

# Impact of the recession on the voluntary and community sector



## Key Findings

Just over half of respondents (50.8%) stated that the recession has yet to have an impact on their funding streams.

Nearly three quarters of respondents (74.9%) are unsure of the impact the recession will have on sectoral funding in the future.

An overwhelming majority of respondents (85.7%) believe that the demand for services has increased as a result of the recession.

71.4% of organisations have had no additional financial support from their funders to increase their capacity to deal with additional demand on services.

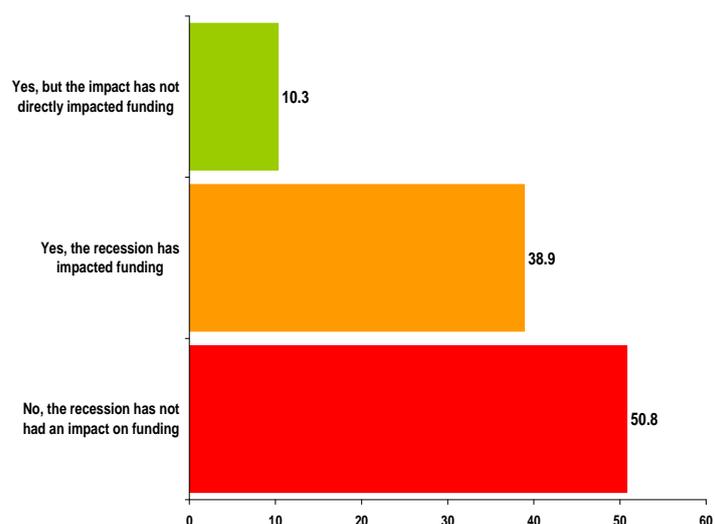
13.1% of organisations have had to initiate staff redundancies. 21.4% believe they may have to enforce this. 20.2% of organisations stated that they have introduced or will soon have to introduce a wage freeze.

## Introduction

The UK has officially been in recession since January 2009, after figures from the Office for National Statistics showed gross domestic product fell 1.5% in the final quarter of 2008. There have been various studies of the impact of the recession on third sector organisations and the findings have reported that the recession is challenging for all, with different charities affected to different degrees. NICVA's Viewfinder 8 revealed that in December 2008, 70.2% of respondents felt there had been a financial impact on their organisation. The purpose of this briefing is to provide a snapshot of the emerging impacts of the recession on the voluntary and community sector. The survey was circulated in September 2009 by email to chief executives in a range of voluntary and community organisations. 61 organisations responded to the survey.

## The impact on funding streams

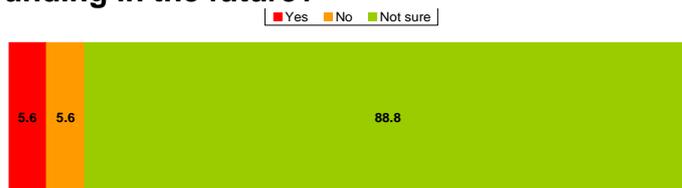
**Figure 1: The impact of the recession on funding.**



The general feedback from organisations is quite split with 50.8% of organisations stating that the recession has yet to have an impact on their funding streams. 38.9% believe that their funding has been impacted, at least somewhat, by the recession, while 10.3% believe that although their funding has been impacted by the recession, the recession has not had a direct impact.

## The potential impact on funding streams

**Figure 2: Will the recession impact funding in the future?**



The majority of organisations (88.8%) reported that they do not know or that they are unsure what impact the recession will have on their funding in the future. Only 5.6% reported feeling that funding will definitely be affected, while a

further 5.6% believe the recession will not have an impact on their future funding.

## The impact on general public donations

There is a fear within the voluntary and community sector that there will be a sharp drop in donations and investment income as a result of the current recession.

Organisations that receive donations from the general public were asked if public donations to their organisation have been affected by the recession.

Of the 61 responding organisations, 18 confirmed that they

receive donations from the general public. Two thirds of these organisations (66.7%) reported that to date they have not experienced any change in the level of public donations they have received.

*“We have not noticed a decline in charitable*

*giving from the general public”.*

Those organisations that revealed that they have not seen a change in the level of public donations were asked if they expect to see a change in donations as a result of the continued recession. Of those organisations 42.9% stated that they do expect to see a change<sup>1</sup>. Many organisations that receive a high level of public donations revealed that although they haven't yet seen a direct change in the level of general public donations, they do expect to see a decline in the next year.

*“We haven't yet noticed a significant decline in direct giving but predict that this will kick in next year.”*

27.8% of organisations have noticed some change in relation to their general public donations, 83.3% of which stated that their public donations have decreased<sup>2</sup>. Some organisations that have noticed a decrease in their donations

<sup>1</sup> Based on 7 responses

<sup>2</sup> Based on 6 responses

reported that it has been mainly in the area of occasional donations rather than standing order donations. However other organisations reported that their 'one off' donations have remained constant through the recession to date. For those organisations that do not receive a lot of funding through public donations, change has not been evident.

