Scotland's Civic Society v. England's Big Society? Diverging Roles of the VCS in Public Service Delivery

Mike Danson* and Geoffrey Whittam**

*Business School, University of the West of Scotland
E-mail: michael.danson@uws.ac.uk

**University of the West of Scotland

The devolved governments and parliaments of Scotland, Wales and Northern Ireland increasingly have been adopting different approaches from England to the delivery of public services. With more powers and responsibilities, Scotland has initiated these moves to divergence, not least with respect to the roles of volunteering, the Voluntary and Community Sectors (VCS) in the context of the 'Big Society'. This article explores how the environment and institutions in Scotland increasingly are generating moves for different relations between the public, private and VCS. With key powers reserved for the Westminster parliament, differences are demonstrated in the position and development of the VCS.

Introduction

A key message from the leader of the Conservative Party in the 2010 UK general election was that the financial crisis in public expenditure meant that there were new and stronger reasons for the voluntary or Third Sector, rather than the state, to deliver change and provide services to the community. With his idea of 'the Big Society' (Cameron, 2009), where communities increasingly would adopt autarky, Prime Minister David Cameron was marking a significant shift from his predecessor's view that 'you know, there is no such thing as society. There are individual men and women, and there are families' (Margaret Thatcher, talking to *Woman's Own* magazine, 31 October 1987). The culmination of this move reflects the progressive rise of the voluntary, third, community or social enterprise sector and volunteering under different regimes and parliaments. It is the contention of this article that, while these terms can and are used interchangeably in many situations, although covering different concepts, organisational and legal forms, there are advantages in considering them collectively. This does not mean a lack of recognition of these differences, but that in terms of values, norms and institutions they are closer to each other than to their respective market competitors; so social enterprises and volunteering are more proximate to each other than to small and medium enterprises and to the supply of paid labour respectively. Nevertheless, some parts of this amorphous sector are closer to the market than others: for instance, the aims and objectives of social enterprises are typically of a significantly different nature to the other not-for-profit organisations. These varieties of non-state and non-private sector bodies are discussed by Whittam and Birch (2010), and some aspects of the distance between volunteering and formal salaried employment are explored by Lee (2009). Although there have been moves in North America to claim that these and

related forms of organisation – 'including corporate social responsibility, microfinance, venture philanthropy, sustainable businesses, social enterprise, privatization, community development and others' (http://www.fourthsector.net/learn) – should be termed a 'fourth sector', this does not seem to fruitfully extend the framework for understanding and analysis in the UK context.

The other articles in this themed section discuss different aspects of these developments, but this article in particular considers differences across the UK, as, in the context of using the Voluntary and Community Sector (VCS) to deliver public services, compared with England, the devolved governments and parliaments of Scotland, Wales and Northern Ireland increasingly have been adopting different approaches. With more powers and responsibilities, Scotland has been leading the moves to divergence in social and economic policies across the UK (Mooney and Scott, 2005; Keating, 2005), not least in the role of the VCS. This article explores how the environment and institutions in Scotland, including economic, political, social and geographical dimensions, have generated moves for different relations and expectations between the public, private and the VCS. The position and development of the VCS in delivering public services in Scotland are presented against this background, with careful consideration of the constraints and opportunities offered by the retention of particular policies and powers by the Westminster parliament. As these reserved powers include control over welfare benefits, and almost all taxation and employment laws, there are significant advantages in analysing how local and regional VCS organisations can operate under different policy regimes. Within the above different economic, social and political contexts, particular attention is paid to how social enterprises operate in the different territories across the UK. The conclusion is that, while the peculiar US/UK ('Anglo Saxon') social model continues to dominate and set the agenda at Westminster, restricting and corrupting the role of the VCS in service delivery, in Scotland these tendencies are tempered by the government and civic society.

The structure of the argument takes the following form: first, we discuss the theory of VCS and social enterprises, drawing on work from a number of disciplines and sources. Given the dependence on and essential inter-relationships with the state, the background and environment to the operations of the VCS are explored with attention to the positions under devolution across the UK. There is a particular focus on Scotland, given its capacity to adopt policy divergence from the UK or British norm; but the associated importance of the powers reserved to the Westminster parliament and government are also examined as they limit this degree of independence. Building on this, the different policy regimes and relations between the public, private and VCS across the UK are discussed. The article then considers the roles and practices of the VCS in delivering public services in Scotland, before analysing and discussing these in light of the opening theories. The conclusions draw together the main arguments, attempt to delineate the differences and similarities across the UK and point out where further changes and innovations may be anticipated in the forthcoming period of public expenditure cuts and proclaimed withering of the state.

