



Third Sector Trends in England and Wales 2022:

sector structure, purpose,
energy and impact



Community
Foundation

About the author

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The contents of the report express the views of the author and do not necessarily reflect the views or policies of the commissioning partners.

Third Sector Trends Study

Data in this report are drawn from the Third Sector Trends study which was conceived and originally commissioned by Northern Rock Foundation with research conducted by the universities of Southampton, Teesside and Durham. The Community Foundation Tyne & Wear and Northumberland was a co-founder of the research and is now responsible for its legacy.

The Community Foundation and St Chad's College have worked with partners: Power to Change, Barrow Cadbury Trust and Millfield House Foundation to undertake the Third Sector Trends Study survey in 2022-23

All publications from the Third Sector Trends study are available free to download at this address:

<https://www.communityfoundation.org.uk/knowledge-and-leadership/third-sector-trends-research/>



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Help to get people to respond to the survey has come from many local infrastructure organisations, community foundations and grant making trusts across the country by sending invitations to their lists of members or grantees, putting stories in their newsletters or promoting the study via social media. My thanks go to them for helping build the sample.

I am enormously grateful to the organisations which have funded the study in 2022: Community Foundation Tyne & Wear and Northumberland, Power to Change, Barrow Cadbury Trust and Millfield House Foundation.

This is a long running study and it has benefitted enormously from the support of my colleagues Rob Williamson, Mark Pierce and Adam Lopardo at the Community Foundation in Newcastle. Their enthusiasm, advice and assistance are much appreciated.

Executive summary

Third Sector Trends was initiated in 2008 in North East England and Cumbria. It is a longitudinal study which explores the structure and dynamics of the voluntary, community and social enterprise sector in the context of change. The range of the study has widened over the years to include Yorkshire in 2010, the remainder of North West England in 2016 and across England and Wales in 2019. The longitudinal survey work has been repeated six times so far.

In 2022 the study was supported by Community Foundation Tyne & Wear and Northumberland, Power to Change, Barrow Cadbury Trust and Millfield House Foundation. The study examines how Third Sector organisations, with a wide range of characteristics and working in different local contexts, fare over time. It is the only long-running survey of its kind in the UK.

This is the first report from the 2022 survey. Its purpose is to lay the foundations for subsequent analysis by providing headline findings on sector structure, purpose, energy and impact in English regions and Wales.

How big is the Third Sector?

Third Sector Trends includes all types of registered organisations with income under £25million. Its focus is on how the sector works and what it contributes to economy and society. NCVO Civil Society Almanac limits itself to registered charities (but also includes all 'major' and 'super major' organisations with income above £10million), which explains why statistics from the two studies vary.

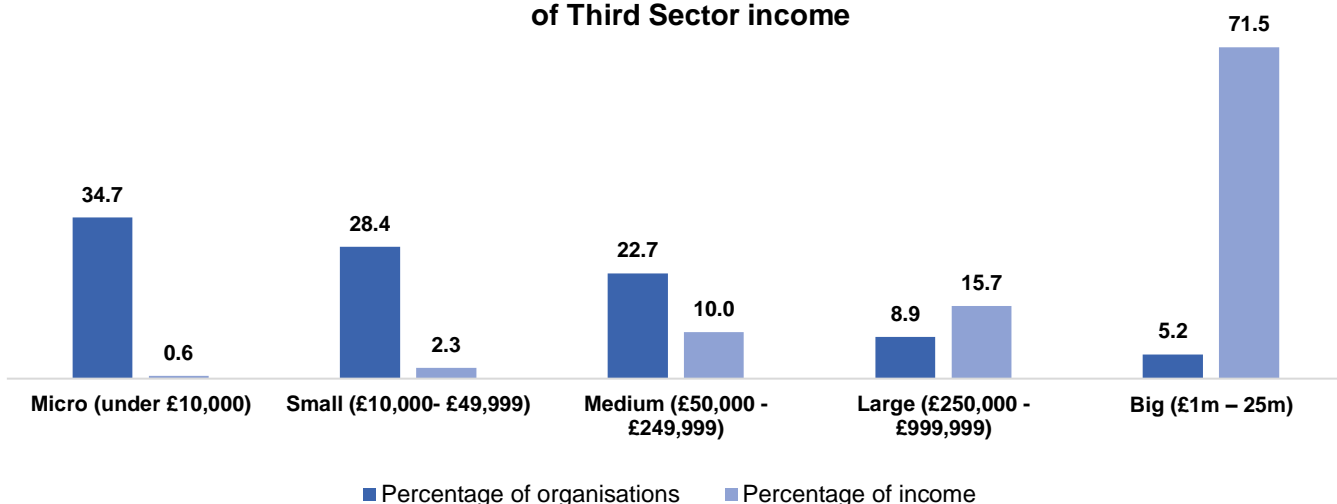
As Table 1 shows, there are about 200,000 organisations in England and Wales, but they are not distributed evenly. There tend to be more TSOs per 1,000 population in the more affluent south of England than elsewhere. Sector income amounts to about £48 billion. The indications are that the sector looks after its finances carefully as expenditure is lower at £46 billion.

