may however be somewhat illusory, as it is the government that determines which services are priorities to fund. Services, which a nonprofit organisation considers to be essential, may need to be supported through private funds if they do not fit into the 'core service' category. If private funding is not available the community may miss out on what an organisation considers to be an essential service (Morris & O'Brien, 1999).

The economic and managerial theories mentioned earlier underpinned two pieces of legislation which have had a significant and direct impact on social service provision over the past decade. The State Sector Act 1988 and the Public Finance Act 1989 introduced the devolution of government responsibilities to non-governmental organisations. The State Sector Act 1988 outlined a new accountability relationship between the Minister of Social Welfare and the Chief Executive of the Department of Social Welfare (DSW). The Chief Executive Officer (CEO) of the Department was given more flexibility over the use of resources in return for greater accountability for performance measured against agreed outputs and outcomes. In conjunction with the requirements of the Public Finance Act 1989 this resulted in a need for improved management and increased reporting by organisations funded by the Department (Department of Social Welfare, 1990). The newly established CFSSs legislated for by the CYP&F Act 1989, would therefore be expected to directly negotiate with and be funded by the DSW. The DSW too was required to function as competitively and efficiently as possible while delivering the outputs specified by the government. The legislative changes in the public sector filtered through to the private and third sectors almost immediately as nonprofit

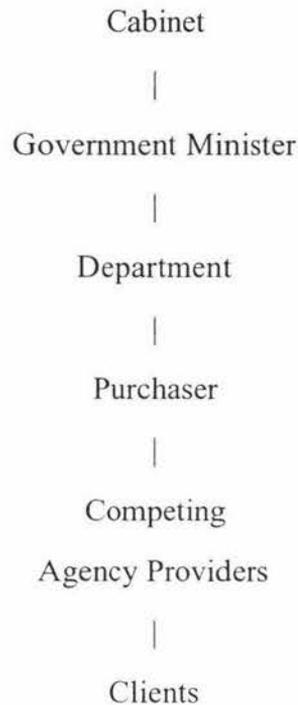
organisations applying for government funding discovered they were required to deliver specific outputs and be subject to new accountability and monitoring requirements (Morris & O'Brien, 1999).

The Public Finance Act 1989 also focused on the responsibilities of government departments in producing certain outputs. New systems of accountability were implemented to ensure high production rates and transparency in service delivery and spending. To achieve these outputs Ministers and their departments became the purchasers of services with the non-government organisations becoming the suppliers or providers (State Services Commission, 1996). This split between purchasers and providers increased competition and control over social service provision, as purchasers were able to tightly specify the outputs required. The DSW was therefore granted authority by the government to purchase core social services from the third sector and contracting was encouraged as the form of purchasing.

*While the Act did not require contractual funding arrangements between the Department [of Social Welfare] and community organisations, it did make these more desirable from the Department's point of view.*

(Higgins, 1997:3)

These policy and organisational reforms were designed to minimise the role of the state in direct social service provision (Nash, 1998). With the separation of purchasers and providers of social services, the state then acts as 'funder' and contracts out services to individuals and organisations (Morris & O'Brien, 1999). The relationship between the purchaser and the provider is formalised by way of a short- or long-term contract or service agreement. This relationship is shown in the "Supply-side competitive purchase of service model" below which indicates the structure of the parties involved in the purchaser/provider model (Gill, 1999:8).



As the diagram indicates a government minister, for example the Minister of Social Welfare, provides a certain amount of money to its Department, the Department of Social Welfare. A proportion of this is then allocated to the purchaser, the New Zealand Community Funding Agency (CFA), for the purchase of core services. The CFA purchases specific core services from competing nonprofit or private organisations that then provide the specified services to members of the community (clients).

The CFA was established to manage the changes in government/non-government service delivery, and in particular the contracting out of social services. As part of the DSW, the CFA was given the mandate to administer and manage contracts and the associated accountability and compliance requirements with nonprofit organisations. Established in 1991, this agency was greeted with some scepticism by the third sector. As the Federation of Voluntary Social Services (1992:5-6) commented:

*Whether the agency can allocate and deliver funding and support to community service providers in an effective and efficient manner in accordance with the*

*policies of the government so that New Zealanders have access to an appropriate range of services, as its mission statement proposes, remains to be seen.*

The CFA has undergone several changes since 1992 and these have been discussed in detail in other literature (Florence, 1996; Morris & O'Brien, 1999; NZCCSS, 1998; Smith, 1994). According to a study by the New Zealand Council of Christian Social Services (1998) it appears that the CFA has been subject to under-resourcing, has provided a poor quality of service to the providers of social services, and has had to implement a flawed contracting system which does not adequately consider the unique role and responsibility of the third sector in Aotearoa/New Zealand. In the past year, CFA has been re-merged with the CYF which will now administer the contracts with nonprofit organisations as well as provide care and protection services, youth services and residential services to the community. The impact of this latest change on the third sector is yet to be seen.

### **Strengthening Family Ties: The Children, Young Persons and their Families Act 1989**

The Children, Young Persons and their Families Act 1989 is another key piece of legislation that has impacted on the public, private, third and household sectors over the past 10 years. The Act outlines a set of objects and principles for the care and protection of children and young people in Aotearoa/New Zealand. It was developed after considerable analysis and debate over the deficiencies of previous care and protection legislation, particularly the Children and Young Person's Act 1974 (Cockburn, 1994). Prior to the Act, children were generally removed from their home environment and placed in residences which often failed to support and nurture their development (Maxwell et al, 1995). Supported by overseas research which indicated that children were more advantaged if they stayed within their own family and culture, the Act was grounded in the notions of family inclusion in decision-making, minimising intervention and strengthening family relationships (Maxwell et al, 1995). The Act therefore indicated a move away from focusing on a child as an individual and placing them in the context of a family/whanau group.

*A distinctive feature of the Act is a shift of emphasis away from the impersonal public authorities back to the family group. The family ties provide fundamental and powerful human bonds. The child's personal identity and status in the community are inextricably bound up in the family.*

(Mason et al, 1992:4)

The provisions of the CYP&F Act 1989 were developed after extensive community consultation particularly with Maori and Pacific Island groups and individuals. These cultural groups tend to be negatively portrayed in social statistics and the Act was one attempt to remedy this (Morris & O'Brien, 1999). The recommendations from a Ministerial Advisory Committee examining the Maori perspective on the Department of Social Welfare had been published as *Puao-te-Ata-tu* in 1986. The recommendations from this report were incorporated into the CYP&F Act 1989 and emphasised the necessity for the Department to be more accountable to Maori (Morris & O'Brien, 1999). Walsh-Tapiata (1997) discusses the enthusiasm in the Maori community about the inclusion of appropriate cultural concepts particularly regarding whanau, hapu and iwi groups being involved in decision-making. However, concern was also raised about whether Maori whanau who were living in a state of poverty or dysfunction could substantially contribute to the support of children and young people (Walsh-Tapiata, 1997). Over the past decade many social service organisations have sought to become more bicultural and explicit about implementing the principles of the Treaty of Waitangi in their practice (Chapter Seven discusses this issue in relation to the OHF). As Morris & O'Brien (1999:58) comment:

*There can be no doubt that social services have been substantially influenced by biculturalism and by the associated professional and organisational struggles surrounding its application and interpretation.*

To achieve the goals of the Act there is provision for the establishment and promotion of services in the community which will support and advance the well being of children, young people and their family groups. It is expected that these services will be

culturally responsive and allow the child or young person as well as their wider family/whanau network to be involved in decision-making (Maxwell et al, 1995). The Act also refers to the promotion of co-operation between service providers so that the child's interests remain paramount at all times. Under section 396 of the CYP&F Act 1989 community social services and iwi and cultural organisations are able to apply for statutory status to become a CFSS. This formal system for approving and contracting non-government organisations enables many social service agencies to have greater responsibility for the children with which they work and provides a recognised and legal basis for this work. Recognised under the Act, CFSSs and Iwi and Cultural Authorities are able to assume guardianship roles for children and young people in their care. They may also apply for Temporary Care Agreements and Extended Care Agreements with parents/guardians to provide care for children for specified periods of time (CYP&F Act 1989: s110, 139, 140). Organisations that seek registration as a CFSS are required to fulfil a number of standards including the requirement to employ paid professional staff (Jefferson, 2000). For some nonprofit organisations this has led to significant changes in their organisational structure, philosophy and service provision. After initial registration as a CFSS, organisations are required to undergo regular evaluations to ensure appropriate standards are being maintained.

The CYP&F Act 1989 also specifies that the Director-General of Social Welfare has a responsibility to monitor the impact of policies on children, young people and their families and to monitor services provided under the Act (CYP&F Act 1989: s 7). A limited amount of research and reviews on the effectiveness of the Act have been undertaken since its inception. In 1991 a research team, led by Judge Ken Mason, undertook a major review of the Act. The review raised several issues for the third sector. While historically the relationship between government and non-government social services had been based on partnership this had significantly changed with the introduction of the Public Finance Act 1989 and the CYP&F Act 1989 which redefined the relationship between the state and the third sector. Funding from the DSW had become increasingly difficult for some nonprofit organisations to obtain since the requirement for them to meet government-specified outputs was introduced. While the

Department aimed to develop effective and efficient community-based services to meet the goals and objectives of the Act, funding would only be provided to organisations meeting specific needs (Mason et al, 1992). As Morris & O'Brien (1999:89) explains this has continued to be an issue:

*Social work practice becomes determined by the extent to which intervention with a particular client or family can be located within one of the output classes. It is the output class, not the need of the individual or family, which determines whether a service is provided.*

The Mason report, as the review became known, also indicated that the DSW had been unable to adequately promote and assist in the establishment of community services. The level of funding from the government had also been unsuitable for the amount of service provision required (Mason et al, 1992). Constant changes in the Department's guidelines for funding and services were also an issue raised by a range of non-government groups throughout the review. Several recommendations were made to rectify these difficulties including further research, increased consultation between the Department and community groups, and the development of a clearly defined protocol between the CFA and nonprofit organisations (Mason et al, 1992).

Other research on the impact of the Act on community groups has had similar findings to the review led by Judge Mason. Additionally, Renouf et al (1990) noted confusion in the third sector due to changes in funding systems from grants-in-aid to a fee-for-service. Later this confusion would be extended to include the introduction of the contracting system of funding. Inadequate levels of funding especially for family group conferences was also a key issue. The National government formalised the changes in the provision of grants and subsidies to the use of contracts in a Department of Social Welfare Circular Memorandum in 1991 (Munford & Sanders, 1999). Part of the resulting confusion in the third sector has been as a consequence of the frequent restructuring of the Department of Social Welfare. In 1991, the Department of Social Welfare was separated

into five business units with the Community Funding Agency (CFA)<sup>1</sup> being deemed responsible for contracting with the third sector (Cheyne et al, 1997). As mentioned earlier the primary function of CFA was to devolve direct responsibility of state social service provision to nonprofit and private organisations. The CFA is required to contract organisations that can fulfil certain (but not static) output classes. These may include:

- prevention services regarding the care and protection of children and young persons
- social work services to children and young persons
- family group conferences
- risk identification and management services (Morris & O'Brien, 1999).

This focus on outputs has changed recently to a requirement for the achievement of certain outcomes. This necessarily results in more specific service delivery and a higher level of detail in the accountability requirements so that on-going funding can be ensured. "Services also tend to become fragmented as contracts emphasise the development of precisely defined units of service" (Munford & Sanders, 1999:74). Outcomes can be difficult to define and measure in the area of social services and the impact of this will be further discussed in Chapter Three. The CYP&F Act 1989 is a key piece of legislation for social services providing care and protection for the children and young people in Aotearoa/New Zealand, particularly for those organisations like the OHF which is approved as a CFSS.

## **Summary of Chapter**

The public sector reforms of the 1980s and 1990s were underpinned by economic and managerialist theories which significantly changed not only the shape of the state sector but also its relationship with the third sector. Specifically, the implementation of three

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<sup>1</sup>The Community Funding Agency was a separate unit of the Department of Social Welfare until 1998 when it was merged with the Children, Young Persons and their Families Service to form the Children, Young Persons and their Families Agency. This agency is responsible for resourcing social, welfare and related services (Munford & Sanders, 1999). On 1 October 1999, the Agency was renamed the Department of Child, Youth and Family Services (For further discussion see Chapter One).

pieces of legislation, the State Sector Act 1988, the Public Finance Act 1989 and the Children, Young Persons and their Families Act 1989, has led to changes in the funding and accountability relationship between nonprofit organisations and the government. The introduction of a purchaser/provider division in the provision of social services, a focus on outputs and the move toward a contractual model of funding have been key developments for the third sector as a result of the reforms and the accompanying legislation. The Children, Young Persons and their Families Act 1989 was significant not only for its philosophy of wider family involvement in the welfare of children, but also for the introduction of Child and Family Support Services that would be contracted to deliver appropriate welfare services. The funding of these services and the specifications of the contracting model, including the key aspects of accountability, efficiency, effectiveness, state control and contestability, are discussed in the following chapter.

## CHAPTER THREE

### Contracting in Aotearoa/New Zealand

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#### **Introduction**

This chapter provides an overview of the government funding arrangements with third sector organisations in Aotearoa/New Zealand during the 1990s. In particular the contractual model of funding will be defined and discussed. The second section of this chapter will examine the key issues of contracting as they relate to nonprofit organisations. These issues include accountability and monitoring systems, efficiency and effectiveness, state control and contestability.

*From the earliest colonial times, almost all voluntary organisations have been dependent, at least in part, on government funding – and increasingly so, especially in recent years.*

(Nowland-Foreman, 1995a:1)

Government funding of social service organisations has been provided in a number of ways including donations, programme grants in response to submissions, grants allocated on a needs basis, tendering for contracts for specified services and funding to individuals to purchase services from other providers (Nowland-Foreman, 1995a). Prior to the 1990s the government had funded a range of nonprofit social services through a system of grants or capitation payments. These usually supported the operations of organisations rather than specific programmes or activities and allowed for considerable flexibility especially when an agency was only partially funded by the government (Munford & Sanders, 1999). The capitation payments or grants-in-aid meant that the government reimbursed nonprofit organisations for services such as foster care or social work programmes that had already been delivered. This was perhaps the most common form of funding from the government to nonprofit organisations such as the Open Home Foundation until the early 1990s. Until the late 1980s social service organisations could receive substantial levels of funding from the state without being expected to provide

detailed information to account for the spending of the funds. The roles of the state and nonprofit providers were complementary, and in combination their activities meant that a range of services could be delivered to a diverse range of groups and individuals (Munford & Sanders, 1999).

## **The Contractual Model of Funding**

### ***Moving into the 1990s: Contracting in the Third Sector***

Due to several policy changes and the implementation of legislation such as the Public Finance Act 1989 and the State Sector Act 1988, significant changes in the way the government funded third sector organisations occurred in the early 1990s. This included a move away from the previous system of grants and subsidies toward a contractual model of funding. Nowland-Foreman (1995a:8) notes some of the changes:

- A shift from input to output-based funding;
- A shift from funding an agency to funding a service;
- A shift in resources to iwi and Maori-run services;
- A shift from a submission model to greater use of needs-based planning;
- A reduction in government grants to voluntary organisations;
- Increasing competition for private funds and volunteers;
- An increase in demands on voluntary organisations (as a result of increases in unemployment and poverty and reductions in direct government assistance to citizens).

The emergence of the contracting model reflected the development and application of the philosophy of individual responsibility and also the state's intention to limit costs through reducing 'core' government responsibilities (Morris & O'Brien, 1999; Munford & Sanders, 1999). While these changes were presented as enhancing personal choice, freedom and opportunity, essentially they required an increase in individual responsibility and less state involvement in the provision of the community's social and economic needs (Malcolm et al, 1993). The implications for greater individual responsibility has included transferring to families and nonprofit organisations the

responsibility for support and care (Boston, 1991). As Munford and Sanders (1999:51) comment:

*The changes in funding systems and consequently the nature of social service activity need to be seen in the light of the increasing stress on families and the wider debates about the individual responsibilities of families versus the collective responsibility of society for the welfare and wellbeing of citizens.*

The changes also indicated that the intention of government was to provide state funding only to specific and defined areas of activity that had a direct relationship with key areas of government outputs. Programmes and services outside of these output categories would require funding from other sources (Cheyne et al, 1997). This led to difficulties for nonprofit organisations as a contract for a whole service might have been agreed to but only a part subsidy provided (Morris & O'Brien, 1999; Nowland-Foreman, 1995a). Many nonprofit organisations are estimated to subsidise government funding for services by 15-20% (Ernst & Young, 1996). This issue has been highlighted as a significant problem by the branch of the Open Home Foundation being studied which receives approximately 80% of its funding from the government and is then required to supplement this income from other sources.

The obligations on service providers fall into two categories, the delivery of the service to the public and accountability to the government for expenditure of funds in the delivery of those services (Meltz, 1997). Nonprofit organizations not only have to supplement the income provided by the state but also spend considerable time providing data to meet the government's accountability requirements. "Work they would have otherwise done is not viable due to time and funding constraints - preventive, developmental and advocacy work is difficult" (Higgins, 1997:4).

Within the third sector there has been concern that the introduction of the contracting system would mean a change in role for the sector as a whole (Florence, 1996). Until the introduction of contracting the third sector had been able to remain independent and autonomous from the government, however, with the new funding arrangements there is

increasing concern it is now becoming an instrument or agent of the state. Munford and Sanders (1999:49) note that some nonprofit organisations are “now a vehicle for the delivery and implementation of state policy.” In order to receive funding, nonprofit organisations are constrained to narrowly focus their efforts on the specific services being purchased rather than on the broader purposes of their organisation. Whether nonprofit organisations are forced to compromise the philosophy or developmental work of their organisation in order to receive funding was one of the key issues underpinning this research. There is a general concern in the third sector that if organisations over-perform, future funding levels (or purchase prices) may be reduced. Some nonprofit organisations have indicated that the government is withdrawing from some areas of service which it does not consider to be of priority and therefore some of the needs of the community are not being addressed (Morris & O’Brien, 1999).

Policy-makers anticipated that the move from grants-in-aid or capitation payments to contracts in the early 1990s would have several positive outcomes for both the state and the community. These included improved accountability from providers, increased competition for funds, higher levels of efficiency and effectiveness and greater state control over social service organisations (Higgins, 1997). Before these aspects are discussed a clarification of the term ‘contract’ is required.

## **Defining Terms: What are Contracts?**

Contracts can be divided into three types:

- Spot;
- Classical;
- Relational (Gill, 1999).

A spot contract is a straightforward agreement where the vendor sells goods or services to a willing purchaser. It implies a minimal relationship between a vendor and a buyer which is likely to be a brief interaction that is not legally binding. A classical contract is when a formal, legally binding agreement is made between two or more parties. Relational contracts tend to be based on less formal understandings. The contract is

upheld because both parties need each other in some way. Essentially a contract is an agreement between a principal and an agent with a clear specification of deliverables (outputs) and accountability between the parties (Gill, 1999).

