



Institute for Governance and Policy Studies

A research institute of the School of Government

IGPS lecture: 'When Collaboration Goes Wrong: The Perverse Incentives of Community Enterprise' **17 October, 2014**

Novel community-based methods of delivering public services can have the "perverse incentive" of replacing paid public sector staff with volunteers.

That was the message of a lecture delivered by Dr Jonathan Scott, head of the Centre for Strategy and Leadership at Teesside University (UK), in a lecture to the Institute for Governance and Policy Studies.

Scott was discussing the Northern CE project, in North East England, designed to get ordinary members of the public acting as "community entrepreneurs" and finding new ways to deliver public services to alleviate child poverty.

These community entrepreneurs were supposed "to help bridge the gap between the community and local councils to get things done", Scott said. By playing an active part in the process, it was hoped they would inspire their own children to have higher aspirations.

The Northern CE project also "prefigured" other British initiatives such as the Big Society, which aimed to get more services delivered by community and voluntary groups and to create "an innovative approach to alleviating local social problems".

However, the project had suffered confusion over the role of the community entrepreneurs. Many had thought they would simply be trying to get parents back into work, rather than setting up long-term public service projects. They were keen to identify projects that could happen, but not necessary to run them, which some regarded as still being the role of local councils.

The entrepreneurs also felt they had ended up "doing several other people's jobs for less money", and were performing functions that council staff were supposed to carry out.

"The perverse incentive of community enterprise is that it is a way by which such employees' jobs will be replaced by volunteers working for social enterprises and these community-based enterprises."

Another problem was that when the entrepreneurs did identify innovative solutions, they were sometimes blocked by more traditional council processes.

Evidence for the impact of this work on the entrepreneurs' children was "mixed", Scott said. And despite the "entrepreneur" tag, none of the employment schemes that flowed from the initiative appeared to be "actually making money".

Scott said that behind the Northern CE project "is this agenda to cut public spending, particularly to reduce the expenditure of councils". The voluntary sector was seen as "a way to spin out services to reduce costs".

Max Rashbrooke