	Number of Third Sector organisations	Third Sector organisations per 1,000 population	Estimated Third Sector income (£millions)	Estimated Third Sector expenditure (£millions)
North East England	6,900	2.7	1,480	1,420
North West England	20,000	2.7	4,180	3,990
Yorkshire and Humber	14,600	2.6	2,710	2,590
East Midlands of England	14,500	3.0	2,150	2,050
West Midlands of England	16,800	2.8	3,360	3,220
East of England	21,600	3.4	3,870	3,710
<i>London</i> ¹	38,500	4.4	17,080	16,350
South East England	33,400	3.6	7,790	7,460
South West England	23,700	4.2	3,920	3,750
Wales	10,000	3.2	1,590	1,530
England and Wales	200,000	3.4	48,130	46,070

¹ Organisations in London do not fit the regional analytical model as well because nearly 50 per cent of organisations work beyond the boundaries of the capital. See the full report analysis for further explanation.

Income is not evenly spread across organisations. Micro organisations constitute 35 per cent of the Third Sector, but they receive less than 1 per cent of sector income. By contrast, the largest organisations command 72 per cent of sector income, but only constitute 5 per cent of organisations.

Figure 2 **Percentage distribution of organisations by percentage distribution of Third Sector income**

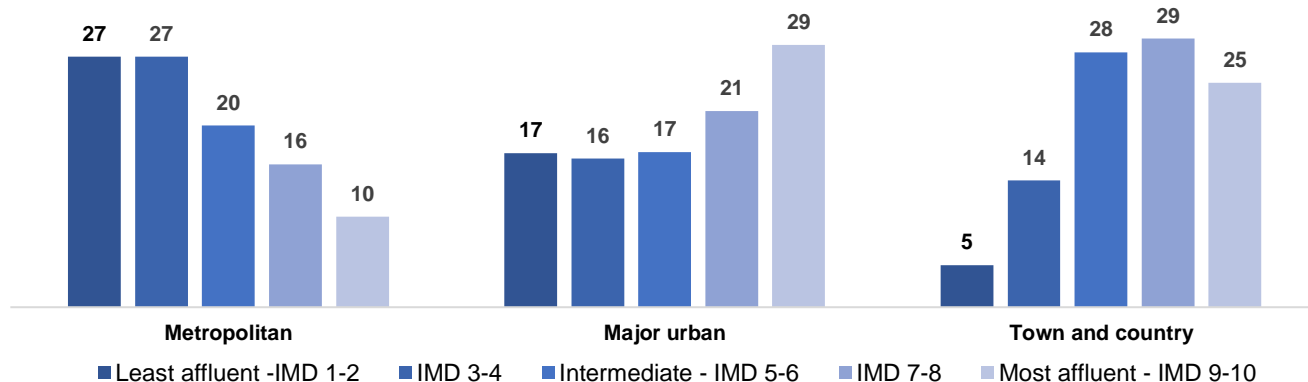


Where do Third Sector organisations work?

Organisations are not evenly spread spatially. About 71,000 TSOs work in ‘metropolitan’ areas, 51,000 in ‘major urban’ areas and 78,000 in ‘town and country’ areas.