Contracts between government departments and social service providers are of a relational nature as they are built on trust and mutual benefit for the funder, provider and the client (Boston et al, 1996). In the social service area, a contract between the government and a nonprofit organisation means that the agency must produce the services it promised, in exchange for money (Smith & Lipsky, 1993). The Department of Social Welfare (1989:5) defines a social service contract as:

*A mutually negotiated agreement under which one organisation undertakes to fund defined welfare activities, and the other organisation (or individual) undertakes to provide them according to specified terms and conditions.*

The Children, Young Persons and their Families Act 1989 (s407 & s406) makes a distinction between contracts for the provision of agreed services and grants as financial assistance to community groups. Although the contracts may be expressed in a number of ways depending on the nature of the service and the level and type of funding involved, these agreements are always legally binding. Service agreements between nonprofit organisations and the Community Funding Agency (CFA) specify the level of funding and services to be provided and formalise the expectations of both the purchaser and the provider in terms of funding, service delivery and accountability. The criteria, which will form the basis of the contract, include the focus and quality of care provided and the cost at which the service can be delivered (Department of Social Welfare, 1989).

The Department of Social Welfare (1989:6-7) specified the following principles for contracting:

- services are culturally appropriate;
- client focus;
- mutuality;

- clarity;
- flexibility;
- local decision making;
- effectiveness;
- accountability;
- openness;
- equity;
- employment practices;
- security.

While these were positively framed in the guidelines given to nonprofit organisations from the Department of Social Welfare (1989) there have been several key issues of concern that have arisen since the inception of the contracting model. These include the impact of accountability and monitoring systems, the emphasis on efficiency and effectiveness, state control and the contestable nature of the contracts. The significance of these issues, in relation to the branch of the Open Home Foundation being studied, is discussed in Chapters Six and Eight.

## **The Implications of Contracting: Key Issues for the Third Sector**

### ***Accountability and Monitoring Systems***

The introduction of the contractual model to the third sector was accompanied by the development of specific and significant accountability and monitoring systems. There continues to be extensive debate as to how social services can be measured, the usefulness of these measures and whether accountability mechanisms are simply an example of increased state control over agencies (Munford & Sanders, 1999). Kendrick (1989:5) comments, “A necessary part of any contract is the system put in place to monitor the service delivery.”

Service providers are required to be accountable to the purchasers and the direct recipients (clients) of a service (Nowland-Foreman, 1997). Contractual obligations

require organisations to be more accountable in terms of stating their objectives, outlining the costs of delivering a specific service, keeping records of service use and evaluating staff performance (Nowland-Foreman, 1995a). While most nonprofit organisations are willing to be accountable, some organisations are concerned about the amount of information required, the changing nature of the requirements and the time and resources needed to fulfil the purchaser's monitoring requirements (Nowland-Foreman, 1995a). Questions concerning whether the information is actually used and whether it accurately reflects the quality of the work being done have also been raised by third sector organisations (Nowland-Foreman, 1995a).

*Most performance appraisal systems and certainly performance-related pay is especially inimical to voluntary organisations, where commitment, values and shared mission are even more important motivators than usual.*

(Nowland-Foreman, 1998b:15)

Nowland-Foreman (1996b) recognises that many nonprofit organisations are willing to be accountable but the diversity and flexibility that is characteristic of the third sector also needs to be recognised by the government. Capie (1999:12) suggests:

*Voluntary agencies have always been closely scrutinised by their members, and were not at all concerned at becoming more accountable to the government...what we found difficult is where government personnel confuse accountability with control.*

Purchasers tend to require organisations to provide specific inputs and outputs rather than outcomes such as the quality of service (Cheyne et al, 1997). This limits organisations that may not be able to provide the standardised responses the purchaser requires from its output categories. From a United States perspective, Smith & Lipsky (1993) note the difficulty of performance-based contracting. Most organisations cannot be standardised in their service approaches and therefore measurement of the quality of service provision is exceedingly difficult. For example, while the number of outputs such as bednights may be easily measured it is difficult to measure the quality of

intervention or assessment by a social worker. While contact with clients may be assumed to be supportive and productive there are no easy measures to ascertain whether the social worker is consistently ethical, professional and implementing appropriate programmes. “Thus in many cases it is impossible for government to know whether it is getting effective selection, diagnosis, and intervention” (Smith & Lipsky, 1993:200).

Measuring programme outputs may also be difficult when the outcomes of a programme are spread over more than one funding period or when funding is for preventative programmes and the future needs of clients are difficult to predict (O’Neill, 1997). Estimates are generally made by the purchaser as to the level of services required and if the agreed level of service is exceeded the CFA will often not provide additional funding (Cheyne et al, 1997).

Some nonprofit organisations are also concerned that the tight specification of services purchased by the government is reducing the ‘social capital’ of their organisations. Social capital encompasses the aspects of social organisation that encourage a society’s productive potential. This may include networks, norms, values, cooperation and trust (Hanley, 1997). Nonprofit organisations may generate these values and share their social capital with the wider community. By their very nature third sector organisations are not concerned with making a profit but rather are focused on enhancing the well being of the individuals, families and communities they work with. This raises broader issues about the appropriateness of the contracting model for the delivery of non-tradeable services (Gill, 1999). Hanley (1997:7) discusses the threat to social capital in the third sector in light of the competitive element of contractual arrangements:

*Government’s expectations of the sector, through contracts which focus on the production of goods and services, is a clear threat to the development of social capital. The contracting regime also works against cooperation, a key feature of social capital. It creates competition between community organisations. It favours formal, bureaucratic structures over local, innovative and less formal*

*associations. By defining the goods and services to be purchased, the purchaser obstructs the local community's ability to make decisions for itself.*

To counter some of the problems with existing accountability and monitoring measures, Nowland-Foreman (1996b) suggests the introduction of social auditing which may help organisations assess their work more holistically. This would recognise that nonprofit organisations are value-based in their service delivery. It would also offer a systematic (and verifiable) way of bringing the organisation's aims and values together with the viewpoints of its major funders (Nowland-Foreman, 1996b).

As both taxpayers and clients, the citizens of Aotearoa/New Zealand are making increasing demands for information and participation in the decisions about government services. Therefore it may be argued that users of social services should be involved with setting standards and accountability mechanisms so that their feedback may have an influence on the operation of social services. Payne (1995) notes that monitoring may usefully include qualitative indicators since quantitative data, such as figures and facts, may be inadequate in checking standards. There is, however, concern within the third sector that since the state has devolved many of its responsibilities by contracting out service provision to private and nonprofit providers the government avoids being held accountable to the public for these services (Morris & O'Brien, 1999; Stephens, 1996).

*Contractual relationships with nonprofit organisations can impose the government's own priorities and management principles in the name of tight accountability. The community sector's traditional strengths of community participation and responsiveness may be diminished in the 'aggressive instrumentalism' of the State.*

(Robbins, 1997:68)

There is also some concern about whether programmes are becoming tailored to meet the requirements of the purchaser of the services rather than being developed in the best interest of the client group. Contracts can impose on the organisational culture of

nonprofit organisations and this may create a conflict of accountability between the purchaser and the organisation's own objectives and method of service provision (Robbins, 1997).

Capie (1999) believes that one of the positive developments associated with the reforms has been the increase in the number of service providers giving, at least in theory, consumers more choice. This is perhaps most evident in the increase of iwi providers of social services which now provide alternative services to Maori in many areas of Aotearoa/New Zealand (Morris & O'Brien, 1999). Despite this important development clients may have had more choices "prior to contracting out when they could often choose between a state provided service and a 'community defined' service provided by a not-for-profit group" (Morris & O'Brien, 1999: 15).

In many social service organisations then there has been considerable debate over the specific and extensive accountability requirements that have been introduced with the contractual model of funding by the government (Munford & Sanders, 1999; Nowland-Foreman, 1995a). This will be further discussed in Chapter Six in relation to the branch of the Open Home Foundation under examination.

### ***Efficiency and Effectiveness***

In its rationale for introducing the contracting model to the third sector the government suggested that "The previous system of funding not only led to difficulties for community groups in accessing funds but it also provided incentives for inefficiency and inflexibility" (Department of Social Welfare, 1990:65).

Increased efficiency in the delivery and cost of social services through the contractual model of funding has been debated elsewhere (for example, Earles & Moon, 1997; Gill, 1999). The economic and managerialist policies that underpinned the legislation that led to the development of the contracting environment emphasise the importance of efficiency and effectiveness.

*Privatisation, contracting out, competition and performance measurements are formulas advocated for all spheres of government activity: the reward that is promised is greater efficiency and enhanced effectiveness.*

(Robbins, 1997:67)

There may, however, be tensions between efficiency (through market incentives) and effectiveness and other aspects of service provision (Gill, 1999). One example of this is in limiting the range of service providers, which may reduce time and financial costs for the purchasing body but reduce choice for clients or consumers. In contrast, Capie (1999) argues that increased choice is a positive outcome of the contracting model, as noted in the previous section.

Martin (1995) believes that the contracting model has assisted in the achievement of considerable efficiency gains in the third sector. Many social service providers may have adapted and improved their management practices as a result of the specifications of the contracts. The accounting for specific bednights or other outputs may increase certain levels of efficiency. Contracting may also contribute to a better understanding and greater transparency of mutual obligations between purchasers, providers and clients. Practical contracting strategies that can be useful for nonprofit organisations include co-responsibility, responsiveness and accountability which in turn may lead to greater effectiveness in the organisation (Nowland-Foreman, 1997). Considerable administrative effort is required to negotiate and maintain the contractual agreements and this consumes resources which could perhaps have been used more effectively in actual service provision (Cheyne et al, 1997). It may also be argued that the increased involvement of the government in the third sector has meant that nonprofit organisations have moved away from their primary issues of concern and become more focused on the efficient use of resources.

Contracting may have either a positive or negative impact on nonprofit organisations and the communities they serve (Cheyne et al, 1997; Nowland-Foreman, 1995a). While some organisations have become less independent and more like government agents,

other organisations have expanded and diversified their services since the introduction of the contractual agreements (Munford & Sanders, 1999). It seems that larger nationally based organisations, with developed services and the ability to expand and diversify, tend to have an advantage in the contracting environment (Munford & Sanders, 1999). These, then, are some of the issues and arguments which informed the research project.

### ***State Control and Contestability***

Another key issue that has arisen since the introduction of contracting has been that of increased state control over nonprofit organisations and contestability between service providers. A consequence of the provider/purchaser split in the contractual model of funding is that the notion of partnership is considered to be difficult due to the changing relationship between the two government and nonprofit organisations (Nowland-Foreman, 1995b) (See Chapter Two for an exploration of the theoretical underpinnings of the purchaser/provider division). Smith (1994) observes that the previous grant system enabled the exercise of more autonomy for nonprofit organisations than is possible under the contracting system. The tightened specifications for service provision required within a contracting relationship might enhance accountability to funders but they also increase purchaser control over the work of the service providers. This situation requires organisations that wish to continue receiving funding from the government to adopt the state's interpretations of the needs they are addressing and decisions as to which 'core' services will be provided (Higgins, 1997). While most contracts are provided if renewals are sought or adjusted to reflect increased service provision, there is no assurance of security or stability in the contracting environment. Although writing from a North American perspective, Smith & Lipsky's comments are relevant to the present Aotearoa/New Zealand context:

*Many providers which now operate on short funding cycles would benefit from three- and five- year funding contracts. In every sense but one governments expect nonprofit agencies to act like businesses: they are not allowed to make a "profit."*

(Smith & Lipsky, 1993:227)

Contracting is frequently linked with themes of 'choice' and 'responsiveness,' which implies a better service for clients. However, in order to retain funding, organisations have to meet rigidly specified funding requirements and face greater control from the state. Some nonprofit organisations may therefore change the services they provide in order to fit into one of the output classes required by the state and thus secure significant, on-going funding.

Smith & Lipsky (1993) comment on the situation in the United States which parallels with the Aotearoa/New Zealand commentary. They claim that while nonprofit organisations are becoming increasingly professional and business-like they are doing so "at the expense of their responsiveness to clients and their capacity to foster unique community values" (Smith & Lipsky, 1993:45). It can be argued that nonprofit organisations in the contracting environment in Aotearoa/New Zealand are now more tied to government direction and influence than they were in the past (Nowland-Foreman, 1995b). Concern is also raised over the potential for compromise in a nonprofit organisation's mission and philosophy as they seek government funding (Nowland-Foreman, 1995a). While the service goals of an agency may be compatible with those of government, some organisations may give up their own ideas of effective service delivery and strategy in order to conform to government standards.

*Government and nonprofit agencies have been cooperating to produce services for a long time, but the relationship is in flux, primarily because the norm of looking to nonprofits to provide human services, and the substantial dependence of government on the sector, are relatively new.*

(Smith & Lipsky, 1993:5)

Partial funding of services has also led to many agencies being legally bound to provide a significantly greater volume of service than they are paid for. Additional funds raised through private means are then used to achieve government ends (Munford & Sanders, 1999).

Contestability is a key issue for nonprofit organisations as the contractual agreements are accompanied with strict accountability measures and no guarantee of long-term continuity (Cheyne et al, 1997; Lineham, 1994). Competition for funds may also pose a threat to traditional cooperation between agencies. An element of competition between similar social service organisations was introduced with the contractual system (McDonald, 1998). *Social Assistance: Welfare that Works. A Statement of Government Policy on Social Assistance* written by Jenny Shipley (1991), then Minister of Social Welfare, indicated that the government saw contracting as a way of increasing competition among service providers in order to increase efficiency and choice for clients. Funding would be able to be taken from one organisation and given to another should non-compliance occur or if government priorities changed. Similar agencies therefore would be competing for the same pool of money.

In representing the views of the third sector, Nowland-Foreman (1995a) discusses the market and partnership models of contracting and emphasises the need for nonprofit organisations to cooperate and avoid the competitive market approach if the needs of the community are to be met. The struggle between providing a comprehensive social service and delivering high outputs to ensure continued funding is a major dilemma for many nonprofit organisations (Munford & Sanders, 1999). Due to the contestability that now exists between nonprofit organisations incentives for useful synergies and information sharing may well be reduced (Gill, 1999; Jefferson, 2000).

Little attention has been given in the literature to the reciprocal responsibilities from the government to the organisation. Measures are in place to ensure the government is getting 'value for money' from nonprofit organisations through performance measures, evaluations and the requirement for statistics of various kinds on a regular basis. However, governments may still be able to undermine contracts through delayed payments, inadequate funding for services provided and the demand for extensive reporting for partial funding (Florence, 1996; Morris & O'Brien, 1999). There is also an anomaly in government departments, such as the CYF where there are few internal or

external evaluations and less regular performance and statistical monitoring requirements than is expected from nonprofit organisations.

The government has increased its power and control over the third sector through the regulations, obligations and restrictions that accompany contracts. Opinion on the advantages, or otherwise, of an increasingly competitive environment are diverse and consensus between the state and the third sector has not yet been met.

## **Summary of Chapter**

*The community and other organisations are being required to account for their finances, their actions, their mandate, their legitimacy.*

(Walker, 1999:27)

This chapter has explored the implementation of a contractual model of funding in the third sector in the 1990s. Since the introduction of this model of funding, the relationship between the state and nonprofit organisations has moved from one characterised as a partnership to one defined by the commercial principles of contract (Florence, 1996). For some nonprofit organisations the contracting environment seems to have some advantages including the redefining of services as outputs, effective processes for monitoring, readily available procedures for the resolution of differences and improved management and administration systems (Martin, 1995).

Some nonprofit organisations, however, may find the contracting system negatively impacts on their structure and practice. For example, their mission or philosophy may be compromised as they strive towards meeting the terms of the contract. Other work may suffer (for example, advocacy or preventative work) because of tight specifications in the contract or concern that the purchasing agency will not accept criticism or political campaigning from one of its providers. The key issues of concern for nonprofit organisations include the extensive accountability requirements, the emphasis on efficiency and effectiveness, state control and the contestable nature of the contracts.

Adams (1997:100) provides a concise summary of the focus of contracting between the third sector and the government:

*Funding agreements appear to focus partly on efficiency and effectiveness of service planning, management and delivery; partly on the contestability of community services and partly on the creation of a more formal relationship between the government and the community sector.*

The following chapter will examine the international literature on the implementation of the contracting model in the third sector. Three contexts will be explored, the United States, Great Britain and Australia. Further research addressing the Aotearoa/New Zealand context of contracting of social services will also be discussed.

## **CHAPTER FOUR**

### **The Contract Culture – An International Perspective**

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#### **Introduction**

Aotearoa/New Zealand is in a similar situation to several Western countries that have followed a path of increased privatisation, devolved government responsibility and the introduction of the purchaser/provider split in the provision of social services over the past decade (Nowland-Foreman, 1995a). Examination of the changing policy context, within which the contract culture is situated, is now thoroughly documented in Aotearoa/New Zealand (Boston et al, 1996; Cheyne et al, 1997). However, research on the impact of contracting on nonprofit social service organisations remains limited. Issues of partnership and accountability between purchasers and providers continue to be debated while the impact on users of services and the possible long-term effects of the contracting environment receives little attention. In general the available literature on the impact of contracting in the social services appears to be divided. For certain organisations, particularly larger nationally based providers, contracting may offer a mechanism for expansion and development of service provision (Munford & Sanders, 1999). Other organisations may not fare so well especially those providing advocacy and preventative services. The contracting out of social services has created a range of impacts and challenges to nonprofit organisations (Morris & O'Brien, 1999; Munford & Sanders, 1999; Nowland-Foreman, 1995a).

The term 'contracting' (see Chapter Three for a detailed definition) is seen to be somewhat ambiguous and different countries, governments and organisations may all interpret it differently (Onyx & McDonald, 1997; Smith & Lipsky, 1993). Discussions continue as to whether contracting implies a legal agreement, a partnership or simply an informal agreement for an exchange of money for a particular service. In Aotearoa/New Zealand contracts between the government and the third sector are considered to be relational but still legally binding. This chapter will discuss some of the key literature

on contracting in the third sector from the United States, Great Britain and Australia. Literature on the contracting environment and its impact on the third sector in Aotearoa/New Zealand will also be outlined.

## **The United States Perspective**

The literature on the contracting out of social services in the United States is comprehensive (for example, Gutch, 1992; Kramer, 1994; Smith & Lipsky, 1993) and while it is not possible for it to be fully reviewed here, several key issues are evident. The United States government has contributed to the funding of nonprofit organisations since colonial times, but only since the late 1960s has this funding developed into a sophisticated intertwined relationship between the state and the third sector. Government contracts now provide the main source of income for most nonprofit providers in the United States (Smith & Lipsky, 1993). Contracting in the United States generally refers to the arrangements the government has with nonprofit organisations to fund social services. These services include those that have always been provided by the third sector as well as those previously provided by the government. These arrangements may also be referred to as 'contracting out' (Lyons, 1997a).

A review of social service contracting in the United States in 1993 (Nowland-Foreman, 1995b:15) found that potential advantages of contracting for social service providers were often assumed to include:

- greater funding security;
- longer term funding agreements;
- more concern with outcomes than inputs;
- greater equality between funder and service provider.