Some organisations are already taking measures to combat the impact of the recession on public donations. For example, one organisation commented that it is being very aggressive on managing expenditure to combat the reduction in public donations.

*"For the moment we are holding our own, however in relation to fundraising we are being very aggressive on managing expenditure."*

A few organisations also commented that they are less willing to hold events for fear that they will not be supported by the

general public as in previous years. They believe that as a result of the recession the general public is less likely to give financial contributions to charitable events.

*"Branches are less willing to do events as they feel they will not be supported. In those that do hold events revenue is down".*

## The impact on corporate donations

25 responding organisations (41.0%) indicated that they receive corporate donations from businesses. Just over two thirds of organisations (68.0%) reported that they have noticed a change in the level of corporate donations they receive with 52% experiencing a reduction in this funding stream. When asked for additional comments, respondents reported that:

*"Sponsorship has shown a drastic and sudden decline. We reckon we'd be lucky to get back to 2008/2009 levels even in three years' time."*

Surprisingly 16% of respondents revealed that their corporate donations have either been maintained or increased in recent times, going against the general trend faced by most organisations.

*"Pleased to confirm that our sponsorship commitments have increased in the last 12 months. This can be attributed to a much more focused and structured approach to seeking sponsorship opportunities and having a team member dedicate part of her role in this key area."*

Organisations were asked if they expect their corporate donations to fluctuate as a result of the recession. 47.8% said that they believe that their corporate donations will change as a result of the recession, with 21.7% stating that these donations will definitely decrease. 36.0% of responding organisations are unsure of the future impact of the recession on corporate donations.

## Demand for services

35% of organisations responded to this question, the majority of whom reported that the demand for their services has grown as a result of the recession (85.7%). Less than 10% of organisations (9.5%) stated that there has been no extra demand for their services as a result of the current economic downturn.

Despite the growing demand for the services the voluntary and community sector provides, organisations are faced with declining income levels. Only 28.6% of organisations that are experiencing an increase in demand for their services reported that their funders have acknowledged this and have increased their funding. The majority of organisations however have had no additional financial support from their funders to increase their capacity to deal with this additional demand.

*“For certain services demand is increasing dramatically but there has been no increase in funding to support this.”*

*“No change to the way we are funded / contracting arrangements as result of recession despite being a programme to support those furthest from labour market into employment and therefore directly affected by recession. Cuts in the health budgets may have impact.”*

Organisations were asked if the demand for services has increased as a consequence of the recession in relation to increased funding. Some organisations reported that this was the case. However the majority of organisations reported that there has been no change in the nature or amount of their funding despite an increase in demand because of the recession.

However a number of organisations have had more positive experiences in relation to funding during the recession.

*“Southern Board has responded favourably to our request for new funding.”*

*“The funder continues to support the demand profile. It should be recognised that the programmes in which [Responding organisation] is engaged are demand led.”*

61.5% of organisations experiencing an increase in demand for their services reported that they did have hard evidence, including monthly and annual reports, showing sharp increases in demand. 7.7% indicated that they have anecdotal evidence, however as yet do not have hard evidence to support their claim.

## Impact on other services

9.1% of responding organisations stated that they felt that the demand on one service as a result of the recession is at the expense of other services. However 63.6% believe that other services they provide have not been unduly affected by the

increased demand in certain services.

## Action taken (or will be potentially taken) by organisations as a result of the recession

Voluntary and community organisations that have been affected by the recession have had to put in place a range of measures to secure their long term sustainability. Organisations, as part of this research, were asked what actions they have had to take (or may have to potentially take) as a result of the recession.

Just over one fifth of organisations (21.4%) are considering staff redundancies as a result of the recession while 13.1% have already had to initiate redundancies. 20.2% of organisations stated that they have introduced, or will in the near future, a wage freeze. Many hope that this will be a last resort as they feel that staff should be

valued and properly remunerated. The third most common action that voluntary and community organisations have or are intending to put in place is a recruitment freeze (17.9%).

To overcome the challenges of the financial climate some organisations have had to look at a range of options such as diversifying their income streams, collaborating or even merging with others to ensure survival. 7.1% of organisations reported that they will now have to broaden their income streams. A small number have already looked and been successful in gaining revenue from sources that they had not considered before.

*"[Responding organisation] has strategically increased the revenue streams over the past 3 years to reduce the reliance on a few revenue lines, and therefore give a broader base for the business to operate."*

## Conclusion

It is too early to conclusively assess the full impact the recession has had on the voluntary and community sector as this research provides only a snapshot of the impact on a small number of organisations, the majority of whom believe it will be the next financial year that they will feel the 'recession pinch'.

The research reveals that although organisations have reported that financially they are surviving, what is clear is that demand for their services has increased (in some cases dramatically) and that although some funders recognise the extra demands on voluntary and community services, funding has not been released to support this. In addition this briefing clearly indicates that for the most part organisations are preparing themselves through an assortment of different options to survive the recession.