The role of the VCS in urban and rural regeneration: theory and policy

Given the multiple tasks that the voluntary sector has been 'awarded', there are several ways in which we can utilise theory to analyse their function. Whilst acknowledging that some commentators are not 'happy' with identifying the rationale of VCS organisations

with 'market failure' due to a narrow neo-classical interpretation of the concept (Haugh and Kitson, 2007), we feel that it is justified in the context of this paper to observe 'market failure' to be a rationale for state intervention. Many policy documents can be observed to promote the VCS due to 'market failure' (see HM Treasury *et al.*, 2005; Office of the Third Sector, 2006), for example in providing goods and services in parts of the economy where it would not be profitable for private sector businesses to operate. Alternatively, this could be viewed as 'market creation'; that is, VCS organisations observe a particular need within a particular community and seek to meet this need, and, if the VCS is a social enterprise, then this will take on a market-based approach (DCLG, 2006). This need could be achieved by simply 'creating' a market, commodification, or it could take the form of cross-subsidy whereby the market-based activity results in profits being made, which then become re-invested in an attempt to solve the problem identified within the community.

The traditional approach to producing public goods, merit goods and to resolving issues created by externalities has been to rely on the state as producer and delivery of such goods and services. However, over the last two decades there has been a reduced role for the state in this responsibility and the state is now regarded more of an enabler rather than producer. This changing direct involvement of the state has been described as a 'hollowing out' of government provision of services and goods to their citizens (Budd, 2003; Paton, 2003). The opportunity for the VCS to assume some of this function (Small Business Service, 2005) has been accompanied with an increased emphasis on these organisations to deliver government policy across a range of issues focussed on social inclusion, local regeneration and community empowerment (summarised in Office of the Third Sector, 2006). As part of this policy emphasis in the UK, there has been a high degree of interest in the relationship between social capital and the successful regeneration of deprived and disadvantaged communities (HM Treasury, 1999; Devine-Wright *et al.*, 2001). Complementing this, it has been argued that social capital can be promoted through the social economy, social enterprise and social entrepreneurship (Leadbetter, 1997; Tracey *et al.*, 2005).

The first hypothesis is that social capital is a key aspect of the current coalition government's thinking: namely, their emphasis on the VCS helping to deliver the 'Big Society' agenda. This highlights a further 'role' for VCS organisations: encouraging 'community empowerment', building on the concepts envisaged by 'the Third Way' (Giddens, 1998). There appears to be a direct line from the 'enabling state' to the speeches of Cameron; typically, 'This means a new role for the state: actively helping to create the Big Society: directly agitating for, catalysing and galvanising social renewal' (Cameron, 2009). The key players for delivery of these objectives will be social entrepreneurs: 'we will identify proven social programmes, franchise them to social entrepreneurs with a track record of success and fund them directly from existing state budgets to deliver public services' (Cameron, 2009). Furthermore, VCS actors are found to be at the centre of many regeneration strategies, establishing the social capital required to ensure these depleted communities become regenerated through market-based solutions which will cast-off the 'dead-hand' of the state (DCLG, 2006). It is apparent from this official discourse, which continues through different political UK regimes, that there is a confusion in the use of the differing terms for the third/social/social enterprise sector; and these come together in the idea of the Big Society.

Much of this thinking can be traced back to the work of Porter (1998) where he argues that isolated initiatives have compromised inner-city regeneration initiatives and 'have

treated the inner city as an island isolated from the surrounding economy and subject to its own unique laws of competition' (Porter, 1998: 378). The solution, therefore, is to (re-)connect the inner city to the competitive market economy through private sector businesses; Porter emphasises the role of small business enterprises, which can succeed due to 'the competitive advantage of the inner city'. Whilst Porter is discussing the role of small and medium enterprises (SMEs), in this article the logic of the argument is equally applicable to the thinking in current theory and policy of the encouragement of the VCS (HM Treasury *et al.*, 2005; Office of the Third Sector, 2006). The second hypothesis, therefore, is that the promotion of VCS in recent times is informed and consistent with Porter's prescription for deprived and disadvantaged areas.