Gutch (1992) suggests these advantages have not been met. Instead, funding has been steadily withdrawn from several nonprofit organisations leaving them in difficult financial positions. Most contracts in the United States are for one year only and while additional funding is not available for organisations that have over-spent, cutbacks occur

in those that have not spent their full allocation. There are mixed views as to whether contracting out has led to funding bodies determining the agenda of social service organisations, with the programmes and philosophies of the organisations being distorted as a result. Some organisations argue they have been able to maintain their independence through having multiple sources of funding and sometimes through being in a relatively strong bargaining position with funders. Others have cited evidence that their advocacy work has been inhibited, their missions changed, and their methods of working more tightly controlled (Gutch, 1993).

Kramer and Grossman (1987) draw on research undertaken in the United States over a 5-year period. They examine the contracting process and consequent effects on 25 nonprofit organisations. Their findings indicate that purchasers of social services generally targeted larger organisations that were known to them unless a specialised service was required, for instance to service a particular ethnic group. The establishment of the contract itself was often a complex and time-consuming process although in some instances a standard contract was used.

Accountability was expected through the reporting of outputs and little evaluation of the provision or its outcomes was required. In general contracts were continued on an indefinite basis, as the government was dependent on the ongoing provision of the service. Nonprofit social services employed several strategies to cope with the complex and changing contracting environment. These strategies included actively advocating for increased funds from the purchasers, seeking alternative sources of funds, working with other agencies to lower costs, increasing case loads, involving greater numbers of unpaid staff to lower costs and improving management systems (Kramer & Grossman, 1987).

In the United States there has been some concern that nonprofit organisations may lose their autonomy through the process of contracting. For example, Smith and Lipsky (1993) suggest that organisations become more concerned with government rather than community priorities. Increasing the level of social service provision by nonprofit organisations has meant an increase rather than a decrease of involvement by the

government due to their position as the dominant purchaser or funder of services. Kramer (1994) suggests that while it is difficult to assess the full impact of contracting on nonprofit organisations there are obvious implications for both the organisations and government. As Smith & Lipsky (1993:120) confirm:

*The contracting regime has not only altered financing, governance, and staffing of nonprofit organisations: it has also changed what nonprofit agencies do and whom they serve.*

In the United States where government contracts have been in place for several years in nonprofit organisations, evidence suggests that government standards of client selection and service provision have been imposed on the social service providers. This has meant some agencies have had less control over the types of services provided and the way in which they are implemented (Smith & Lipsky, 1993).

## **The British Perspective**

The British experience is different to that of the United States in that local authorities have been the major providers of social services until the late 1980s. The move to a contracting culture, as described by Lewis (1996), has been dictated by government policy that has focused on reducing the statutory provision of social services. Over the last decade local authorities have come under increasing pressure, due to fiscal constraints, to contract out many of their services to community organisations. Research in this area has therefore concentrated on the process of contracting out which has been identified as an attempt to create 'quasi-markets' (Lyons, 1997a & b). Several nonprofit organisations were surveyed in one research project (Leat et al, 1986) and it was discovered that in general the contracting culture offered many benefits for social service organisations. Two surveys in 1991 and 1993 which considered the extent of contracting in the third sector clearly indicated that contracts are still a minority form of funding in Great Britain (Lewis, 1996). However contracting nonprofit organisations to deliver social services is expected to increase as government policy continues to emphasise this formalised funding arrangement.

There appears to be significant differences for nonprofit organisations in terms of the effects of the contracting regime depending on the size, type and location of the organisation. One of the major concerns for all of the organisations is that of the state determining the direction and implementation of social services.

*Voluntary agencies are being invited to substitute for public sector provision, in a climate of financial restraint and with activities and outcomes clearly specified by government purchasers.*

(Taylor, 1996:17)

The third sector is also being encouraged by the government to adopt values commonly associated with the business sector including efficiency, effectiveness and competition. Accompanying these values is the drive toward increased accountability, regulation, training and the employment of business managers (Taylor, 1996). It appears that organisations with a strong value tradition rooted in religion, working class or social movements will be most likely to be able to resist the values being imposed on them by the government.

For some organisations, particularly those that are nationally-based there have been immediate benefits from the contracting arrangements. Higher levels of funding have allowed increasing numbers of both paid and unpaid staff, more highly developed services and greater levels of support from the public. However, some of the costs associated with contracts have included a loss of independence or autonomy, a sense of insecurity due to the unstable nature of funds and increasing competition between service providers (Lewis, 1996; Taylor, 1996).

## **The Australian Perspective**

In 1997 several academics in Australia combined their findings from a number of studies on the contracting environment and published a special issue of the Third Sector Review Journal (Onyx & McDonald, 1997). The research was undertaken during 1995 and 1996 and sought to discover the impact of contracting on care organisations in a number of

programmes and states. The study also examined issues of partnership, competitive markets, and the legal implications of the contracts (Onyx & McDonald, 1997). In the Australian context the term 'contracting' refers to the way in which governments provide funds to nonprofit organisations for the provision of services (Lyons, 1997a). The development of a 'contract culture' has occurred as governments in Australia have moved toward a liberal view of welfare and as a series of public reforms have been implemented. Limiting expenditure and increasing accountability and efficiency in the third sector are key outcomes of these changes.

One consequence of these developments for nonprofit organisations is the increasing "specification by governments of what they require from nonprofit organisations in return for their funds" (Lyons, 1997b:208). While the funding of social services has traditionally focused on inputs and aspects of service delivery such as staffing, facilities, equipment, materials and specific tasks, during the 1990s this changed to output-based funding which focused on specific service provision. Funding requirements are outlined in individual service agreements and monitoring and accountability systems are required to be in place before funds are provided. Output-based funding is based on the rationale that it:

- ensures resources are invested in clients rather than agencies;
- uses resources more effectively as they are more clearly focused on the production of outputs;
- gives greater autonomy to agencies by removing many previous restrictions;
- promotes greater certainty in the relationship between the funder and the provider

(O'Neill, 1997:125).

Output-based funding requires costings for units of service. Government funding bodies will therefore purchase a particular number of specific services from an organisation. Overall the impact of output-based funding on nonprofit organisations will vary depending on whether agencies have services that are measurable and tangible. These outputs will be specified in the service agreements that outline the decisions made between the purchaser and the provider.

Nonprofit organisations in Australia raised a number of concerns about the service agreements. These included:

- the workload imposed by the agreements;
- the content of the agreements;
- the move to output-based funding;
- the relationship between service providers and the Department;
- the confidentiality clauses (O'Neill, 1997:129).

Concern over the increasing power of the federal and state governments and consequent loss of autonomy is common in nonprofit organisations across the Australian states. Many organisations preferred to develop a relationship of partnership between themselves and the government, however resistance to this notion was evident from all levels of the government which wished to retain a greater level of power in the funding relationship (Lyons, 1997b). While in some states nonprofit organisations have previously had cooperative relationships with the government it seems that in general government departments are making changes to the funding environment with little input from nonprofit providers (Robbins, 1997).

### **The Aotearoa/New Zealand Perspective**

The contracting environment in Aotearoa/New Zealand has many parallels with the United States, Great Britain and Australian contexts previously discussed. Despite contracting being a relatively recent phenomenon, the trends from overseas may be indicators of the future of social service provision in Aotearoa/New Zealand. The body of research on the relationship between the government and nonprofit organisations and the introduction of a contractual model to the social service arena has remained limited over the past decade.

In 1989 the Department of Social Welfare outlined its rationale for the devolution of its welfare responsibilities and the consequent changes in funding arrangements with the third sector.

*The Department has long recognised that it is not always the best agency for the delivery of all social services and that it should respond to community initiatives where possible. The development of contracting is an attempt to develop a fairer, more open and culturally appropriate means of reaching and expressing funding agreements with DSW, and so improve both existing and new funding arrangements.*

(Department of Social Welfare, 1989:4)

The following year, a briefing paper to the Minister of Social Welfare (Department of Social Welfare, 1990:65) noted:

*Contracting in the social services area is being developed as a means of improving service provision by encouraging providers to supply services which are both cost effective and meet client needs. It is not the role of government to be the main service provider of the services required...the closer the caring gets to the community, the better the quality.*

These comments indicate the public rationale for contracting and emphasise the devolution of government responsibility to provide social services to the third sector. The government stated clearly their belief that the contracting of nonprofit organisations would allow for better quality, cost effective and client focused services. It has been argued by a number of researchers that contracting was part of wider developments by government during the early 1990s to increase individual, family and community responsibility and to gradually reduce its involvement in core welfare services (Cheyne et al, 1997; Morris & O'Brien, 1999; Munford & Sanders, 1999). The significant changes in the political, social and economic environment in Aotearoa/New Zealand during the past decade were discussed in detail in Chapter Two.

The New Zealand Community Funding Agency (CFA) commissioned a report in 1993 on its services and performance which specifically examined the perspective of several social service agencies on the planning, processing and implementation of the contracting

system. Overall the report (NZCFA, 1993) indicated a high level of dissatisfaction from nonprofit organisations involved in the CFA contracting process. In 1999, after several years of ongoing difficulties between the CFA and many social service organisations, the CFA became part of the Department of Child, Youth and Family Services (CYF) (Morris & O'Brien, 1999). The CYF continues to contract out services to nonprofit organisations through its community funding arm and also provides statutory care and protection, youth justice and residential services to the community. It remains to be seen whether this change will have a positive impact on those nonprofit organisations that contract out their services to the CFA.

In 1998 the New Zealand Council of Christian Social Services (NZCCSS) undertook a review of the relationship between nonprofit social services and the CFA. The review was based on a survey of 97 member organisations of the NZCCSS. It included the performance of 5 social service funders, 2 focus groups of senior managers from social service organisations, the findings of a four year survey of 14 Christian social service organisations which measured their experience of the CFA and an overview of local and international research and literature. Several key findings were evident:

- Organisations believed the CFA consistently under-performs in terms of quality of service and its own performance criteria compared with other major social service funders;
- Most of the organisations in the study received funding from CFA and so the dissatisfaction of the performance of CFA cannot be dismissed as coming from unsatisfied agencies;
- Performance problems are long-term and have been apparent since the establishment of the CFA in 1992;
- There are problems with the contracting system, planning system, reporting requirements and time-lines of the CFA;
- There are fundamental flaws in the funding model the CFA has been directed to implement (NZCCSS, 1998:3-4).

The review discussed the inherent problems in the contracting model which enabled organisations to only receive partial funding for the service provided while having to account for and monitor a whole service. This has led to an undermining of independence, mutual trust and goodwill and has resulted in organisations spending considerable time seeking additional resources. The review also suggested the contracting model:

*...has a bias against responsive, developmental, preventative and advocacy approaches to addressing social problems.*

(NZCCSS, 1998:4)

The contracting model was seen to limit the wider role of nonprofit organisations to encourage citizen participation and community development (NZCCSS, 1998). Fifteen recommendations were made at the conclusion of the review which address the issues of concern. These focus on the need for CFA to improve the process of contracting, to increase the level of negotiation between the CFA and nonprofit organisations and to allow organisations to maintain their autonomy and role as ‘watchdogs’ in the communities they serve. These concerns have also been noted in the United States (Gutch, 1993) and Australia (Lyons, 1997b) especially the issue of increased state control and limitations on the type of service the state is willing to fund.

Morris and O’Brien (1999) discuss the impact of some of the changes on the provision and delivery of social services by statutory and non-statutory organisations over the past 15 years in Aotearoa/New Zealand. Their report is the result of a combined research project between the Auckland City Mission and Massey University. The first part of the project examines the literature on changes in social service provision. The report focuses on four themes which emerged from the literature. These included the contractual environment, the changing relationship between the state, the family and the individual, professional/client relationships, and deinstitutionalisation (Morris & O’Brien, 1999). The themes are underpinned by two critical elements which have continued to have an impact on social service provision since 1984. Firstly, poverty

and unemployment, which significantly influences the lives of those who most often draw on resources from social services. These factors influence the growth of social service organisations and the demands placed upon them. The other component, unique to Aotearoa/New Zealand, is that of biculturalism, the increasing emphasis on the Treaty of Waitangi and the need for nonprofit organisations to be providing culturally appropriate services and abiding by the principles of the Treaty. The report also acknowledges the CYP&F Act 1989 and its firm commitment to biculturalism which has also influenced the shape and services of nonprofit organisations providing social services in Aotearoa/New Zealand (Morris & O'Brien, 1999).

Four theses presented for Master's degrees at the universities of Massey, Waikato and Victoria (Florence, 1996; Jefferson, 2000; Leigh, 1994; Smith, 1994) examine aspects of the managerial reforms, the contracting environment, the CFA funding processes and the issue of partnership between the government and voluntary agencies. Apart from Smith's research (1994), the studies present similar findings which are also reiterated in other published documents (for example, Ellis, 1994; Morris & O'Brien, 1999; Munford and Sanders, 1999). Due to the limited available research in the area of contracting and the third sector in Aotearoa/New Zealand there is considerable scope for further research. These documents therefore make a significant contribution to the current literature.

Most recently, Jefferson (2000) sought to discover whether five Christian Social Service agencies in Aotearoa/New Zealand had retained their Christian 'associational' roots despite significant changes in the political-economic environment and, in particular, the move to contracting for services with the government. Specifically, Jefferson examined whether changes had occurred in governance committees, staffing, funding (with the Government and from other sources) and service provision. Her findings indicated that throughout the period 1988 to 1998 the Director's role in the agency had become increasingly important in maintaining and managing the relationship between the agency, their governing body and the Church. Overall the agencies were able to maintain their Christian philosophy and value base, however, they also adapted to the increasingly

business-like nature of the wider voluntary sector and in doing so became more 'professional' in their work (Jefferson, 2000).

Florence (1996) examined the relationship between the CFA and five nonprofit organisations. She focused on the values and processes of the organisations and how these were influenced by the CFA funding requirements. Drawing on data from interviews with both CFA staff and managers of the organisations she suggested two main conclusions. Firstly, the organisations perceived their relationship with the state as undergoing significant change due to the changes in political and economic ideologies and the contracting system itself. Secondly, a major effect of these changes was that the state had increasing power and control over the third sector. Smaller local organisations were least likely to identify with and conform to state requirements and were therefore in a more vulnerable position in the contracting system and less likely to maintain a strong on-going position in the contracting environment. Importantly, she notes (Florence, 1996:201), that, " A serious contradiction exists between the stated commitment of CFA to fund Maori social services and culturally appropriate service and the fact that these are the agencies most likely to struggle to survive in the contracting environment". Florence (1996) suggests the commercial values of the contracting regime had replaced the previous relationship of partnership between the state and the third sector.

Leigh (1994) conducted a process evaluation of the CFA's contracting procedures with 20 social service organisations. Overall her findings indicated that organisations were dissatisfied with the contracting process. Most were uncomfortable with the unequal power relations and desired an increase in partnership. The loss of independence was also a key issue in individual agencies and concern was voiced at the lack of funding security and flexibility to provide services most relevant to the local community. An increase in competition between nonprofit organisations, accountability and additional administrative work were seen as negative effects of the contracting system. Concern was expressed at the decreased support for advocacy, however, the CFA counteracted

this by stating that, as an agency, it believed it was able to act as an advocate for the community itself (Leigh, 1994).

Smith also completed a Master's thesis in 1994 which provided an analysis of the CFA funding system through the application of agency theory. Writing from the perspective of a senior manager in the CFA, Smith presented a very positive picture of the 'contract culture' and focused largely on the system of contracting rather than on the wider implications for the third sector. The thesis provided interesting and relevant theoretical background to the development of the contracting system but did not explore the actual impact on the service providers whose services were purchased by the state. Working from within the organisation under examination she does not critique the consequences of the contracting model on the providers of the social services.

Smith (1994) states that Maori have been the main beneficiaries in the shift in funding provision both as service providers and as clients. The separation of the CFA from other Department of Social Welfare services was, she believes, motivated not by the desire of the government to return responsibility to the family but in order to enable iwi and other service providers to gain more autonomy. Accordingly she states that the changes in funding was motivated by a "desire to uphold responsibilities under the Treaty of Waitangi and in particular the guarantee of tino rangatiratanga or iwi control of iwi matters."

In general her viewpoint on the contractual model of funding contrasts with the other opinions offered in related literature. This tends to indicate that while many nonprofit organisations have significant concerns about this model of funding this is not necessarily acknowledged by the government itself.

There are several parallels that can be drawn between the overseas literature and the Aotearoa/New Zealand situation in regard to the contracting out of social services to third sector organisations. The planning, development and implementation of the contracts themselves has been difficult and complex with nonprofit organisations consuming considerable quantities of their time on this process (Kramer & Grossman,

1987; Lyons, 1997b; NZCCSS, 1998). The introduction of accountability requirements has also impacted on nonprofit organisations, with new management systems being required, frequent reporting to the government purchaser and an increase in state control over the organisation (Florence, 1996; Kramer & Grossman, 1987; Lyons, 1997b; Smith & Lipsky, 1993). A concern about the ability of nonprofit organisations to retain their mission and philosophy amidst the increasing requirements and control from government purchasers is also evident (Gutch, 1993; Jefferson, 2000). The relationship between the state and the third sector has also been widely discussed in regard to partnership, types of services funded and the decreasing independence and autonomy of nonprofit organisations (Gutch, 1993; Jefferson, 2000; NZCCSS, 1998; Onyx & McDonald, 1997). Positive outcomes for nonprofit organisations, particularly those that are larger and nationally based may include increased professionalism, better organisational structures and higher levels of funding (Jefferson, 2000; Kramer & Grossman, 1987).

## **Summary of Chapter**

Overall, the international research on contracting environments presents a comprehensive picture of the contracting environment and the way this influences nonprofit organisations. While the United States has a longer history of contracting than Great Britain, Australia or New Zealand, parallels between each of the countries are apparent. Most nonprofit organisations consistently express their dissatisfaction at contracting systems and the philosophy and consequences of the 'contract culture'. While nonprofit organisations seek to maintain their vision, philosophy and ideology there is considerable concern over the loss of independence and the increasing control of the state. It appears from the literature that larger, national organisations fare better in the contracting regime than do smaller, grass roots, radical organisations (Nowland-Foreman, 1995a). However, the literature also indicates that the complex contractual procedures, increased administrative and accountability processes, decreasing financial security, and interagency competition have negatively impacted on the relationship between the state and the third sector. The following chapter will outline the research methods used in this study.

## **CHAPTER FIVE**

### **The Research Process**

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#### **Introduction**

In the previous chapter it was evident that changing funding/contracting arrangements have had a considerable impact on social service organisations both overseas and in Aotearoa/New Zealand. In Aotearoa/New Zealand there is an apparent need for more research in the different contexts that are influenced by the contractual environment of government funding. This research project sought to contribute to the available research by examining one branch of a national Child and Family Support Service. Due to the desire to explore the influence of the government funding on one branch of the Open Home Foundation (OHF) a case study was considered an appropriate approach to the research.

To reiterate, the research question was: How have the organisational structure and social work programmes of a branch of a Child and Family Support Service, in this instance the OHF, been influenced by changing government funding arrangements between 1989 and 1999?

The themes and consequent questions emerging from this essential research question were outlined in Chapter One and are reiterated below:

1. What specific changes in funding arrangements have occurred in the branch during the period between 1989 and 1999?
2. How has the structure and staffing of the branch been influenced by the changes in funding arrangements?
3. What impact have the government funding arrangements had on the range and availability of social work programmes?

4. How have the contractual funding arrangements of the government impacted on the philosophy and value base of the organisation?

5. Has the contracting model had any other affects on the branch?

## **The Case Study Approach**

*Each organisation has its common and its unique features. The case study researcher aims to identify such features and to show how they affect the implementation of systems and influence the way an organisation functions.*

Bell (1993:9)

A case study may be chosen for a number of reasons, for being extreme, typical or significant in some other way (Ragin & Becker, 1992). By examining one branch of the OHF, rich data about the particular case was revealed which has afforded insights into the wider area of nonprofit social services in Aotearoa/New Zealand. The case chosen is significant in that it is part of a national Child and Family Support Service that offers comprehensive foster care and family support services to the community. Being a large provider of social services the organisation maintains substantial contracts with the government. An examination of how the service has evolved and developed throughout the introduction of contracting may also provide helpful insights to other Child and Family Support Services and social service providers. It is important to acknowledge at this point that the branch studied is only one of fifteen branches within the OHF. Although the branch has been operating for over a decade and has staff who have worked there for this length of time it is not necessarily entirely representative of the other branches. There will, however, be parallels that can be drawn between the different branches particularly in relation to the macro issues of the OHF which includes the philosophy and the structure of the organisation. Micro issues such as the funding of the branch and their relationship with the national office will be specific to the branch studied.

Sarantakos (1993) suggests that a case study is capable of generating a significant amount of data. The number of cases selected may often be determined in part by the

capability of the researcher to analyse and utilise the data gathered in the time frame available. Another consideration in using a case study approach is ensuring that there is enough data to illuminate the research problem (Sarantakos, 1993). In the instance of this research project, while the time-frame of one year did not allow for extensive data-gathering and analysis, the research question was able to be answered through the interviews, documents and literature review that was undertaken. A limitation of the research could be seen as the extent of generalisability. While a certain degree of generalisability is considered to be possible in this research project, it is also recognised that this would be restricted due to the choice of studying only one branch of a Child and Family Support Service. It was decided that the use of just one case example was appropriate given the time frame available, the prior research in this area and the relevance of the findings for other nonprofit organisations.

Yin (1994: 1) discusses how a case study approach is useful:

*Case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context.*

The case study approach was therefore deemed appropriate since the research project focused on *how* changing funding arrangements have impacted on a Child and Family Support Service. The circumstances of the organisation were also out of my immediate control and the issue under examination was extremely relevant to the current affairs of the organisation. As I was particularly interested in the organisational structure and social work programmes of the service the case study approach was considered appropriate. As Cheyne (1997: 188) comments:

*Among other things, the strengths of the case study approach include the way it facilitates an understanding of events, projects, programmes and promotes recognition of the context characteristics which help illuminate a particular issue or subject.*

While a case study approach may use different strategies for eliciting relevant information, in this instance interviews and documentary analysis were the sources used for collecting data. The interview schedules (see Appendix Three) were semi-structured and consisted of open-ended questions allowing the respondents to talk about their views on an issue. This contributed to an understanding of “people’s individual perceptions, beliefs and understandings relating to what they are doing and what is happening to them” (Ballard, 1986: 50). It also acknowledged that the respondents were key informants who not only provided insight but could also suggest other sources of corroboratory evidence including documents and other possible informants (Yin, 1994).

Yin (1994: 56) notes that for the case study approach to be successful the researcher needs to have a “firm grasp of the issues to be studied” and yet enough distance to maintain some independent assessment. While I had not worked in the organisation or the care and protection area of social work I had a reasonable knowledge of the key issues surrounding the changes in government funding arrangements. This knowledge was developed through discussions with social workers in the sector, extensive engagement with the literature and my involvement in other social service organisations.

The approach taken was inductive in that the research began with specific observations that were located within a certain framework bounded by the research questions. The research began with collecting documentary evidence and undertaking individual interviews and moved towards a descriptive understanding of the issue being explored (Alston & Bowles, 1998; Tolich & Davidson, 1999). The details of the data collected revealed important categories, dimensions and interrelationships (Patton, 1990). For example, the significance of the national identity of the organisation and the increasing emphasis on professionalism. Categories such as these became the basis for the development of the final discussion and conclusions.

Since only one interview was planned with each participant it was important to ensure the interviews were well structured so that all relevant questions were answered. Whyte

(1982) notes that an interview needs some direction so that the respondents know what to talk about. The structure will vary depending on the rapport between the researcher and the participant, the interviewing situation and the issue being studied. Having access to several key documents prior to the interviews enabled me to focus on particular questions for which I did not have the answers or to clarify any issues that were unclear. The usefulness of the case study was enhanced by the openness of the organisation and the branch to the research and their willingness to provide access to key documents, time to participate in interviews and their agreement to further discussion if it was required.

## **Qualitative Research Methods**

Qualitative research techniques are often used in case studies as they enable a researcher to learn about the participant's own frameworks and understanding of a situation (Lofland, 1971). Qualitative research methods in the form of semi-structured interviews and documentary analysis were used for this study.

A characteristic of qualitative research is that it does not intend to generalise the experiences of a whole population but instead to provide a description of people's experiences at a given time or location. As mentioned, the case study approach does not easily contribute to generalisation and I was mindful of this limitation during the research. Primarily, qualitative research is concerned with understanding how people make sense of their lives, experiences and the structures of the world. It is also concerned with processes rather than products and is inductive in its methods, building concepts, hypotheses and theories from details (Cresswell, 1994). Using this approach was therefore appropriate for the research question which sought to discover how the organisation managed and experienced the changing funding arrangements of the government.

In discussing qualitative research methods, Patton (1990) provides several key points which guided me through the research process. Qualitative inquiry typically focuses in detail on relatively small samples which produce a wealth of data about a number of

people and cases (Patton, 1990). The sample for the research, that is, one branch of the Open Home Foundation was, therefore, not intended to be representative. Patton (1990:32) outlines the mandates for collecting qualitative data:

*The qualitative methodologist must get close enough to the people and situation being studied to personally understand in depth the details of what goes on. Second, the qualitative methodologist must aim at capturing what actually takes place and what people actually say: the perceived facts. Third, qualitative data must include a great deal of pure description of people, activities, interactions, and settings. Fourth, qualitative data must include direct quotations from people, both what they speak and what they write down.*

Establishing relationships is therefore an important element in qualitative research. In this case I did not have a relationship with the branch before I began the research study. My contact with the OHF had been minimal and then only with the branch in my local area. Therefore it was important that I began to build a relationship with the key respondents as soon as access to the branch was granted. This involved telephone discussions about the organisation, the research, and myself with the National Director and the Branch Director. A preliminary visit to the agency to meet with the Branch Director and to collect relevant documents occurred in the early stages of the research project. During this visit I was able to observe the setting and location of the organisation and meet a number of the staff employed at the branch. The interviews provided me with further direct observations, descriptive data about various aspects of the organisation relating to the research question and both verbal and written quotations. In these ways I was able to fulfil the mandates outlined by Patton (1990) for successful qualitative research.

The findings of a research study are likely to be more convincing, accurate and valid if the data has been drawn from different sources as one approach can compensate for the limitations of another approach (Patton, 1990). Triangulation strategies were therefore incorporated into the research design. Triangulation is a procedure for establishing

validity in qualitative research and involves the use of data from several sources so that a range of evidence may substantiate the conclusions (Eisner, 1991). Denzin (1989) outlines four types of triangulation strategies including using different data-collection methods. This aspect of triangulation was incorporated into the design of the research and so data was collected through interviews and documents. Originally it had been hoped that a focus group interview would contribute to the sources of data however, due to time constraints, this was not possible. Instead, an individual interview with the Chairperson of the Board of Trustees provided information on the governance of the organisation. The key findings were later presented to the Board members during which time they had the opportunity to clarify, discuss and offer further input into the data analysis. Using multiple sources of evidence is one of the strengths of the case study approach as it enables the researcher to “address a broader range of historical, attitudinal and behavioural issues” (Yin, 1994: 92).

It is noted that qualitative research has been criticised for lacking external and internal validity and case studies in particular have been viewed as having a lack of rigour (Yin, 1994). The use of inductive methods help to overcome the problems of external validity. These methods do not assume that an organisation is representative although the conclusions may be amenable to similar agencies (Denzin, 1989; Yin, 1994). Certainly it is hoped that although only one branch of the OHF was examined, some of the conclusions reached will be relevant throughout the organisation itself as well as to other Child and Family Support Services. Using different sources for data collection and looking for alternative explanations may contribute to increased credibility and validity of the final set of findings. Given that this was an exploratory study internal validity is not so much of a concern since causal relationships were not under examination, although as individual interviews only occurred once it was essential to be rigorous in the questioning process. Any unclear answers or comments were clarified with the respondents before the final analysis of data was completed. Interviews are verbal reports only and are therefore subject to problems of bias and inaccurate articulation or interpretation (Remenyi et al, 1998). The process of triangulation helped to overcome this problem since the interviews added to the evidence obtained through the documents.

Given the procedures outlined above and the triangulation methods used it can be argued that the validity and credibility of the research has been achieved.

## **Gaining Access to the Organisation**

As previously discussed in Chapter Three the organisation I selected to examine is a level one Child and Family Support Service which is fully approved and authorised by the Ministry of Social Welfare to provide residential and care services for children. The OHF operates under the legislation of the CYP&F Act 1989 and provides crisis intervention, social work support for families and short and long term foster care. The organisation has a national base with 15 branches throughout Aotearoa/New Zealand.

For the purpose of this study one branch was selected to examine in-depth. Access to the organisation was initially sought through the National Director who approved the nature of the research and then referred me to a selected branch of the organisation. This was decided upon by the length of service of a Branch Director and Branch Practice Manager who could offer the necessary information about the period between 1989 and 1999. The branch that was initially approached had no staff that had worked at the organisation for the full ten-year period under examination. The Director of this branch agreed that neither she nor other members of her staff could fully answer the research question and so were not appropriate as key participants in the study. After further discussion with the National Director, who continued to be supportive of the research being undertaken, another branch was approached. Many of the staff at this branch, including the Director and the Practice Manager, had been involved with or employed by the organisation since 1989. This was seen to be more suitable for the purposes of the research and access to this branch was granted. Throughout the research all of the respondents have been generous with their time and knowledge and this has enabled the research to proceed with ease.

## **Data Collection and Analysis**

The collection of data occurred in three stages as part of the process of triangulation already discussed.

1. Published and unpublished literature and documentary sources provided background information on the funding arrangements for third sector organisations in Aotearoa/New Zealand. These documents illustrated several changes including the move from capitation payments to contractual agreements and the impact of funding changes on the structure, staffing and practice of the organisation. Public and private documents from the branch of the organisation were also used to develop an understanding of the history, services and funding levels of the organisation.

2. The National Director, Branch Director and Branch Practice Manager of the organisation participated in individual semi-structured interviews in June 2000 (see Appendix Three for the interview schedules). Apart from their availability the participants were chosen due to their positions of responsibility in the organisation and their considerable experience and expertise. The interviews provided significant amounts of new information which supplemented, as well as reinforced, data from the documents. All the interviews were taped. After transcription, emerging themes were identified. To some extent the content and questions which had structured the interviews influenced the themes. Once the themes were finalised, they were further analysed by incorporating documentary evidence and comparing the comments from the respondents. A narrative emerged from the data analysis that enabled the findings to be presented in a meaningful way and which related the different perspectives of the respondents to each other.

3. Once the individual interviews were completed it was intended that the Board of Trustees would participate in a focus group interview. Unfortunately due to time and geographical constraints this was not possible. However, I was granted access to interview the Chairperson of the Board in order to hear the perspective of the governing body of the organisation. The Chairperson participated in a semi-structured interview in July 2000. The information he provided also supplemented previously gathered data. In August 2000 the preliminary conclusions from the research were presented to the Board of Trustees. This was seen as a two-fold process. Firstly, I felt it was important

to provide the Board with the findings in order to clarify or confirm the information I had gathered. Secondly, the information was presented as an acknowledgment to the organisation for the privilege of being granted access. It was hoped that the findings would provide useful information for the Board.

## **Supervision**

Throughout the course of this research project I have been supervised on a monthly basis. The supervisors are also my colleagues in the School of Social Policy and Social Work and this has had certain implications for my research. Working part-time in this academic environment in close proximity to my supervisors has proven advantageous. I have had ongoing support outside of the formal supervision sessions and have been able to clarify smaller issues as they have arisen rather than waiting for the monthly session together. Isolation has been less of a difficulty than I had anticipated, in part I believe due to the frequent contact and encouragement from my supervisors and other colleagues in the School. An appreciation of the time and effort involved in such a research project has meant considerable support from those with whom I work.

The formal supervision sessions have provided a useful forum for regularly reflecting on my work. Ethical dilemmas have been discussed and resolved and the structure of the thesis has continued to be clarified throughout the sessions. The supervisors have modelled best practice in research and generously shared their wisdom both in research methods and the area I have chosen to study. Perhaps most importantly supervision has given me a place in which to be accountable for my research and to ensure that my work is both ethically and academically sound.

## **Ethical Issues**

The research was subject to ethics approval by the Massey University Human Ethics Committee and I was mindful throughout the research of the Aotearoa/New Zealand Association of Social Workers Code of Ethics that also underpinned the research.

Where social research involves people it is important to consider how the research may have an impact upon them. Ethical research is generally required to meet five criteria:

autonomy, non-maleficence, beneficence, justice and a positive contribution to knowledge (Alston & Bowles, 1998). Autonomy involves respecting research participants and their right to be involved in the research as they choose. The participants in this study were initially given an information sheet outlining the purpose and structure of the research, the commitment to confidentiality and their right to decline to participate or to withdraw at any time (see Appendix One). This was given to the research participants at least three weeks before the scheduled interviews so they had time to read the sheet and make an informed decision as to their involvement in the research. If the participant agreed to be interviewed a written consent form was provided for them to sign (see Appendix Two). Further information and a reiteration of the key ethical points from the Information Sheet were provided verbally before the interviews began.

The research was intended to benefit and not harm the organisation therefore several measures were put in place to ensure this occurred. I was mindful of the reliance of the organisation on government funding and also the need to maintain its reputation in the wider community. Therefore I sought to keep the data confidential and to discuss with the respondents the inclusion of sensitive material. Anonymity could not be guaranteed to the organisation because of the case study approach, the special character of the organisation and the relatively small number of CFSSs in Aotearoa/New Zealand. This issue was discussed with the National Director and outlined in the documents given to the organisation before the interviews began. Initially it was intended that the name of the organisation would not be disclosed. However, it became increasingly apparent that the identity of the OHF would be almost impossible to disguise. After further discussion with the National Director it was agreed that it would be simpler if the name of the organisation was revealed but the location of the branch would remain anonymous. Certain measures were put in place to ensure the confidentiality of the branch and the respondents. These included using comments without identifying the respondents and including quotes that could not be easily identified with a particular person. Information from documents was carefully selected to ensure that the confidential location of the branch was not compromised.

Justice or avoiding deceit (Tolich & Davidson, 1999) is closely linked to the importance of ensuring no harm befalls the participants or their organisation due to the research project. Full and complete disclosure of the purpose of the research was made to the participants before they were interviewed. Transparency and honesty in the research process was ensured as the respondents were made aware of their rights before being interviewed. The respondents were considered in the choice and inclusion of quotes and all of them will have access to the final research report at the National Office.

The storage and use of data are also subject to ethical consideration. Documents and interview recordings were stored in a secure place and I was the only person who listened to and transcribed the tapes. The branch under examination has not been identified and where quotes have been included these were selected for their general or non-sensitive nature. The selection and analysis of documents and interviews are subject to personal bias. This was minimised by endeavouring to include a cross-section of relevant and available material from within and outside of the organisation (Bell, 1997). A copy of the research was given to the organisation once it was completed.

While the research was undertaken primarily for my own benefit, that of achieving an academic qualification, it is anticipated that the OHF will also benefit from the research. It is hoped the analysis of the data collected will reveal useful insights into certain aspects of the organisation and therefore assist the OHF in their continuing development and relationship with the government. The research findings may also be beneficial to other CFSSs, as it is likely some of the themes and patterns emerging from the research will be common across social services.

## **Summary of Chapter**

In this chapter I have described the research methods employed in this study. The research questions were reiterated before the case study approach and qualitative methods used in the research were explained. This discussion was followed by an outline of the sample and the data collection and analysis techniques utilised. The

supervision I have received throughout the course of this research was discussed. Lastly I have described the ethical standards that underpinned and guided the research.

The following two chapters outline the key findings of the research in regard to the research question. Chapter Six explores the findings for the first part of the research question. The funding arrangements of the branch are provided and where appropriate this discussion incorporates aspects of the wider OHF. The staffing and organisational structure of the branch is also discussed in detail. Chapter Seven outlines the key findings related to the second part of the research question. The chapter begins with an explanation of the philosophy of the OHF and continues with a discussion on the social work programmes of the branch and how they have been influenced by changes in government funding arrangements over the past decade. The relationship between the OHF, the CYF and other CFSSs is also outlined in respect to the introduction of the contractual model of funding.

## **CHAPTER SIX**

### **Contracting for Care:**

### **Funding and Organisational Structure**

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#### **Introduction**

The research methods for this thesis, as described in the previous chapter, incorporated a combination of individual interviews and the analysis of key documents from a branch of the Open Home Foundation (OHF). The National Director and Chairperson of the Board of Trustees were also interviewed to provide the perspectives of the management and governance aspects of the organisation. As outlined in Chapter One the OHF is a Christian Child and Family Support Service. It is a national organisation with fifteen branches offering foster care and social work services throughout Aotearoa/New Zealand. The organisation is contracted by the Department of Child Youth and Family Services (CYF) and the community-funding arm of this Department to provide these social services.

The key findings of the case study will be identified and discussed in this and the following chapter. The findings have been separated into two parts, correlating with the research question that focuses on the organisational structure and social work programmes of the branch of the OHF. This chapter will focus on the organisational structure of the branch while Chapter Seven will discuss the influence of government funding on the social work programmes, philosophy and the overall impact of the contracting environment on the selected branch of the OHF.

This chapter begins with an outline of the specific changes in government funding between 1989 and 1999 for the branch of the OHF involved in the case study. The accountability and monitoring requirements of the government during this time will also be given consideration. The structure and staffing of the branch will then be explained

and discussed in relation to the funding arrangements with the government. In recognition of the branch being part of a national organisation, links are made between the branch, the National Office and the Board of Trustees as appropriate.