As well as this urban focus, and the long-established role of the VCS in addressing the endemic problems of the inner city (Mooney and Scott, 2005; DLCG, 2006; Birch and Whittam, 2008), such organisations have been promoted and seen as essential to the social and economic development of more rural and remote communities. While a degree of romanticism underlies some of this support and literature (see Birch and Whittam, 2008, for a critique), it is undoubtedly the case that social capital (Shucksmith, 2000; Atterton, 2001) is equally often integral to the sustainable development of fragile areas and this is nurtured and contained (Taylor, 1994) within the VCS locally.

The identification of these two contrasting types of locations where the VCS is being assigned a key role confirms the need to consider and understand the powers and role of the state at the local, national and higher levels.

Devolution and the importance of reserved powers

Although the Parliaments of Scotland and England and Wales were merged in 1707, under the Act of Union a number of fundamental Scottish institutions – notably the separate church, education and law systems – survived as essential elements in the continuing Scottish nation. Building on these, an increasing degree of administrative devolution of power was promoted from the late nineteenth and throughout the twentieth centuries, with the Scottish Office and Secretary for Scotland established in 1885, becoming a Cabinet post in 1892 and elevated to Secretary of State for Scotland in 1926. For the next seven decades, however, nationalist pressure continued to grow culminating in the re-establishment of the Scottish Parliament in 1999.

Effectively all matters that are not specifically reserved in Schedule 5 of the Scotland Act 1998 (http://www.legislation.gov.uk/ukpga/1998/46/contents) are automatically devolved to the Scottish Parliament. Reserved matters, therefore, are subjects that are outside the legislative competence of the Scotland Parliament. The Scottish Parliament is not empowered to legislate on such core issues as social security, employment, the macroeconomic levers of the fiscal, economic and monetary sectors, broadcasting policy, the civil service, common markets for UK goods and services, the constitution, energy sectors, defence and national security, foreign policy and relations with Europe and the protection of borders. The devolved powers include agriculture, fisheries and forestry, economic development, education, environment, food standards, health, home affairs, Scots law – courts, police and fire services, local government, sport and the arts, transport, training, tourism, research and statistics and social work. The Scottish Parliament also has the ability to alter income tax in Scotland by up to 3 pence in the pound, although this power has never been used. So, the devolved government for Scotland is responsible for

many of the key issues of concern to the people of Scotland, including health, education, justice, rural affairs and transport.

Although the Parliament has limited economic powers, and less power than state legislatures in the United States for instance, further moves are expected in the coming decade, particularly as the unionist parties have intimated their intention to implement the recommendations of the Calman Commission for the Scottish Parliament to have substantially greater control over the raising of the revenues that make up the Scottish budget. The dynamism in the Scottish constitutional position suggests that again it is an important indicator of the potential economic implications of political and governance changes. In many ways, Scotland has diverged from England over the last quarter century in its political thought (a consensual and corporatist culture has come to dominate Scotland, taking her closer to the European norms (see Paterson *et al.*, 2004; Keating, 2005)) and in its linkages with the rest of the European Union. In particular, this has been in regard to the UK government's approach to public service reform (Andrews and Martin, 2010). These two developments have made Scotland a critical test case in Europe for, while the adoption of North American policies and forms of intervention have continued to influence Scottish and UK policies strongly since the mid-1970s, this increasing embracing of a European social partnership approach to managing the economy is in contradiction. The promotion and use of the VCS sector are aspects where there are subtle, increasing differences and nuances between many practices in Europe and in the US. Our third hypothesis is that, with respect to the role of the VCS sector, Scotland is tending to become more like the European public service model relative to the developments in England.