## **Funding the Organisation: From Capitation to Contracts**

The OHF was established in 1977 and between this time and the early 1990s funding from the government came by way of a capitation subsidy. At the end of each month the Director provided a list of all the children in care to the CYF and received a payment for the services already delivered. Little accountability was required for this reimbursement. Towards the end of the 1980s the government began to consider other methods of payment for the delivery of social services. The changes in funding arrangements were influenced by the Public Finance Act 1989 and the CYP&F Act 1989. In particular these Acts demanded increasing accountability and transparency measures for nonprofit organisations and the devolution of state responsibilities to the third sector. In turn this strongly influenced the funding of nonprofit social services such as the OHF (See Chapter Two for a background discussion of these issues). In the early 1990s the government adopted a contractual model of funding for nonprofit organisations that required organisations to enter into negotiations with the CYF and also to be subject to extensive accountability and monitoring requirements. In 1998 the Branch Director (OHF, 1998) highlighted some of the key issues in relation to the funding of the branch that have arisen since the introduction of the contracting model. These include:

- The need for complex accountability and administrative requirements in relation to the funding contracts and statistical reporting;
- An increase in contestability for funding from the government;
- Substantial amounts of additional unpaid work being done by the staff;
- Considerable effort into fundraising from grants, donations and parental contributions;
- The need for a national fundraiser to attract major corporate sponsorship.

Each of these issues will be discussed throughout this first section of this chapter.

The branch of the OHF under exploration has had two separate contracts with the CYF since 1992. This government funding accounts for approximately 80% of the branch's funding.

*One [contract] is what we call our National bednight contract which is the Open Home Foundation being contracted by Department of Child Youth and Family Services to provide foster care and related services to children and young people that they refer to us or children and young people that we have taken through the family group conference and court process.*

(National Director)

The out-of-family care placements are purchased on behalf of the CYF and funding is based on the number of bednights provided by the branch (CYPFS, 1997:2). The cost of a bednight has changed several times over the past decade and in 1999 was raised to its current amount of \$44.00 per night. There are many variables in costing a bednight including the child's age, background, personal needs and the ability of parents to contribute. Parents of children in care are expected to make a financial contribution to the CYF for the bednights provided for their child and this is incorporated into the funding given to the branch. A service order involves an additional contribution of funding and enables the branch to provide appropriate care to the child. Service orders are granted during court proceedings where a judge may order the CYF to pay the branch for special care for the child or young person for example, dental work, in addition to the negotiated bednight rate.

When an emergency placement is required (respite care) and there are no contracted bednights available, the CYF may reach an agreement with the branch for the placement of a child or young person (CYPFS, 1997:6). In these situations, the CYF can only pass on cases such as family emergencies where a short-term period of care is needed and where there are no protection issues (CYPFS, 1997:5). If there is a significant number

of children or young people requiring respite care then a supplementary contract for the branch may be considered (CYPFS, 1997:5). The branch under discussion has required several supplementary contracts since the introduction of the contractual model of funding. This has been due to the substantial increase of children requiring out-of-family care and an under-estimation by the CYF of the number of bednights that may be required in a given time period (Branch Director).

The second type of contract that the branch receives from the government is commonly referred to as the community care contract.

*The second contract relates to services that are more of a preservation focus which we provide in the community, so that's about relief foster care, it's about social work to support that foster care, it's about social work to families without any foster care at all and it's about parent education and counselling and one or two youth services programmes...the whole focus of that second contract is on strengthening families to help them care for their own kids.*

(National Director)

This contract enables the branch to provide preventative social work services for families experiencing difficulties and focuses on maintaining the family unit. Branches currently negotiate their own community contracts with the community-funding arm of the CYF (previously the New Zealand Community Funding Agency (CFA)). While the CYF and the CFA have now merged the branch still has two separate contracts, one for the provision of bednights and the other for community care. Branches of the OHF initially negotiated their own bednights contract with their local CYF office, however in 1995 this became the responsibility of the National Office. The decision to accept a national contract was in part due to the need for conformity among the branches and also because of the potential fiscal benefits. According to one of the respondents this development has given the OHF more negotiating power with the CYF due to its credibility and position as a national organisation.

By 1998 there was considerable concern in the branch that board payments for children placed under the community care contracts had not changed since 1992 (Branch Director). In order to continue to secure adequate funding the Branch Director made several suggestions to the Board of Trustees (OHF, 1998:2). These were to:

1. Investigate the possibility of contracts with Regional Health Authorities<sup>1</sup>.
2. Continue to contract with CFA for the:
  - provision of education programmes for foster caregiver families;
  - provision of social work support to foster caregiver families;
  - provision of family living skills development in the home environment;
  - provision of residential care for children approved by CFSS in response to community referrals;
  - provision of social work support and family skills development for individual families who have a child in care, referrals by community.
3. Continue to contract with CYPFS for bednights, but at the more realistic rate of \$44.00 per night.

Since that time the branch has sought to implement each of these suggestions. The Regional Health Authority (RHA) currently provides funding to the branch for a small number of children requiring short-term care for medical or other health-related reasons (OHF, 1998-99:21). Community and bednight contracts have continued and the level of funding for bednights has been increased to the suggested amount.

### **New Initiatives: 3-Year Contracts and Bulkfunding**

The OHF and the CYF have had some discussion around the possibility of three-year contracts. At this stage a satisfactory agreement has not been reached due to the lack of guarantee from the CYF that funding will continue at the same or equivalent level each year. According to the Branch Director, the uncertainty of funding from one year to the

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<sup>1</sup> Regional Health Authorities (RHAs) were established in 1993 to purchase health and disability services. RHAs were given a mandate by the Minister of Health to contract specific services from public or private health or disability providers. The OHF could therefore receive funding from the RHA to support children or young people with health or disability problems.

next is unsettling for staff and creates difficulties in the development and implementation of new services. Annual funding is considered unstable in that the CYF may decide to discontinue funding if certain accountabilities or standards are not met. Conversely a guarantee of funding for three years would be an acknowledgment of the credentials, competence and effectiveness of the work of the OHF. To alleviate some of the current uncertainty of funding, the individual bednight contracts between the branches and the CYF are now negotiated and distributed by the National Office. It is possible that in the future the National Office will negotiate one contract with the CYF which will include both the bednights and the community referrals, and then distribute the funding to the branches according to where it is believed the funding is best allocated (Branch Director). There is also a possibility of the government bulkfunding the OHF instead of continuing with separate branch contracts for bednights or community care.

Bulkfunding has recently been introduced to two branches of the OHF. While the branch being studied is not funded in this way the issue of bulkfunding is important to consider. Bulkfunding means that a branch does not take any direct referrals or the corresponding funding from the CYF. Referrals are made from the community including from social service agencies and families and the bulkfunded branches take their own applications through the family group conference process. These branches do not receive funding on a bednight basis but are given a sum of money negotiated with the community funding arm of the CYF. With this funding they are expected to provide a range of services to children, young people and their families where there are care and protection issues. This can involve foster care, social work and other related services. This is significantly different to other branches that receive an allocation of bednights per year at an agreed cost or a community care contract for the provision of preventative services.

According to the National Director bulkfunding has alleviated some of the tension between local sites of the CYF and the OHF branches as their relationship is no longer focused on monetary issues but on providing complementary care and protection services. He also suggests that successful bulkfunding requires an astute Branch

Director who is capable of providing accurate costings to the National Manager so that a fair and reasonable level of funding from the CYF is negotiated. A high standard of professional social work from staff is also required so that the branch receives referrals that may otherwise be given to the CYF. While the bulkfunding of OHF branches is a very recent development the National Director believes it has:

*Changed significantly the nature of the relationship between the two agencies because it has taken money issues out of the relationship and it has left the site manager much more in control of his/her budget.*

(National Director)

The National Director also believes that bulkfunding better enables the OHF to retain its philosophy and culture and a high level of service provision due to the limited relationship and intervention of the CYF.

Having the status of a national organisation was also considered beneficial in ensuring ongoing funding from the CYF. As the National Director comments:

*There's no doubt that being a national organisation with national credibility and with relationships from the Minister downwards has made a difference.*

The National Director cites an example of two branches that had difficulty negotiating adequate funding with the CYF in the early part of the 1990s and whose existence he believed would have been seriously threatened had the National Office not supported them with their negotiations. The respondents all agreed that being a national organisation has enhanced the reputation of the OHF and has also contributed to the development of professional staff and effective social service delivery within the branches.

Funding from the government however has not always been a reliable source of income for the branch. Throughout the past decade there have been times when the branch has gone well into the next financial year before government contracts have been finalised

(OHF, 1990). The National Director speaks of the 'boxing' or 'ring fencing' of government funding which refers to the limited ways funding can be used in providing services to families and the community. Funding from the government is tagged for certain aspects of service provision relating to core services or outcomes. This has meant the branch under discussion has had to secure additional funding for the provision of services not prescribed by the government.

## **Retaining Autonomy: Non-governmental Funding**

The National Director comments on the importance of non-government funding, "We are keen to maintain and increase our government contracts but also to develop the nature of the funding which flows to us through trusts and our fundraising initiatives." The importance of additional funding for maintaining the autonomy of the organisation is considered essential by the respondents as it "enables us to undertake services of our own initiative, to develop practices, policies and philosophies and to advocate using funding which is not directly tied up with government contracts." The Branch Director acknowledged the importance of the branch to take a "more market and relational approach to raising profile, funding, retaining caregivers and donors" (OHF, 1998: 4). The wider organisation has also had to embark on a "public relations, fundraising journey of its own" (National Director). Over the past decade the OHF has developed various fundraising initiatives.

The Branch Director regularly applies to charitable and philanthropic trusts to establish additional funding sources. The branch has traditionally relied on non-government sources to fund an extra social worker position each year. Since 1995 the National Office has employed a Fundraising Officer who provides advice to branches on how to write funding applications and to which trusts and organisations they should make application. Larger funding applications such as those made to the Lotteries Board have gradually been handed over to the National Office as some branches have struggled to find the time or a person with the necessary expertise to complete the application form. This has ensured that all branches can be eligible for this funding. Donations to the branch are provided by local churches, supporters of the organisation and from

opportunity shops. Foster carers, especially those providing short-term care, also contribute significant levels of donations to the branch (Branch Director).

A significant change over the past decade has been the expectation by the OHF that clients will contribute to costs while their children are in foster care. The Practice Manager discussed this change from her view as a social worker:

*It was worked out as a token payment but it was very much a radical shift of thinking and required quite a lot of mental processing, but I found as I processed it that it actually became a positive.*

(Practice Manager)

The Practice Manager now views the client contribution to costs as an empowering and an inclusive part of the foster care process. There is a certain degree of flexibility in the payment arrangements and clients with a low paying ability are able to negotiate part-payment or lower automatic payments over a longer period of time. These payments are paid directly to the OHF and are not a requirement of the contracts with the CYF.

In 1998 the OHF established the Very Important Person (VIP) Teddy Bear scheme. The teddy bear represents the children in the care of the OHF and is given to people who contribute \$300.00 per annum to the organisation. A set of 4 teddy bears has been made to promote corporate sponsorship although the branch studied had not yet secured any sponsorship of this kind. There was discussion among the respondents about the need for ongoing fundraising to supplement the government contracts. The possibility of a national day for the OHF was supported and it was hoped that this would have the dual purpose of raising the profile as well as the funds of the organisation.

The respondents all agreed that government funding would be likely to continue for the OHF in the foreseeable future. This is mainly due to the continuing need for foster care and social work services in the community although the level of this funding is obviously less certain. It was also considered essential for a level of non-governmental

funding to be maintained to ensure additional services could be provided as deemed necessary by the local branch.

## **Keeping on Track: Accountability Requirements and Compliance Costs**

The accountability requirements from the CYF have led to significant changes within the OHF at both national and branch levels over the past decade. Since the introduction of contracting these requirements have been dramatically increased and this has created significant pressure for staff. Each contract has particular accountabilities and this may include statistics about clients, staff involvement in each case and the number of bednights provided by the branch. Depending on the type of services being delivered data is required either monthly or quarterly. While the Practice Manager believes it is necessary for the branch to be accountable for government resources she also comments:

*I think also we've got to be prepared to challenge if we think they're really going over the top, just expecting too many facts and figures, that is, the outputs, there's a balance of accountability too, you know, just too big a workload on social workers needing to give facts and figures there's a danger of detracting from the work we're actually wanting to do.*

The National Director is aware that the Public Finance Act 1989 has had a considerable impact on the OHF particularly in terms of accountability. He believes that this has influenced, "the way we've had to shape ourselves and the staff we've employed, and the systems we've brought into being." At a branch level the increase in accountability measures and monitoring systems was initially met with some resistance from the social workers. As the Practice Manager noted:

*There's an element of thought with social workers that the more paper work they have to do, the more it detracts from the work they do with families, whereas the positive way of looking at it is that it can actually be an empowerment for the family and recording accurately is empowering.*

According to the respondents the accountability requirements have increased the levels of work required from staff. A Review Report (OHF, 1998:7,10) written by the Branch Director noted:

*The workload increased because our contractual requirements from CFA required us to keep records of the number of social work hours spent on individual cases...the introduction of Time Sheets required for the statistical reporting to NZCFA and a range of other accountability issues have increased.*

Throughout the 1990s the accountability requirements from the CYF have undergone several changes and this has consequently impacted on the accountability systems in the branch. There was concern among the respondents that the data collected is not always reflective of the clients or the services. The accountability requirements significantly increase the need for effective monitoring systems:

*Because such a significant amount of our money comes from government it's forced us to change in a number of ways and we now have computer related systems throughout the organisation that we never had 10 years ago, we've had to develop systems which reflect much more accurately what it is we do and the outcomes we achieve and be able to give those to government to show their money is being well spent.*

(National Director)

One respondent commented on the computer-generated system of monitoring the CYF introduced during the 1993/94 year. After trialing the system it was found to be time-consuming, rigid and inadequate. According to one of the respondents when the accountability measures were first introduced an administrator in the branch needed approximately 100 hours to collate the data at the end of each financial year. Consequently the OHF created its own computer system of monitoring. This has been upgraded a number of times but remains an integral part of the monitoring system of each branch. The computer system records all the accountability measurements that

CYF requires and is considerably less time-consuming than previous methods of monitoring.

It was also acknowledged that the extensive accountability requirements for the CYF are useful in that statistics are readily available for annual reports and external evaluation procedures. All CFSSs are required to undergo regular quality assurance tests under the Approval and Review process (CYPFS, 1997:10). Each branch of the OHF is therefore required to undergo a Human Resources and Operating Statistics (HROS) evaluation in which all the files and systems of the branch undergo scrutiny by a team of evaluators from the CYF. This involves one to five days of observation and questioning of branch staff, an examination of examples of work and files and a feedback report that provides recommendations for further development in the branch. The HROS evaluation indicates whether the branch is meeting all the standards of approval for being a CFSS. The report outlines how each standard is met and gives examples of the standard in operation. Out-of-family and kinship care are both monitored within these internal operational procedures as they are included within the Standards for Approval for CFSSs (CYPFS, 1997:3). The respondents were not opposed to being evaluated in this way as it enables them to ensure they are delivering an appropriate and high standard of service to the community. There was however some concern that the CYF was not evaluated in a similar way.

Since 1997 the National Office has also required 6-monthly reports from each branch. These reports cover a range of areas from financial controls to practice issues. Branch accounts are collated on a monthly basis and are available for the Branch Director and National Director as required. Clients are also encouraged to feedback their opinions of the service delivery from social workers and performance appraisals of staff are undertaken regularly so that a high standard of work is ensured. Overall the respondents believed the systems of monitoring and accountability required by the CYF have contributed to an increase in professionalism in OHF service provision. As the Branch Director comments:

*When I talk about professionalism...we can see better where our work is, we can better plan for it, we can better provide for it because we're making proactive decisions or we're responding quickly to what the reality is and we would only be able to do those things because we're collecting information in a way that is meaningful to us.*

## **Structure and Staffing: A Decade of Change**

The structure and staffing of the OHF has changed considerably over the past decade both nationally and within the branch studied. The organisation had undergone considerable growth by 1989 and with the introduction of the CYP&F Act 1989 and its directive to establish Child and Family Support Services there was a need to develop the national base of the OHF. The Public Sector Act 1989 and the State Sector Act 1988 also pointed toward the increasing devolution of government responsibilities to nonprofit organisations, increasing accountability and the introduction of a contractual model of funding in the third sector which would have implications for the structure and staffing of the OHF (See Chapter Two for a background discussion on the contracting model).

Until the late 1980s the staff and directors of the branches were supported in their decision and policy making by local committees. By 1989 the legislative changes and internal developments within the OHF indicated the need to move away from the committee structure. A Board of Trustees was created to improve the governance of the organisation with members having a combination of legal, business, cultural and social work skills. The Board is the governing body of the OHF and thus determines the policies and principles by which the organisation operates. Board members are selected by the existing members and are appointed due to their specialist skills or abilities. The governance, management and entire work of the OHF is considered by staff to be under the Lordship of God. This is in recognition of the Christian principles and beliefs that underpin the organisation.

The National Director is answerable and accountable to the Board and he has the role of ensuring that Board policies are implemented in the branches. The National Director and other staff in the National Office keep the Board informed as to relevant issues, possible future directions and new information concerning the care and protection sector. The relationship between the Board and the National Director is therefore one of both accountability and the provision of information. The National Director is the only staff member in the OHF who is directly employed by the Board of Trustees. The National Director is also a member of the Board and as part of this role is responsible for the distribution of relevant information to the Branch Directors.

The National Director is part of a team of staff that run the National Office which provides support to the fifteen branches throughout Aotearoa/New Zealand. The National Office was established in 1989 due to the expansion of the OHF and the new requirements of the CYP&F Act 1989. The National Director comments:

*We've really become a distinctive part of the organisation but that's all come about over the last 10 years because of the external requirements that have come upon us, not only upon us but upon all voluntary agencies really, working in this sector.*

A healthy working relationship between the National Office and individual branches was considered essential by all of the respondents for the well being of the organisation. The National Office has a role of delegation to the branches and ensuring a high standard of service delivery.

*The National Office also has a responsibility to see that our branches are equipped, trained, empowered, supported in how to deliver according to the standards expected and so there is both an accountability thing and an empowerment relationship as well.*

(National Director)

In turn, the branches are accountable to the National Office for their service delivery. With the support of the Board of Trustees, the National Director is responsible for the employment of the Branch Directors who:

*...report directly to this office, are accountable directly to this office, but each of the directors in their own turn employ the staff, the foster carers, the prayer partners, the volunteers and other people in their own area and they have the responsibility to ensure that the work of the Open Home Foundation is carried out to the expected standards in their own area, and the whole structure is under the Lordship of Christ.*

(National Director)

There are currently seven staff employed at the National Office. The positions held are National Director, National Practice Manager (currently vacant), National Manager, Public Relations/Fundraising Officer, and three Administrators. The National Director comments on staffing outside of the National Office:

*We have approximately 120 staff throughout the country. About 60 to 70 are social work staff. We have about 750 foster carers, we have innumerable prayer partners, we have a growing number of people we call our financial sponsors and a significant number of people who do voluntary work for us.*

The relationship between the National Office and the branch in the case study has changed considerably over the past ten years. The increase in reporting requirements and the higher expectations on social workers has influenced this relationship as the National Office has called for greater professionalism within the branches. There has been a deliberate move to consolidate the OHF as a national body (National Director). This has created some tension as the National Office has encouraged Directors to make good financial or business decisions in their branch and yet still maintain practice standards that reflect the overall philosophy of the organisation. The branch respondents however emphasised that despite the expansion and development of the National Office they considered it approachable and accessible. In contrast, the

relationship between the Board and the branch was considered more distant. A branch respondent acknowledged the Board as the ultimate governing body however viewed the National Office as being the day-to-day governing body which provided the branch with direction and support.

The respondents all appeared aware of their different roles within the OHF and respectful of the other positions in the organisation. The branch respondents in particular acknowledged the importance of the governance role of the Board and the management position of the National Director. All of the respondents supported the current structure of the organisation. There was however discussion about the trend of recruiting Board members who have skills as managers, lawyers or other professionals but little understanding of foster care and the social work profession. A desire for the Board to consult with the branches particularly through a Branch Director representative on the Board was noted.

All of the respondents discussed the appointment of the new National Director. There was some concern that the philosophy of the organisation may be threatened if the person employed did not have the vision of a Christian social work agency. A person from a managerial public sector position with no experience of the social service sector was considered less than ideal for the position according to the branch respondents. The Board Chairperson however acknowledged the importance of employing a “CEO-type” who would be able to manage the continuing changes in funding, accountability and legislation while still maintaining the essential mission of the organisation. This appointment and its implications are further discussed in Chapter Seven.

Within the branch under discussion there have also been significant changes in the structure and staffing over the past decade. In 1990 a new Director who came from a management position in the public sector was appointed. Due to the introduction of the CYP&F Act 1989 the Board and the National Office considered it important to employ a Director with managerial experience who had some knowledge of legal processes and who could therefore implement and operate the new legislation. The first task of the

new Director was to bring the branch to a position where it could be approved under the Act as a CFSS. This Director was the first person to be appointed in the organisation with no social work experience.

Since its inception the CYP&F Act 1989 has required considerable administration work which has created the need for additional staff throughout the organisation. As the National Director comments:

*There's no question that we at National Office level and at branch level have had to employ extra administrative staff to meet the costs of compliance – well, to meet the required expectations.*

An accounts person and an administrator were employed in the branch in 1990 to manage the additional accountability requirements and administration. The purchase of a computer enabled these requirements to be more easily fulfilled but still required skilled computer operators. The role of the Director also changed at this time to become more administratively based. Instead of the Director being the first point of contact, initial referrals for social work intervention were recorded by the administrator and referred to a social work team leader for assessment by a social worker on their first visit (OHF, 1998:8). A Foster Care Liaison worker was first employed in 1996. This person provides ongoing support and training for foster carers. The position of a branch Practice Manager was later developed due to the increasing intensity of the needs of the clients and the consequent demands on the social workers. The branch Practice Manager supports the social workers to ensure clients are receiving appropriate services. In 1999 there were 10 full time and 3 part time positions held at the branch with 138 approved foster carers. There is little unpaid work except by people providing prayer support or by those working in a local opportunity shop whose proceeds go to the branch.

The CYP&F Act 1989 has also had an impact on the selection and training of foster carers. Full files on the foster carers and their families have become a standard requirement. Additionally all potential foster carers have been required to attend an initial eight-hour preparation course. In 1993, a three yearly system of accreditation of

foster carers was introduced. A foster carer manual was introduced at that time which was followed by a more comprehensive loose leaflet manual in April 1996 (OHF, 1998:6). Due to the greater intensity of foster care now required, the training for foster carers has changed over the past decade. This has included the need for greater awareness and ability to work with abused children and the need for foster carers to keep themselves safe both physically and emotionally. Training requirements for the social work staff has also been developed to meet the changing needs of the staff. The National Office has provided the initial and ongoing training to social work staff throughout the past decade. This training is likely to be delegated to individual branches in the near future as they are more able to tailor the training to their own needs.

### **For God or Government: Working in a Christian organisation**

Over the past ten years there has been a considerable shift from the work of the OHF being seen as a ministry for God to being viewed as professional social work. This includes the provision of good working conditions and salaries for staff; staff having appropriate tertiary qualifications and for OHF social workers to be competent members of the Aotearoa/New Zealand Association of Social Workers (Chapter Seven discusses the issue of professionalism in more detail). Before 1990 working for the OHF was considered a 24-hour vocation. Staff at the branch under exploration were paid on a needs basis which was assessed annually by the local committee and the Branch Director. A review of the branch undertaken by the Director in 1998 noted that all staff carried out additional unpaid work for the organisation including weekend courses, Foster Care Association meetings and after hours social work. This was regarded as part of the commitment of working for a Christian organisation and as the Branch Director noted “was a recognised part of the Ministry Component” of being employed in the OHF (OHF, 1998:7).

Nevertheless, in the early 1990s with the requirements of the CYP&F Act 1989 and the impact of other legislation such as the Employment Contracts Act 1991, the emphasis on staff being part of a ministry for God began to change. Equal employment opportunities and appropriate pay levels were two requirements that were given

immediate attention. Staff files, leave records, and time-off in lieu for extra work were also introduced (OHF, 1998). There was also a move to employ full-time staff so that the work of the branch would be more time and cost effective. Staff were required to have individual contracts to ensure appropriate working conditions, salaries and performance agreements. The National Director noted the increasing sophistication and relevance of the employment contracts as well as an increasing awareness amongst staff of their working conditions.

*What we have found too with the changes, and the professionalism and all this going on, the staff are much more aware of their rights, their conditions of employment and there's a different expectation about these things than there was 10 years ago.*

(National Director)

There was some concern among respondents about the difficulty of retaining younger social work staff who tend to have higher expectations of salary and working conditions that may not be able to be met due to the limited funding of the organisation. However despite staff expecting better working conditions out of hours work is still common in the branch.

*Like all voluntary organisations there's been the need to continually do more and more with less. This has only been able to be achieved by staff donating more of themselves and their time.*

(OHF, 1998:7)

As one respondent noted, this additional work seems to be less because of a 'ministry component' and more as a consequence of the addition of new tasks, accountabilities and contractual expectations.

OHF social workers are expected to have some form of relevant tertiary qualification before they are employed. This may be in social or community work, education, or psychology. There is a requirement that each of them become a member of the

Aotearoa/New Zealand Association of Social Workers and be shown to be competent in their practice. Currently each branch employs their own staff and rates of pay vary according to the levels of funding in the individual branches. The Branch Director was hopeful that in the future all staff would be employed through the National Office as:

*That would mean that the salary rates, the conditions of services are the same across the board...and that the same person doing the same job with the same qualifications and experience will be actually paid the same.*

(Branch Director)

The issue of equity among staff throughout the branches of the OHF was considered an important area for further consideration especially at Board and National Office levels.

## **Summary of Chapter**

The influence of the changes in government funding arrangements on the organisational structure of a branch of the OHF over the past ten years have been explored in this chapter. The findings of the case study indicate that there have been significant developments in the type and distribution of government funding which have impacted on certain aspects of the organisation.

The move to a contractual model of funding during the early 1990s has had an impact on the division of social work programmes which are now categorised as relating to either the bednight or community care contracts. The nature of the social work programmes is explored in more detail in the following chapter. The contracting model also introduced new systems of accountability between the OHF and the government. The uncertainty of ongoing funding is a significant issue for the branch being examined although for some other branches in the OHF this has been somewhat alleviated by the introduction of bulkfunding. The need for non-government sources of funding to ensure autonomy and adequate service provision was also emphasised by the respondents.

The second part of this chapter discussed the changes in organisational structure and the staffing of the branch and the national body since the introduction of the contractual

model of funding. Legislation including the CYP&F Act 1989, the Public Finance Act 1989 and the State Sector Act 1988 has contributed to an increasing emphasis on the employment of professional social work staff. A greater need for business skills in governing and managing the OHF has also contributed to changes in the type of people employed as Directors or as members of the Board of Trustees. Appropriate qualifications, ongoing training and improved working conditions have also encouraged staff to view themselves as professional employees of a national organisation whilst maintaining their Christian values.

The development of the contractual model of funding cannot necessarily be attributed to being the only cause of changes in the organisational structure of the branch of the OHF between 1989 and 1999. However, the legislation underpinning the funding arrangements and specific changes such as the creation of CFSSs and the increase in accountability requirements have indeed made a substantial contribution to the changes in the organisational structure of the branch. The following chapter explores the impact of the changes in government funding on the social work programmes and philosophy of the branch over the past decade.

## **CHAPTER SEVEN**

### **Contracting for Care:**

#### **Philosophy and Programmes - Themes from the Data**

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##### **Introduction**

The previous chapter indicated that the changes in government funding arrangements over the past ten years, specifically the development of a contractual model of funding, have influenced the organisational structure of the branch of the Open Home Foundation (OHF) under discussion.

This chapter will continue the discussion of the findings of the research by focusing on the influence of government funding arrangements on the philosophy and social work programmes of the branch. A discussion of the relationships between the OHF, the CYF and other CFSSs will also be provided. A general comment on the impact of the contractual model of funding on the branch and wider organisation will conclude the chapter. As explained in Chapter Six, the branch is part of a national organisation and particular connections between the branch and the national body will be acknowledged and explored as appropriate.

##### **“Under the Lordship of Christ”: The Philosophy of the Organisation**

The OHF is an explicitly Christian organisation, centred on the biblical teachings of Jesus Christ. The Branch Director described the OHF as having a Christian culture. Staff and foster carers from any Christian denomination were welcome to become part of the organisation provided they believed that Jesus Christ was Lord. The Branch Director explained the Biblical principle underpinning the work of the OHF:

*A verse from Mark where Jesus says that whoever looks after one of these people, does so to me, became the real test if you like, that if they want to show the*

*love of Jesus as portrayed in that verse, to children, then that was the thing that combined us.*

As acknowledged in Chapter Six, the vision and work of the organisation is directed by these Christian beliefs. The social work and business practice of the OHF is also guided by the Christian principles upheld by the staff. All staff and Board members are required to be committed Christians, active participants of a church and committed to prayer, Bible-reading and on-going development as Christians. Prayer is an important part of the practice of each branch and meetings are held regularly for this purpose.

The Christian stance of the organisation has been the subject of some discussion with the Department of Child Youth and Family Services (CYF) during the past decade. With the introduction of a contractual model of funding in 1992 the OHF was instructed by the CYF to be less explicit about the Christian mission and philosophy of the organisation. The National Director and the Board were involved in discussions with staff from the CYF concerning the philosophy of the OHF and certain moral issues with which they disagreed. For example the organisation is pro-life and is therefore unwilling to provide termination counselling for clients. One respondent believed the Department had a particular view of how the Children, Young Persons and their Families Act 1989 (CYP&F Act 1989) was to be implemented and this included all providers of social services being uniform in their values and standards. However, the OHF was committed to its explicit Christian philosophy and practice. The Minister of Social Welfare eventually acknowledged that under the Act culturally appropriate social services, which included the Christian culture, were to be delivered to the community. According to the Chairperson of the Board it was decided that the OHF would continue to receive government funding provided they were explicit about their Christian philosophy and enabled clients to find an alternative social service if they so desired. The National Director acknowledged that while these discussions were challenging for the organisation, the OHF now has credibility and acceptance from the CYF as a Christian Child and Family Support Service.

The OHF has also received some criticism from the community and other providers throughout the years for being a Christian organisation. One of the respondents, however, believes they have:

*Gone from being a bunch of, as others would say, a bunch of do-good Christians, to actually providing a very important professional Christian social service because our levels of training have been increased and our approach has changed over time.*

The National Director does not believe the essential philosophy of the organisation had changed since the beginning of the OHF in 1977.

*For me deep down the philosophy of the organisation remains the same and it is that we are an explicitly Christian organisation with a Christian philosophy working to Christian values.*

There is recognition though, that the organisation itself has changed in many ways.

*There is still the same commitment that we are a Christ-centred Christian organisation and that we are essentially here to be a channel of his love in to the community but the nature of that channel has changed in that it has become one that is much more accountable to government than it ever was and it is one which has much higher professional standards.*

(National Director)

All of the respondents felt the OHF had high standards in its development and delivery of services. As such they believed the organisation had become more professional. This is reflected in the nature and qualifications of the staff they recruit (as discussed in Chapter Six), the training they provide and the levels of accountability now expected and provided by staff. Before 1989 staff viewed their involvement in the organisation as part of their ministry and commitment to God (Chapter Six comments on this issue in relation to changes in staffing). One of the respondents acknowledges that the emphasis

on ministry has changed over the past ten years especially with the accountability requirements of the contracts. The National Director believes it is a continuing challenge for staff to maintain their Christian values and yet still be professional and meet the requirements of the government.

The values of the organisation are based on the principles of Christianity and the crucial nature and importance of families.

*We're there to take his love into the lives of children, young people and families who are in need...with the end view for the kids to know that they're safe, loved and they belong in families but through it all also knowing the love of God.*

(National Director)

The mission of the OHF is: "Providing quality child centred family focused support services and foster care" (OHF, 1998-99:2) and is summarised in its popular slogan 'Families helping families.'

*It's to be there for whoever, race, creed or culture, it's to stand alongside and to empower families, to care for children if they're not able to be cared for in their own family or extended family and to provide safety for children in a family. It's very much based on the teachings of Christ.*

(Practice Manager)

The OHF is non-denominational and staff and foster carers from a range of Christian churches are involved in the work of the organisation. The importance of children knowing their heritage and ethnicity and being placed in culturally appropriate foster homes where possible is also emphasised as part of the philosophy of the OHF. The Branch Director reiterates the importance of children and young people having an understanding of and pride in their own ethnic group:

*In terms of culture whoever the child was who came into the organisation that they would know what their culture was, and they would stand tall in the*

*culture...whatever a child's culture we wanted them to know their culture and for it to be respected even if they were living with someone who was not a part of their culture.*

The respondents all discussed the commitment of the OHF to biculturalism and its efforts to uphold the principles of the Treaty of Waitangi. As with other social service organisations in Aotearoa/New Zealand acknowledging and working with the principles of the Treaty has become increasingly important in the OHF over the past decade. As the National Director comments:

*We're really committed to what I describe as being the covenant of the Treaty of Waitangi and I see ourselves as descendants of the people that signed that covenant before God really and so it's part of our culture that we are a bicultural organisation as well and we have a commitment to work together to have a unity as Maori and Tauwiwi and yet at the same time celebrating our differences and affirming and encouraging one another in our differences as well and that's an important part of the culture of the organisation.*

One of the respondents discussed the emphasis within the OHF on becoming more bicultural in their social work practice and organisational management. The branch researched in this study has professional relationships with iwi social services in their geographical area and works with these services to ensure Maori children and young people are cared for in the most appropriate way. While the OHF and iwi social services are essentially competitors for a limited pool of government funding there is an overriding commitment on the part of the OHF branch being studied, to the children and young people requiring care.

The respondents all believed the essential vision, philosophy and culture of the OHF would remain the same in the future despite likely changes in service delivery. It was also expected that the organisation would continue to become more professional in its service delivery. It was evident the National Director has been the gatekeeper of the philosophy and vision of the organisation due to his authority as the founding member.

The National Director resigned from his position during the course of the research and this raised the issue as to whether the respondents believed the OHF would change substantially with the appointment of a new National Director. One of the respondents acknowledged the National Director's essential role as guardian of the organisation and commented that "the person that they put in his place is exceedingly crucial for the philosophy, culture and values of the agency." Another respondent believed that while the National Director had been influential in retaining the Christian philosophy of the organisation, there would be enough staff throughout the organisation who would challenge any substantial changes in the mission, values or culture of the OHF.

The respondents appeared to be divided in their opinions as to the characteristics desired in a new National Director. There was evidence of a tension between employing a person with a social work background and some management skills or a person with management experience but little knowledge of the social services. The chairperson of the Board was strongly committed to employing a "CEO-type" who was experienced in managing a national organisation, could interpret and understand legislation and had excellent business skills. The Board consequently appointed a new National Director with a background in management but with no prior social work experience. While this research project was not able to explore the views of branch staff on this appointment there is likely to be some discussion among the OHF staff who believed the new National Director should have some understanding of the social work profession.

There seems to be an agreement between the Board and the new National Director that certain branches of the OHF need to become more professional not only in their delivery of social work but also in their business practices. It is likely this will create considerable tension between branch staff, the national office and the board, due to the pull between business, social work and Christian philosophies. How this tension is resolved or managed to the best effect possible is yet to be seen, as are the full implications of employing a National Director from a purely managerial background.

There was a determination among the respondents to maintain the distinct philosophy of the OHF to avoid becoming an 'agent of the State'. The National Director was adamant that it will be possible for the OHF to maintain its autonomy providing it retains its own culture, philosophy, value base and has services distinct from those provided through government funding. This sentiment was reiterated by the other respondents who acknowledged not only the need for maintaining a reasonable level of funding but also the importance of retaining their own Christian identity as they have successfully achieved over the past decade of substantial change.

### **The Provision of Care: Social Work Programmes in the Branch**

*It's all about strengthening families, helping families make it and to do that we provide social work, foster care, counselling, parenting education and with some branches youth services – those are our core services but always with the aim of strengthening families, helping families ideally so that they can care for their own kids.*

(National Director)

The OHF is committed to providing foster care and social work services to families in need of support. Although the essence of these services has not changed significantly over the past decade, they have been strongly influenced by changes in legislation and funding arrangements.

In terms of social work practice the most influential piece of legislation for the branch is the CYP&F Act 1989 (Branch Respondents). The care and protection principles of the Act govern the use of foster care placements as contracted out by the CYF. As required under the Act, the branch seeks care for children within their own family/whanau networks. Out-of-family care is arranged only when there has been a full exploration of options for the care of a child or young person within their own family, whanau, hapu, iwi and family group (CYPFS, 1997:3). Kinship care is therefore used in the placement of children when at all possible and family members are supported by the social workers at the branch of the OHF. If kinship care is not available then children under the care of

the OHF are placed with trained and registered Christian foster carers. For periods of respite (short-term care) children are often placed at Christian camps rather than into a family care situation so there is less of a stigma for the child and their family. Parents are encouraged to pay part of the costs of the camp to acknowledge their ongoing responsibility for their child.

While the actual care and protection aspect of the work of the branch under examination has not changed significantly over the past decade, there is agreement among the respondents that the threshold of care has risen. The cases being presented are more extreme in their issues and there are many cases that would have previously only been dealt with by the CYF. The caseload of social workers has also risen and together with the increasing difficulty of cases this has required staff to up-skill and gain more experience (OHF, 1998:10). Training for both social workers and foster carers has been developed to reflect the changes in the types of children and young people requiring foster care. This has included the need for greater awareness and ability to work with abused children, effective strategies for behaviour modification and methods of ensuring foster carer as well as child safety within the home environment. The Practice Manager maintains that the development of effective and useful training has been beneficial in terms of ensuring excellent service provision as well as a higher level of professionalism in terms of service delivery and staffing.