Different policy regimes and relations between the public, private and VC sectors

What is most striking about the different strategies and policies around social enterprise, the Third Sector, and its other variants across the UK, are the similarities in aims, objectives, aspirations and roles being set out for the VCS in the respective territories. Many of these official approaches were established or revised around 2003–2005, with some refreshed in the intervening years, but all come from the same cradle. So, reviewing the publications of the governments for England (DTI, 2003; HM Treasury *et al.*, 2005), Wales (WAG, 2005), Northern Ireland (DETI, 2010) reveals that all are aiming for:

- the creation of an environment that encourages new social enterprises and capitalises on opportunities for growth,
- the establishment of integrated support for the sector involving mainstream and specialist agencies leading to,
- the creation of a thriving social enterprise sector.

One of the stated key aims in each is 'to improve the opportunities social enterprises have to win business from the public and private sectors' (WAG, 2005) by:

- improving expertise within social enterprises to bid for and deliver contracts,
- raising awareness of the benefits of contracting with social enterprises.

This was captured in the Queen's speech to the new Parliament (HM Government, 2010): 'Where appropriate, public services markets will be opened up to allow [VCS] to bid to

run public services . . . In particular, we will give public sector works [*sic*] a new right to form employee-owned co-operatives and bid to take over the services they deliver. This will empower millions of public sector workers to become their own boss and help them to deliver better services.' Critically for Scotland, this suggests an approach in England with regard to devolved matters (though more broadly for the limited number of UK- or GB-wide bodies), where the VCS will be entering the competition to deliver some public services, with worker cooperatives a specific possibility.

The importance of partnership with the VCS in regeneration of deprived areas and providing 'services to disadvantaged communities and creating innovative pathways into employment for those excluded from the labour market' (DETI, 2010) is included by each government, again confirming the same basic approach across the UK. Recent times have seen the establishment, consolidation and promotion of various support organisations for the VCS; so, the Welsh Assembly Government funds the Wales Co-operative Centre and the Development Trusts Association Wales to provide specialised development support to social enterprises, and similar umbrella and support bodies operate across or in other parts of the UK.

Nevertheless, the exact roles and market powers of any individual social enterprise or the sector as a whole in delivering public services remain undefined. There is little concrete in these strategic documents and many areas of implementation remain to be clarified or made transparent. Perhaps revealing a more sinister underlying agenda, a different perspective is offered by the submission of the Institute of Directors to the consultation paper on social enterprises in Northern Ireland; here they appear to confuse the role and function of VCS organisations with private sector SMEs, want explicit recognition that all enterprises need to have a profit motive with subsequent plans for re-investment of surplus, want public procurement and outsourcing opened up generally for private and social enterprises, and with no particular pre-determined focus on areas of deprivation – rather businesses should select their own locations for profit maximisation (IoD, 2010).

Against the degree of apparent consensus with regard to the VCS, there remain important differences, and most especially between England and Scotland where Keating argues there is 'a small but consistent bias towards more collectivist and egalitarian solutions' (2005: 3). He continues, 'The greatest policy divergence concerns modes of public service delivery. Labour [and this can be stated more strongly for the Conservatives and the Liberal-Democrats] in England has moved away from uniform, publicly-provided services towards differentiation, internal markets and mixed models of delivery . . . In Scotland this challenge is less acute. It also reflects the pattern of public opinion in Scotland, as mediated and structured by policy communities in Scotland . . . Scotland has placed more emphasis on local government as a service provider and less on the voluntary sector' (Keating, 2005: 6). Where and how the VCS participates in the delivery of public services therefore becomes critically affected by these environmental contrasts; it is to the specific Scottish context that we now turn.

Delivering public services through the VCS in Scotland

Under both the former Labour–Liberal Democrat administration and, in many respects, the SNP Government from 2007, the approach to 'People and Place Regeneration' has been the same, re-orientating and promoting the state as an 'enabler' rather than