Some specific services run by the branch have changed over the past decade. In part this is due to the specified outcomes of the funding contracts and also because of the level of need for different types of care. Prior to the 1990s the branch provided considerable support through counselling and residential care for pregnant teenagers and for people previously living in institutions. This was particularly during the time the government was closing down residential services throughout Aotearoa/New Zealand. Initially the branch supported several people who moved from these residences but over time these people have become fully integrated into the community. According to one of the respondents, young pregnant women also tend to be more supported now within their own families or they are linked into organisations that provide more specialist care.

Therefore the energy of the staff now goes into providing other social work programmes, in particular foster care and preventative work as specified by their government contracts.

Each respondent had a vision of the continuation and extension of the provision of services in the OHF. One area of development was seen to be in the delivery of more foster care services for children with disabilities due to the increasing expertise of the staff and foster carers. The provision of specialist foster care, kinship care and involvement in family/whanau agreements were also considered possible areas for growth in the future. Engaging families in caring for their extended family and taking responsibility for children within these networks was seen to be essential. Working with local iwi providers to ensure the delivery of culturally appropriate services to children, young people and their families was also acknowledged as an area for further development. The delivery of counselling services was also a potential area for growth within individual branches. One of the respondents discussed the recent comments by the CYF in encouraging more preventative services. The OHF has always been involved in preventative services however over the past ten years the funding for this has decreased and the organisation has been encouraged to take on more clinical social work. While there is likely to always be a need for long-term foster care placements perhaps one of the changes to service delivery in the near future will also be a return to extensive preventative services (Practice Manager).

The CYP&F Act 1989 introduced the family group conference process, as discussed in Chapter Two. The National Director believes that since the 1980s the OHF had been aware of the importance of and had worked towards placing children within their wider family networks as stipulated by the Act. He comments:

*We were working in that direction anyway, family group conferences were a new concept in terms of they have a legal framework to them so obviously working in family group conference and outcomes was new but in terms of the basic way we*

*worked I don't think, the Open Home Foundation had to adapt or change very much.*

At a branch level the family group conference process has had a significant impact on both service delivery and funding. The Branch Director and the Practice Manager agreed that initially family group conferences were well funded until the government realised the substantial costs involved. One of the respondents also believed that the general resourcing of the CYP&F Act 1989 has decreased over the past ten years. During the initial stages of the Act, families were helped financially in various ways including transporting family members to the conferences and sending children to stay with relatives during school holidays. According to the respondents, payments of this kind are now increasingly difficult to obtain which means it can be argued that the Act is not being implemented as effectively as it could be (Dalley, 1998; Morris & Maxwell, 1998).

The social work programmes currently delivered by the OHF branch under discussion are significantly directed by the specified outcomes of the CYF bednight and community care contracts (See Chapter Six for an explanation of these contracts). The branch has however always endeavoured to maintain a level of non-government funding that can be allocated to programmes which are considered important but that are not accounted for in the CYF contracts. This has included the provision of additional services including extensive preventative family social work, training for social workers and foster carers, tramping trips for young people and an additional social worker position. This non-governmental funding, as acknowledged in Chapter Six, is considered essential for ongoing developmental work as well as for retaining an element of autonomy and flexibility in the staffing and service delivery of the organisation.

### **Maintaining Relationships: A Climate of Competition or Collegiality?**

While the branch and the wider OHF is autonomous in its decision-making and delivery of services, the relationships it has with the CYF and other CFSSs is important for

support, networking and funding. The OHF has had a formal relationship with the CYF since 1989 when it began to deliver services under the CYP&F Act 1989. This relationship has often been marked by uncertainty due to the constant changes within the Department and the ongoing developments of the contracting system. This uncertainty is acknowledged by one of the respondents in the following comment:

*When the agency that you work most with is undergoing constant change, with all the uncertainty for them, well then that impacts on us because it means that our own relationship with them is forever changing and it means our own direction year to year is uncertain.*

The changing structure of the CYF and the increasingly complex accountability requirements has had a significant impact on the OHF. Over the past year there has been a deliberate attempt by both organisations to alleviate some of these difficulties. In 1999 the CYF and the OHF met together for a two-day partnering workshop where they discussed their current relationship with one another, the myths that were held by staff in the organisations and the principles that could underlie their contractual relationship. A charter was established at the end of the workshop which acknowledged the commitment of the CYF and the OHF to work together on a collegial, consultative basis to create and maintain appropriate contracts. Although the full impact of this charter are yet to be seen by some branches in the OHF, the National Director and the branch respondents believe that already it has created a significant change in the negotiating and contracting process. The CYF and the OHF had committed themselves to developing and agreeing upon their next contract before 1 July 2000 and according to the National Director this has been completed before time in a collegial and consultative way.

The benefits of the development of this collegial relationship may also be seen in a recent example in which the government had made available some money for foster parent training. The CYF, OHF and Barnados have been allocated this money for their caregivers. A local CYF office has enabled aspects of its training to be available to the

OHF branch social workers. As the Practice Manager comments, “There’s a more opening up of resources and talking about sharing of resources”. In turn the OHF branch has begun to invite the local CYF foster parent liaison worker and the CYF foster carers to their own training sessions.

There was an indication from the respondents that the development of a more cooperative and collegial relationship between the OHF and the CYF was influenced by two key factors. Firstly, the individual relationships of staff in the organisations were considered highly influential in whether positive relationships were maintained. If staff developed rapport and an understanding of the work and responsibilities of each organisation and did not feel threatened in their funding or service delivery, relationships were likely to be maintained and strengthened. The second reason given by the respondents for the development of positive relationships between the organisations involved the recent change of government. The Labour-Alliance government elected in late 1999 was acknowledged as contributing positive direction and change to the CYF and in particular, encouraging the Department to strengthen its links with local communities. This in turn has had a positive influence on the relationship of the OHF and the CYF, specifically in the development of the charter mentioned above.

As noted in Chapter One the introduction of a contractual model of funding to the third sector impacted on the relationship between nonprofit organisations. From the beginning of the contracting regime the government indicated to nonprofit organisations that they would be competing for a limited pool of money. Inevitably this has increased the competition between some organisations that are delivering similar services to the community. The respondents in the branch of the OHF under discussion believed they have generally maintained positive and cooperative relationships with local CFSSs within the contracting environment. From a social worker perspective there was a general view that while these agencies may be viewed as competitors for government funding there is currently sufficient work in the area of care and protection for all of the organisations. Individual relationships between social work staff at the OHF branch and the local CFSSs were noted as healthy and professional. This was felt to be a reflection

of social workers working together professionally to ensure the best interests of children and families are met.

At a local management level, however, there seems to have been a distancing in the relationship between the OHF branch and local CFSS agencies over the past few years (Branch Director). This was attributed to staffing changes and the increasingly business-like approach directors were taking due to developing nature of the organisations. Competition for funds was cited as one of the reasons for the change in the relationship at the managerial level (Branch Director). At a national level there also seems to have been a distancing between the OHF and other nonprofit social service providers over recent years. The National Director acknowledged the difficulties inherent in maintaining good relationships while at the same time being competitors for a limited pool of funding. There was a general consensus among the respondents that maintaining good working relationships with individual staff in the organisations is essential for continued collegiality and cooperation, although the element of competition between the organisations is unlikely to diminish in the near future.

## **Summary of Chapter**

This chapter has explored the findings of the case study in relation to the philosophy and social work programmes of the branch of the OHF. Relationships with the CYF and other CFSSs have also been discussed in light of the changes in government funding arrangements between 1989 and 1999. The philosophy of the OHF has not undergone significant change over the past decade. The OHF has retained its unique position as a Christian CFSS despite some pressure from the CYF to be less explicit about its Christian ethos. Seeking to be Christian in its practice as well as its philosophy, staff are required to be committed Christians and elements of Christianity including prayer and Bible study are incorporated into the practice and work of each part of the organisation.

While the philosophy of the OHF has not been significantly influenced by the changes in government funding arrangements over the past decade, the social work programmes

of the branch have changed considerably. The specified outcomes of the contracts between the branch of the OHF and the CYF influence the service delivery by requiring the branch to focus its programmes on government defined core services. This includes the provision of foster care through bednights and preventative programmes for families experiencing difficulties within their homes. By securing a reasonable level of non-government funding the branch is able to maintain a degree of autonomy and flexibility in the services it provides in addition to the government-specified services. The threshold of care required from the branch of the OHF has also increased over the past decade as children and young people are having increasingly complex problems. This has meant that social work staff and foster carers are requiring more intensive and specialised training in order to provide effective care. Some social programmes have become less necessary over the past decade and therefore the branch has adapted its service delivery in order to meet the needs evident in the community.

The contractual model of funding has strongly influenced the social work programmes offered by the branch of the OHF under examination but these changes have also been influenced by other factors such as needs in the community. The contractual model of funding has been considered beneficial in developing effective services and greater professionalism of staff. By maintaining additional funding which enables the branch to service any perceived gaps in the types of programmes offered by the branch the respondents agreed they were able to provide appropriate services to their local community.

## **Conclusion: The Findings of the Case Study**

Chapters Six and Seven have discussed the findings from the case study in relation to the key research question. Chapter Six provided a detailed account of the change from capitation payments to a contractual model of funding before considering how the changes in government funding arrangements may have influenced the organisational structure of the branch and the wider OHF. While changes have occurred in the structure and staffing of the branch and the wider organisation, in general this was

considered to be positive in that the changes have contributed to increasing professionalism and more clearly defined roles of staff in the OHF.

Chapter Seven continued the discussion of the findings of the case study by exploring the second part of the research question. The philosophy of the OHF as an explicitly Christian CFSS was discussed in some detail. According to the respondents the Christian ethos of the organisation has not changed significantly over the past decade although there has been pressure from the government for this to occur. The social work programmes of the branch have been subject to considerable change and are significantly influenced by the specified outcomes of the government contracts. Maintaining a non-governmental source of funding has enabled the branch and the wider organisation to continue to develop its programmes, particularly in those areas which the government does not deem as being core services. While the contractual model of funding has placed pressure on the staff of the branch in terms of meeting specific accountabilities and outcomes the branch has been able to maintain its philosophy and develop effective and professional staff and social work programmes. Chapter Eight will outline the major conclusions from this research study and provide recommendations for the OHF and for future research in the area of contracting in the third sector.

## **CHAPTER EIGHT**

### **Facing the Future: Conclusions and Recommendations**

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#### **Introduction**

This thesis set out to explore how changes in government funding arrangements have influenced a branch of the Open Home Foundation. As outlined in Chapter One, I was also interested in exploring whether the branch had been able to maintain its philosophy and a level of autonomy despite implementing government defined and prescribed contracts.

The key research question for this study was: How have the organisational structure and social work programmes of a branch of a Child and Family Support Service, in this instance the Open Home Foundation, been influenced by changes in government funding arrangements between 1989 and 1999?

This question lent itself to the examination of several specific questions:

1. What specific changes in funding arrangements have occurred in the branch during the period between 1989 and 1999?
2. How has the structure and staffing of the branch been influenced by the changes in funding arrangements?
3. What impact have the government funding arrangements had on the range and availability of social work programmes?
4. How have the contractual funding arrangements of the government impacted on the philosophy and value base of the organisation?
5. Has the contracting model had any other effects on the branch?

This chapter concludes the study and draws together the central findings of the research. While the conclusions are outlined in light of the research question my analysis also draws on the legislative, political and international frameworks as outlined in the first part of the thesis. Together with the research, the body of knowledge has informed the overall conclusions. The chapter begins with the key findings for the study in which I provide a small number of recommendations for the consideration of the OHF staff with whom I have worked throughout the course of the research. Broader recommendations are provided for the consideration of other organisations in the third sector, in particular Child and Family Support Services. These recommendations are followed by a discussion on the issues related to the research methods that I have encountered while undertaking this study. Finally recommendations for further possible areas of research are outlined.

## **Key Findings**

The conclusions drawn from this research are particularly concerned with the organisational structure and social work programmes of the branch of the OHF and how they have been influenced over the past decade by changes in government funding arrangements. Where appropriate the conclusions have been generalised to incorporate the wider OHF. The conclusions are three-fold. Firstly, despite considerable legislative and political changes in Aotearoa/New Zealand over the past decade, the OHF has maintained a high level of government funding and has successfully managed the requirements of the contractual agreements. Secondly, the organisational structure of the branch studied has been strongly influenced by the introduction of the contracts. Thirdly, the contracting environment has, in general, contributed to the branch's efficiency, effectiveness and professionalism whilst maintaining its Christian ethos.

1. The OHF has maintained and developed its credibility and reputation as a Child and Family Support Service and has therefore been able to retain a high level of government funding during the past decade. The branch under examination along with the wider organisation has experienced the impact of significant legislative changes, notably the Public Finance Act 1989 and the Children, Young Persons and their Families Act 1989.

The changes in legislation and the accompanying political reforms have impacted on the funding, accountabilities and social work programmes delivered by the OHF. Morris & O'Brien (1999) suggest that other CFSSs have also been strongly influenced by these political and legislative changes. The OHF's relationship with the government has become one based on contracts and accountabilities which has affected the organisational structure and staffing of the branch and has also impacted on their philosophy. The contracting model of funding has significantly altered the OHF's relationship with the government. The importance of this relationship cannot be underestimated as the OHF relies on approximately 80% of its funding from government sources. While additional funding can be secured elsewhere any limitations in government provision would have a direct and immediate impact on the delivery of social work programmes in the branch.

Despite the significant changes through the reforms and legislation over the past decade the OHF has adapted to meet the changing demands. While the CYP&F Act 1989 influenced the structure of the OHF as it became an approved Child and Family Support Service, other requirements of the Act such as family group conferences enhanced rather than negatively impacted on the social work practice of the organisation. There is some evidence to suggest that, in general, national organisations fare better in the contracting environment (Munford & Sanders, 1999). Although this research study did not explore this issue in detail it appears that the OHF has managed the changes of the contracting environment more successfully because it has a national body. Over the past decade the OHF has developed its national base, strengthened the role of the Board of Trustees and employed appropriate people to undertake the management of both the branch and the national office. As a well-established national organisation the OHF has retained a significant level of control over its philosophy, vision and culture over the past decade despite some pressure from the CYF.

Robbins (1997), in examining the imposition of contracts on the organisational culture of nonprofit organisations, shows how it is likely that there will be tension between meeting government requirements and maintaining the vision and objectives of the organisation. The OHF continues to work at maintaining its Christian ethos in its daily

practice and overall vision despite inevitable changes in the type of social work programmes being delivered. Influenced by legislation such as the CYP&F Act 1989 and the Employment Contracts Act 1991, there has been an increased emphasis on staff being paid, professional employees. The OHF has responded to legislative requirements to formalise staff positions and improve the salaries and working conditions of staff which in turn has enabled employees to become more professional in their work. A commitment from staff to the values and philosophy of the OHF has also been critical in maintaining the fundamental characteristics of the organisation. These values are based on Christianity and the commitment to strengthening and supporting families. Providing the OHF remains committed to its policy of employing Christian staff and board members each with appropriate qualifications, experience and commitment to the philosophy of the organisation, there is likely to be minimal threat to their current philosophy and strong Christian culture.

The charter established during the past year between the OHF and the CYF is a benchmark in the relationship the government has with nonprofit organisations. The commitment to a collegial and consultative relationship as outlined in the charter between the two organisations is expected to continue to enable flexibility in the allocation and use of government funding. Whether the commitment to the charter will occur in local sites away from the national office is yet to be seen although the research indicates a high level of optimism concerning the potential positive effects of the charter. If implemented throughout Aotearoa/New Zealand the charter may have many benefits for the future development of the OHF and potentially for other Child and Family Support Services if similar charters are instigated.

2. Debate continues as to the levels of efficiency and effectiveness created by the contracting environment (Cheyne et al, 1997; Martin, 1995; Nowland-Foreman, 1997). While management practices may improve as a result of the specifications of the contracts, there is concern that some organisations may have moved away from their primary focus and become preoccupied with the efficient use of resources (Nowland-Foreman, 1995a). It was noted that in the OHF at the branch and national levels there is

tension between the business, social work and philosophical aspects of the organisation. There was an indication of concern from the research respondents that as the OHF is forced to be more business-like and focus primarily on fiscal issues they may become less responsive to clients and to the underlying philosophy and ethos of their organisation. At this stage it appears this tension between the different aspects of the Open Home Foundation is balanced and not divisive.

The employment of directors with managerial experience but little understanding of social work or, in particular, care and protection work, has met with some scepticism from staff at a branch level. At a national and board level the commitment to employing experienced managers who understand legislation, the funding agreements and the business aspects of the organisation is evident. The appointment of the new National Director, an experienced manager with private and public sector experience, indicates a new direction for the OHF. While the previous National Director had a role that covered both social work and management issues, it is possible his replacement will be placed firmly in the arena of business management. Although the new National Director's term in office has only recently begun it is likely he will implement significant changes in the shape, work and future direction of the OHF.

Staff at the branch studied have also experienced the effects of changes in government funding arrangements over the past decade. Administrative positions have been created to fulfil the accountability requirements and social workers have been required to record more statistical data and provide written accounts of their contacts with clients. A Practice Manager position has been created to ensure social workers are supported as the complexity of the casework has increased. To a large extent a healthy working relationship between a Director and a Practice Manager may alleviate some of the difficulties involved in covering both the managerial and social work aspects of the organisation. With the continuing emphasis on the business management of nonprofit organisations and the complexity of the contracting regime it is unlikely that the type of directors now being employed in the OHF will change.

The branch of the OHF studied has successfully adapted to the changes in funding arrangements with the government over the past ten years perhaps assisted by the considerable experience of their two senior staff. Other branches may not have managed so well with the increasing accountability and work demands placed on their staff although further research would be required to ascertain whether this is the case. The branch relationship with the national office and the board has also seen considerable change over the past decade due to the tensions between business and social work practice outlined above. The personal relationships established between the National Director, the branch staff and the board members are likely to be highly influential in the success of new initiatives implemented in the future. The involvement of branch directors in decision-making at a national level, to incorporate the views of the social workers at the grassroots level, may contribute to the effectiveness of future developments in the OHF.

3. Despite the initial difficulties for the branch in coping with the demands of the contracting regime, overall the contracting environment has contributed to the branch's efficiency, effectiveness and professionalism within their Christian ethos. This is evident in the organisational structure and social work programmes of the branch which have been adapted to meet the challenges of the contracting system of funding as well as the changes in legislation. Staffing levels have increased in order to meet the accountability requirements and to effectively respond to the greater numbers of children and young people requiring more intensive care. Monitoring systems ensure work targets are met and encourage the staff to be more efficient and effective with their time, skills and resources. While the accountability requirements were initially considered intrusive and time-consuming the research indicates that adequate systems are now in place and these requirements are viewed as not only necessary but also helpful in the ongoing work of the branch.

Specialised roles in administration, social work, social work support and management enable staff to focus on their area of expertise and thereby create a high standard of work and service delivery. This has led to the development of several new staff positions

including a Practice Manager, a Foster Care Liaison person, an accounts and an administrator position. With the creation of the administrative positions the Director has been able to focus more specifically on the management of the branch rather than on referrals and administrative tasks.

The increase in state control over nonprofit organisations has been a key issue since the introduction of contracts in the early 1990s (Higgins, 1997; Nowland-Foreman, 1995a). The social work programmes of the OHF branch studied are to a large extent prescribed by the government through the outcomes specified in the contracts. It is inevitable that the outputs, outcomes and accountabilities required by government do shape the social work programmes that are delivered by the branch. This is an ongoing dilemma for the branch and the wider OHF and is in part countered by the limited programmes provided through non-governmental sources of funding. The OHF will need to continue to make decisions as to whether the core services being funded by the government are in line with the philosophy, practice skills and vision of the organisation.

While the branch of the OHF may be able to deliver the core services effectively and efficiently they may be unable to provide the comprehensive service to the community they so desire. For this reason non-government sources of funding are considered essential for the ongoing developmental work of the branch. The intensity of care required for children and young people has significantly increased over the period studied and this has meant considerable developments in the training of social workers and foster carers. While the higher threshold of care means more difficult and stressful work it has also contributed to greater professionalism in staffing, training and service delivery. Becoming more professional may also influence long-term issues within the OHF such as salaries, working conditions and the further development of their reputation as an effective CFSS.

The contracting regime is underpinned by an element of contestability designed to create more efficient and effective services (Cheyne et al, 1997; Gill, 1999; McDonald, 1998; Shipley, 1991). The branch of the OHF examined in this research has maintained a high

standard of service delivery and professionalism in its staff while having to compete for government funding with other CFSSs. The issue of competition with other CFSSs is more apparent at the managerial rather than branch level. Arguably this is due to the role of the National Office in securing adequate bednight funding from a limited pool of government money. At a branch level, the massive need for social work services in the local community possibly alleviates some of the potential for competition as organisations working in care and protection appear over-worked and under-staffed. The rhetoric from the current government for increases in funding is a welcome sign for CFSSs although it is yet to be seen if the additional funding eventuates. It is possible that a more competitive climate between social service organisations will put at risk the tradition of collaboration and co-operation in the third sector (Ellis, 1994; Gill, 1999).

The OHF is an adaptable organisation that has sought creative solutions to the difficulties that have arisen over the past decade. The development of their own computer system for monitoring the work of the branches is an example of their commitment to finding the most effective methods possible for meeting the requirements of the government and their own high standard of service delivery. Bulkfunding is also an example of developing alternative systems that will create more effective and professional working relationships between the OHF and the CYF. Although bulkfunding is a relatively new initiative there is evidence that it may be more widely utilised throughout the OHF in years to come. This will enable branches to have greater autonomy in their distribution of funding and to develop better relationships with each local CYF office.

## **Recommendations to the OHF**

Due to the response of the OHF and the aforementioned reasons, overall, the development of the contractual model of funding has proved to have a generally positive influence on the organisational structure and social work programmes of the branch examined in this research. A small number of recommendations for the consideration of the branch and the wider organisation have emerged from the discussion and these are outlined below:

1. To maintain and develop the non-governmental sources of funding in order to ensure continuing autonomy, flexibility and the organisation's own development as a credible social service provider. As recommended by a respondent, a National Appeal Day may be one way of increasing the funding levels and reputation of the OHF.
2. To establish positive and professional relationships between the new National Director and branch staff. This will enable the continuation of staff commitment to the organisation and reassure employees of the ongoing philosophy and essential work of the OHF.
3. To consider how government funding can be most effectively achieved and implemented. This involves further consideration as to whether the branches or the national office bid for and maintain the contracts as well as evaluating whether bulkfunding is a feasible option for other branches.
4. To maintain a balance between the business, social work and philosophical aspects of the organisation. As social workers are crucial for the ongoing service delivery it is important for them to be able to understand and be committed to the business and managerial developments in the organisation. Similarly it is essential for the governing body to seek support and recommendations for change from the staff working at the grassroots level of the OHF. The involvement of branch directors in decision making at the national and board level may be a positive strategy for maintaining strong links between the different levels of the OHF.
5. To build on the professionalism in the organisation both in its business and social work practice areas and thereby continue to develop the reputation and the public profile of the Open Home Foundation.

These recommendations outline possible future directions for the growth and development of the branch of the OHF examined in the research and the wider organisation. The list is not exhaustive but covers the areas relating to the research

question, that is the impact of the contracting environment on the organisational structure and social work programmes of one branch of the OHF.

## **Recommendations to the Third Sector; in particular, Child and Family Support Services**

As the OHF is an approved CFSS the findings of this research study may be applicable to other CFSSs throughout Aotearoa/New Zealand. The following recommendations have been drawn from the research findings and are particularly relevant for other CFSSs or nonprofit organisations that contract out their services to the government.

1. Since the introduction of the contractual model of funding the government has defined which services are considered to be 'core' or essential for the community. This has created a situation in which nonprofit organisations have had to agree to deliver these particular services in order to receive funding. Nonprofit organisations need to be proactive in presenting their concerns about the gaps in current service delivery to the government. Lobbying government with recommended changes or increases to these core services is important if comprehensive social service delivery is going to occur in all aspects of our community.

2. Despite rhetoric from the current government about increasing funding for certain aspects of the social services, the level of funding is likely to remain limited. State control over service delivery is also likely to continue and therefore it is essential that nonprofit organisations endeavour to maintain a reasonable level of non-governmental funding for the provision of additional services. While this is a difficult and time-consuming process, it not only allows for programmes other than core services to be delivered but also enables nonprofit organisations to retain a degree of autonomy from the government.

3. The accountability requirements of the contracting model are now well established. In some cases these requirements may have enhanced the business and social work aspects of nonprofit organisations. In other instances the requirements may be

considered time-consuming and inappropriate. Developing more appropriate measures to take into account the nonprofit and value base of those third sector organisations contracting with the CYF may be extremely useful at this point. These measures could then be recommended to the CYF for incorporation into future contracts. It may also be appropriate for these nonprofit organisations to invite the CYF to present a summary of the application of the accountability data gathered to date so they are aware of which measures have in fact been relevant.

4. As the threshold of care for children and young people increases the government needs to be committed to supporting nonprofit organisations and in particular the CFSSs through appropriate changes in funding, training and contract negotiations. It may be helpful at this stage, with a recent change in government, for CFSSs to combine their concerns and issues and present these to the government for consideration. The Labour-Alliance Coalition government has commented on the possibility of increasing preventative services and it may well be appropriate for CFSSs to lobby the government for a commitment to funding this aspect of the social services.

5. The contracting environment has presented a number of challenges to CFSSs. While some organisations have extended their services, others have struggled to survive. Concerns have been raised over the traditional cooperation and collaboration between nonprofit organisations being eroded under the contracting regime. There needs to be an acknowledgment of the unique value of the third sector from both nonprofit organisations and the government. This will contribute to the continuation of information sharing and useful synergies between organisations (Gill, 1999). Membership of umbrella bodies such as the Council of Christian Social Services, the Council of Social Services and the Federation of Voluntary Welfare Organisations may contribute to this collaboration but the government also needs to indicate its commitment by funding such bodies. Local groups such as Community Services Councils are also helpful for networking and the sharing of resources but again often struggle for reasonable funding. Continuing to raise the profile and reputation of nonprofit organisations through the media, lobbying local and national government and

by showing a high level of professionalism within the community may enhance the significant place of the third sector in Aotearoa/New Zealand.

Business philanthropy and corporate sponsorship could be pursued by nonprofit organisations and encouraged by the government so as to enable many social service organisations the opportunity for greater economic, social and public support.

## **The Research Method: Reviewing the Issues**

A case study approach was employed as the research method. This enabled an in-depth exploration of the branch by way of semi-structured interviews and documentary analysis. Documents from within and outside of the branch of the OHF were utilised. A range of literature on the research area was sought to enhance the data collection and analysis. The information contained in this literature contributed to a clearer understanding of the socio-political context, theoretical underpinnings and international perspectives on the contracting out of services to the third sector and acted as a framework for data analysis.

While a case study approach does not allow for extensive generalisations I believe that some of the findings and conclusions of the research will be applicable to other branches in the OHF and similar CFSSs. Examining only one branch of a distinctive CFSS raised two major issues. Firstly, the branch selected has well-established, experienced staff, a director with a managerial background and it has successfully secured significant contracts with the government over the past few years. These factors may have contributed to the generally positive views on contracting held by the respondents. This is in contrast to previous research on the effects of contracting on nonprofit organisations (As discussed in Chapters Three and Four). By examining a number of other branches of the OHF a broader and perhaps less favourable picture of the impact of the contractual model of funding may have emerged.

Secondly, keeping the branch under examination confidential became increasingly difficult as I began to incorporate extracts of the key documents into the data analysis. The documents were very specific to the branch and in many instances gave clear

indicators as to its location. Very few extracts from the documents have therefore been quoted directly. Although originally I had not intended to identify the OHF as the organisation being studied it was clear from the early stages of the research that anonymity could not be guaranteed. I appreciated the flexibility of the National Director in granting permission for the anonymity to be waived.

Receiving regular supervision enabled me to constructively overcome these ethical issues and explore solutions to other difficulties as they arose. Initially it was also intended to have a focus group with the members of the Board of Trustees after the individual interviews had been completed. However, due to time constraints this was not possible and I therefore met with the Board in August 2000 to outline my preliminary research findings. This was a helpful exercise as it enabled me to explain the findings in some detail which generated discussion and reflection on both the present and the future direction of the OHF. Overall I believe the research methods employed in this thesis were appropriate given the time available and the key research question being explored. While further research in this area would be useful to develop a fuller picture of the contracting environment this study may add to the limited material currently in Aotearoa/New Zealand on the issue of third sector organisations contracting with the government.

### **Filling the Gaps: Suggestions for Further Research**

As a case study this research provides in-depth information on one branch of a national CFSS. While aspects of the findings may be relevant to other nonprofit organisations few generalisations may be made. The research does, however, suggest a number of further research areas that could develop this case study or add to our understanding of the influence of contracting in the third sector.

1. The case study approach has meant the examination of only one branch of the OHF. To gain a more comprehensive picture of the influence of government funding arrangements on the OHF it is necessary to explore the impact of the contracts on other branches. The branch examined is a well-established branch with relatively stable

ongoing funding and by studying smaller branches with less secure funding contrasting results may become apparent.

2. An interesting area for future research for the OHF may be to examine the changes in the structure, programmes and philosophy of the organisation over the next few years in relation to the appointment of the new National Director. This could entail incorporating the views of a range of staff from a number of branches throughout Aotearoa/New Zealand as well as the perspectives of the board members and employees in the National Office.

3. The charter between the OHF and the CYF paves the way for a collegial and consultative relationship between the government and a nonprofit organisation. How the charter is implemented and utilised by both organisations not only at a national level but also at local sites would create a useful longitudinal study. It would also be helpful to discover whether other CFSSs are privy to such agreements.

4. Maintaining a sense of autonomy and the original vision and philosophy of the organisation has been considered essential for the success and survival of the OHF. Research on other nonprofit organisations who are effectively managing the changes in the contracting environment may provide useful insight into the factors required for survival. Conversely, it would also be interesting to track, if the information is available, the reasons for which some nonprofit organisations are struggling in the current funding environment.

5. To date, there has been a small number of research studies on the implications of the changes in government funding arrangements for the third sector over the past decade. At this point it may be extremely useful to collate this information in order to provide a more comprehensive picture of the influence of the funding environment on third sector organisations.

As noted in this research study the accountability requirements on nonprofit organisations are extensive and time-consuming. Research into the views of nonprofit

organisations on the usefulness and applicability of the requirements may be helpful for the future development of useful monitoring measures. Alongside this research could be an investigation into how the CYF actually use the accountabilities to develop or influence government decisions particularly on the specification of the core services being delivered. This research could also be developed in light of any changes introduced to the CYF by policies emerging from the Labour-Alliance coalition in power since November 1999.

## **In Conclusion**

The contracting out of services to the third sector is a relatively new phenomenon in Aotearoa/New Zealand. The last decade has seen the widespread development and implementation of the contractual model of funding and its associated accountabilities in a range of nonprofit organisations. This case study has explored how changes in government funding arrangements between 1989 and 1999 have influenced a branch of a Child and Family Support Service, namely the Open Home Foundation. In particular the structure, staffing, philosophy and social work programmes of one branch of the OHF was explored. The contractual model of funding has presented challenges to the branch examined in this study particularly in regards to its Christian philosophy. However, in general the change in funding arrangements with the government has contributed to the ongoing development of professional and effective organisational structures, staffing and social work programmes. While the future remains unknown, the OHF, and in particular the branch examined, is likely to maintain its reputation as a professional and credible Child and Family Support Service. This is due to the ability of the OHF to secure significant government contracts while still upholding its commitment to Christian principles, good business practice and a high standard of service delivery.

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# **APPENDICES**

## **Appendix One**

### **INFORMATION SHEET**

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#### **The Project**

This research proposes to investigate how the organisational structure and social work practice of a branch of the Open Home Foundation (OHF) has been affected by changes in government funding arrangements between 1989 and 1999. The study is being undertaken for my thesis for a Master of Philosophy degree in Social Work. The findings of the research may also be used in appropriate professional publications and presentations at conferences, seminars and lectures.

The changing nature of not-for-profit social service organisations and their relationship with the government, particularly in respect to funding, has been an increasingly important issue over the past ten years. With the introduction of contractual agreements between the agencies and the government, there has been an increased emphasis on accountability, competition, transparency and measurable outputs.

Potentially, these changes contain both advantages and disadvantages for service providers. The effects of these contractual arrangements on the organisational structure and social work practice of a branch of the OHF will be explored in this research project.

Data will be collected through interviews and the analysis of documents. Information will be sought from the National Director of the OHF and the Director and Practice Manager from an OHF branch. It is expected that each interview will take no more than two hours. The Board of Directors will be invited to participate in a focus group which will be expected to take no more than two hours. An indication of the questions that will be asked will be provided prior to the interviews.

Interviews will be recorded on audiotape. The tapes will be destroyed or returned to the interviewee at the completion of the study. Participants have the right to terminate the interview, or to request that the tape recorder be turned off at any time.

If you agree to participate in the research project it will be on the understanding that the interview is confidential. Brief direct quotations from interviews will be included in the research report. If there is any risk of identification the participant will be contacted for permission.

As a participant you have the right to:

- refuse to answer any particular question, or to request that the tape recorder be turned off at any time during the interview
- conclude an interview
- withdraw from the project
- ask any further questions about the project that arise during your participation
- provide information on the understanding that it will be completely confidential to the researcher and her supervisors
- access the completed thesis as a copy will be given to the organisation

## Appendix Two

### CONSENT FORM

Name: \_\_\_\_\_

I have read the Information Sheet for this research project and have had the details of the study explained to me. My questions about the project have been answered to my satisfaction, and I understand that I may ask further questions at any time. I also understand that I am free to withdraw from the study at any time, or to decline to answer any particular questions in the interview.

I agree to provide information to the researcher on the understanding that it is confidential as outlined in the Information Sheet.

I agree/do not agree to my interview being audiotaped. I also understand that I have the right to ask for the audiotape to be turned off at any time during the interview.

I agree to participate in this project under the conditions set out in the Information Sheet.

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

## **Appendix Three**

### **Interview Schedules:**

#### **National Director**

1. Can you tell me about your organisation:
  - Origins
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship between the National body and the branches
  
2. How do you think the organisation has changed over the past 10 years:
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship between the National body and the branches
  - Relationship with other providers
  - Relationship with the Department of Child Youth and Family Services
  
3. What do you think are the reasons for these changes?
  
4. How do you feel about these changes?
  
5. What changes do you think may occur in your organisation over the next 5 years:
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship between the National body and the branches of the organisation
  - Relationship with other providers
  - Relationship with the Department of Child Youth and Family Services

6. Morris and O'Brien (1999:59) comment, "A core part of this contractual environment has been the development and application of output categories...these categories determine both the needs that are funded by the contracts and the level of that funding. Needs are determined by the funder, not the consumer or the service provider. As a result it is the availability of resources that determines responses, not the needs of the client, family or community." What are your thoughts on this statement?
  
7. Munford & Sanders (1999:56-57) comment, "Concern is sometimes expressed about the way that managing contracts with government will change the goals and philosophies of not-for-profit organisations." What are your thoughts on this statement?
  
8. As the National Director, are there any other comments that you would like to make concerning the research question?

## **Interview Schedule:**

### **Branch Director**

1. Can you tell me about your organisation:
  - Origins
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship with the National body
  
2. How do you think the organisation has changed over the past 10 years:
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship with the National body
  - Relationship with other providers
  - Relationship with the Department of Child Youth and Family Services
  
3. What do you think are the reasons for these changes?
  
4. How do you feel about these changes?
  
5. What changes do you think may occur in your organisation over the next 5 years:
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship with National body
  - Relationship with other providers
  - Relationship with the Department of Child Youth and Family Services
  
6. Morris and O'Brien (1999:59) comment, "A core part of this contractual environment has been the development and application of output categories...these categories determine both the needs that are funded by the contracts and the level of that funding. Needs are determined by the funder, not the consumer or the service provider. As a result it is the availability of resources that determines responses, not the needs of the client, family or community." What are your thoughts on this statement?

7. Capie (1999:12) suggests, “voluntary agencies have always been closely scrutinised by their members, and were not at all concerned at becoming more accountable to the government...what we found difficult is where government personnel confuse accountability with control.” What are your thoughts on this comment?
8. Are there any other comments that you would like to make concerning the research question?

## **Interview Schedule:**

### **Practice Manager**

1. Can you tell me about your organisation:
  - Origins
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship with the National body
  
2. How do you think the organisation has changed over the past 10 years:
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship with the National body
  - Relationship with other providers
  - Relationship with the Department of Child Youth and Family Services
  
3. What do you think are the reasons for these changes?
  
4. How do you feel about these changes?
  
5. What changes do you think may occur in your organisation over the next 5 years:
  - Philosophy
  - Culture and values
  - Structure and staffing
  - Funding
  - Services delivered
  - Relationship with National body
  - Relationship with other providers
  - Relationship with the Department of Child Youth and Family Services
  
6. Morris and O'Brien (1999:59) comment, "A core part of this contractual environment has been the development and application of output categories...these categories determine both the needs that are funded by the contracts and the level of that funding. Needs are determined by the funder, not the consumer or the service provider. As a result it is the availability of resources that determines responses, not the needs of the client, family or community." What are your thoughts on this statement?

7. The New Zealand Council of Christian Social Services (1998: 20) comment that “involvement in developmental tasks, including leadership development, prevention, advocacy, and network building are likely to suffer with the increasing emphasis on discrete and measurable service outputs.” What are your thoughts on this statement?
  
8. Are there any other comments that you would like to make concerning the research question?