a provider (Scottish Executive, 2006: 5), with the VCS sector encouraged to become involved, *albeit to a limited extent*, in public service provision. Before 2007, this was complemented by large-scale housing stock transfer from council control to newly created top–down housing associations; by geographically based LECs (local enterprise companies) within the regional development agencies (RDAs) of Scottish Enterprise and Highlands & Islands Enterprise; and through community planning partnerships (Peel and Lloyd, 2007). Tellingly, in each case, these examples of 'voluntary and community involvement' in delivering, respectively, housing, economic development and planning public services have been operationalised through the imposition of bodies created by the centre (GHA – Glasgow Housing Association), by a unique set of economic actors coming together to establish local development agencies (LECs – with no threat of suffering competitive bids and all being dominated by existing large players, mostly from the current state and non-departmental public body (NDPB) sectors), or committees of existing large local stakeholders (local government, fire and police boards, NDPBs and other quangos). Until the formation of the SNP Government, strategy was typically delivered by initiatives and competitions between authorities for limited funds, complementing stock transfer and private finance initiatives (PFI) for schools, hospitals, prisons, etc. to avoid increased short-term increases in public expenditure and debt, which removed communities from the direct accountability offered by elected councillors and Members of the Scottish Parliament (MSPs). The SNP administration's Single Outcome Agreements and centralisation and slimming of the RDAs have altered the environment within which social and economic development issues are discussed, determined and undertaken locally, but the VCS has no more prominent role than before (see Whittam and Birch, 2010, for a fuller discussion).

Nevertheless, the turnover of the 'Social Economy' in Scotland was £3.1 billion in 2009, which represents a 3 per cent increase (in real terms) from 2007 (Scottish Government, 2010). The commentary accompanying that report highlights the positive aspects of the 'social economy' and interestingly has allocated funds 'for investment in the Third Sector over the next three years, helping communities to work better together, helping the sector become more enterprising and *contributing to high quality public services*' (Scottish Government, 2010; emphasis added). As in the rest of the UK, a dense infrastructure has developed around VCS in Scotland with Scottish Council for Voluntary Organisations (SCVO) and Volunteer Development Scotland (VDS), The Scottish Social Enterprise Coalition, Social Firms Scotland, Social Enterprise Scotland, Social Economy Scotland, SENSCOT and the Social Enterprise Academy a non-exhaustive list of notable umbrella and collective bodies for the sector. Such an institutional framework fits in with expectations from the economic development literature (Morgan, 1998) and highlights how the 'Big Society' will generate demands and requirements to be implemented (Woodin *et al.*, 2010).

Analysis and discussion

We have highlighted three possible rationales for the encouragement of the VCS: market failure, market creation and, in the wider context of a desire to reduce the role of the state, the encouragement of social capital for the delivery of the regeneration agenda, with an over-arching desire to increase the role of the market generally within the economy as a whole. Taking the latter point first, it could be argued that it is somewhat perverse to

encourage the development of the institution which led to the problems associated with uneven development in the first place, namely the market (Blackburn and Ram, 2006). As Porter informs us, the market economy is a competitive process, and within a competitive process there are 'winners' and 'losers'. The 'winners' and 'losers' in this discussion could be an individual, a specific VCS organisation or a particular community. What is not at all clear in the literature of the proponents of social enterprises and organisations is how expanding and extending the competitive market system will reduce the already uneven economic system. Porter suggests that the development of SMEs integrated 'with regional clusters is potentially the inner city's most powerful and sustainable competitive advantage' (Porter, 1988: 388), but one of the most significant problems in this paradigm is that in many communities these 'regional clusters' do not exist.

It could be argued that this is where Cameron's Big Society emerges, with the social entrepreneurs leading the way to develop the social capital from which these networks and clusters will develop. In deprived communities, the social capital will emerge from the investment individuals will make to society through volunteering. The evidence demonstrates, however, that volunteering tends to have a strong class bias with higher income and socio-economic groups more likely to be engaged in both informal and formal activity, to reproduce other inequalities in opportunity and outcome and so to promote deeper divisions rather than to act to address them (Danson, 2009). It is known that non-volunteers are especially concentrated amongst the socially excluded, those on low incomes and benefits, the economically inactive and unemployed, residents of poorer neighbourhoods and members of unstable families (Danson, 2003), and from this and annual household surveys 'more than twice as many people in the higher socio-economic groups (A and B) volunteer than those in lower socioeconomic groups (D and E)'. So in the volunteering labour market, just as in the formal labour market, it is clear that the same groups face problems of entry, selection and recruitment, redundancy and retention.

A further aspect of the limited role that the market can play in terms of encouraging VCS activity is that the majority of VCS organisations rely on state funding as a major source of income. Much of this support arises from the winning of contracts from the state to deliver goods and services previously provided by the state. This in essence becomes a 'contestable market' approach, which involves competition for the market as opposed to competition in the market. Once the contract has been won by the individual social enterprise, they become a monopoly provider. This results in the individual VCS winner having a competitive advantage over potential competitors, arising because of increased capacity gained through the winning of the contract and this can be invested into further resources which makes it easier for the winner to continue to secure future contracts. As with the volunteering and employability agenda (Lee, 2009), there is a lack of congruence between social enterprises operating in such a market and private enterprises: market failure is created.

Furthermore, given the scale of operation required to secure local authority contracts, many smaller local organisations may be unlikely to secure such contracts and hence be put out of business. This will result in a destruction of social capital, the networks established by the small local VCS organisations being no longer viable. It then becomes much more difficult to establish the 'bonding' and 'bridging' deemed essential to promote local economic development, securing the connection between the local community and wider markets, as argued by Porter. There is a danger that it will be cost of delivery of the service which will be all important in securing the local authority contract and large

national organisations, through achieving economies of scale, will be in a better position than small local VCS bodies to offer a more competitive rate. Once a contract is secured, the larger organisation can further enhance its position, by utilising the increased resource it has achieved through securing the contract, to further increase its scale and scope of activities and hence make it even more difficult for small local VCS bodies to compete. If the resulting long-run cost advantages of the 'successful' enterprise can act as a barrier to entry, then potential rivals may well exit the market, leading to imperfect competition and the consequences of monopoly conditions in the delivery of certain goods and services.

In essence, in many areas of a twenty-first century social democracy there is a critical role for the VCS in delivering particular services at the local level, especially in (re)engagement with the labour market, caring, leisure and sport. By definition, the labour process in these organisations is often very different from equivalent work in the paid marketplace, meaning that, if the employment had to be remunerated at the going rate, costs would be higher and would be delivered less efficiently than under public sector management. Further, by design and attraction for many volunteers the ways of working in the VCS sector are clearly not appropriate for the paid labour market (Lee, 2009) and so the Third Sector is not resolving the question of market failure given the dependence on state intervention and the apparent 'inefficiencies' (when compared with delivery by the public or private sectors) inherent in the sector.

The analysis here has supported the first hypothesis: that social capital is a key aspect of the current coalition government's thinking, with an emphasis on the VCS helping to deliver the 'Big Society' agenda with a 'role' for VCS organisations in encouraging 'community empowerment'. Similarly, the second hypothesis was upheld with the promotion of VCS informed and consistent with Porter's prescription for deprived and disadvantaged areas. As well as showing continuing differences from England in the role of VCS in delivering public services, Scotland now appears to be diverging more strongly as it rejects the Big Society agenda in favour of public sector domination with complementary Third Sector support; the third hypothesis is therefore also supported.

Conclusions

While there are questions over how much difference there has been in policies and strategies across the UK around the role of the VCS, the advent of massive public expenditure cuts and the Big Society initiative seem to be promising a period of significant divergence between England and other UK, and indeed European, nations. Scotland in particular is embarking on a different trajectory of how to address this hostile environment, with a healthy volunteering tradition and VCS sector operating in a context of a continuing attachment to the collective provision of public services. The moves to contracting out of services, education and health have been far more mooted here and the SNP Government and main Labour opposition, despite their own recent history in Westminster and Holyrood, appear likely to resist moves to the contrary. Activities by VCS organisations, campaigns and initiatives in community buy-outs of land and assets under land reform legislation, in opposing the Iraq War and the replacement for Trident, in seeking changes to reactionary policies on migration and asylum-seekers, however, do not suggest an antagonism towards the VCS . McConnell (2004: 134) has argued strongly that participation in public services is 'first and foremost an initiative of the centre with the primary role of ensuring stability and adding legitimacy to policy processes'.

As elsewhere, there is a recognition of the opportunities and limitations of the Third Sector and social enterprises to deliver public services, but in Scotland there is also no appetite amongst the leading parties for wholesale outsourcing and privatisation of services and public assets, especially when this appears to be a used to disguise massive cuts in resources for the poorest. In a democratic and free society, the other defining element of volunteering and voluntary and community activity is the freedom to organise collectively, to undertake activities outwith the market and the state and so to challenge the fundamentals of the current crisis rather than to accommodate it. It will be interesting to see how far the idea of the 'Big Society' can tolerate such a contest.

Acknowledgements

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