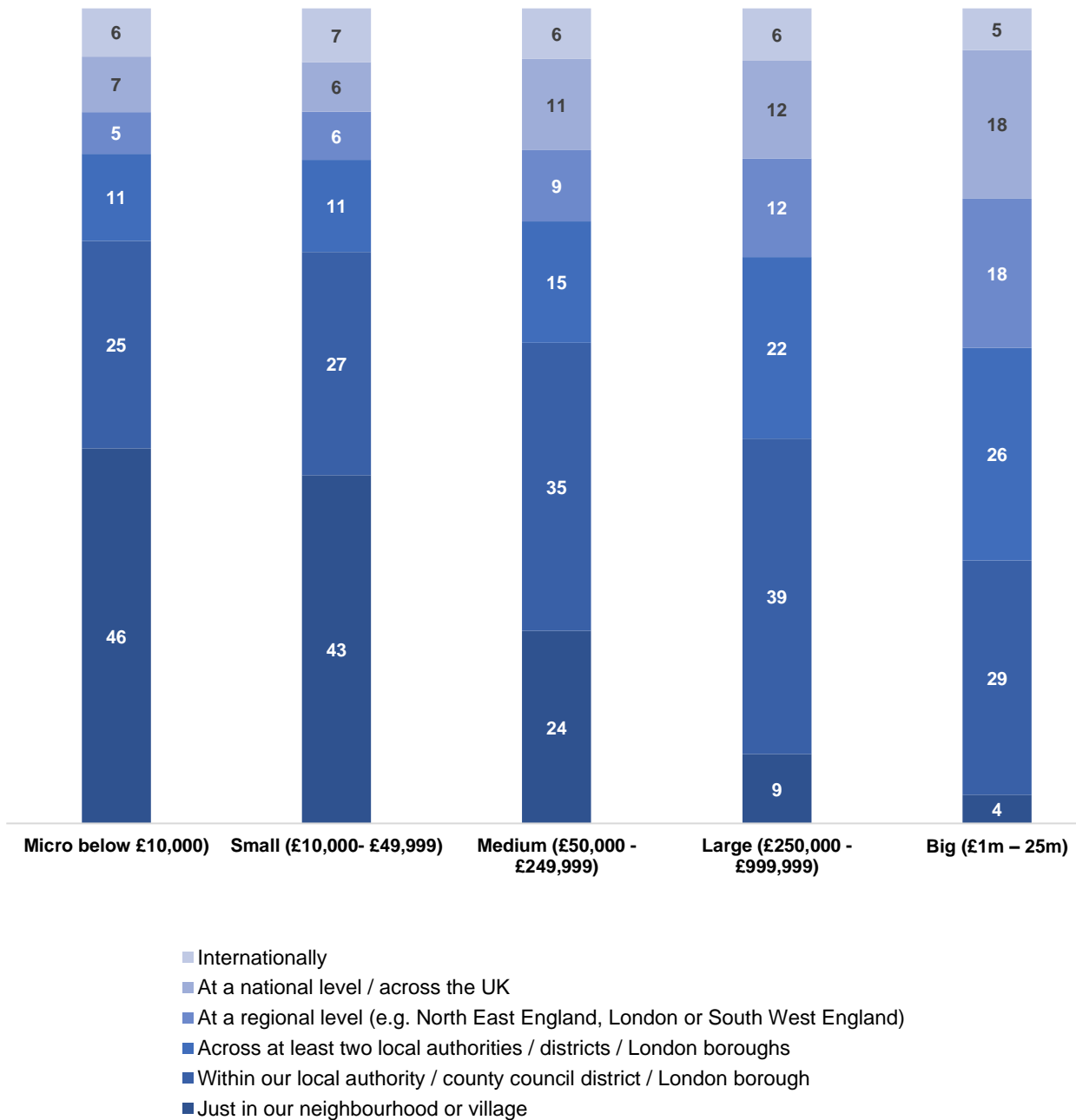
In ‘metropolitan’ areas, more than half of organisations are located in less affluent localities while in ‘town and country’ areas, organisations are concentrated in the most affluent neighbourhoods and villages. Organisational purpose varies depending upon the types of areas where TSOs are based.

Figure 3 **Percentage distribution of Third Sector organisations across areas of relative affluence and deprivation**



Making sense of the contribution Third Sector organisations make to localities is complicated because organisations work at different spatial ranges. Smaller organisations tend to work more locally (although 18 per cent work beyond the boundaries of a single local authority area). The biggest organisations are more likely to work across wider areas – but a third of them still focus their energies entirely within the boundaries of one local authority.

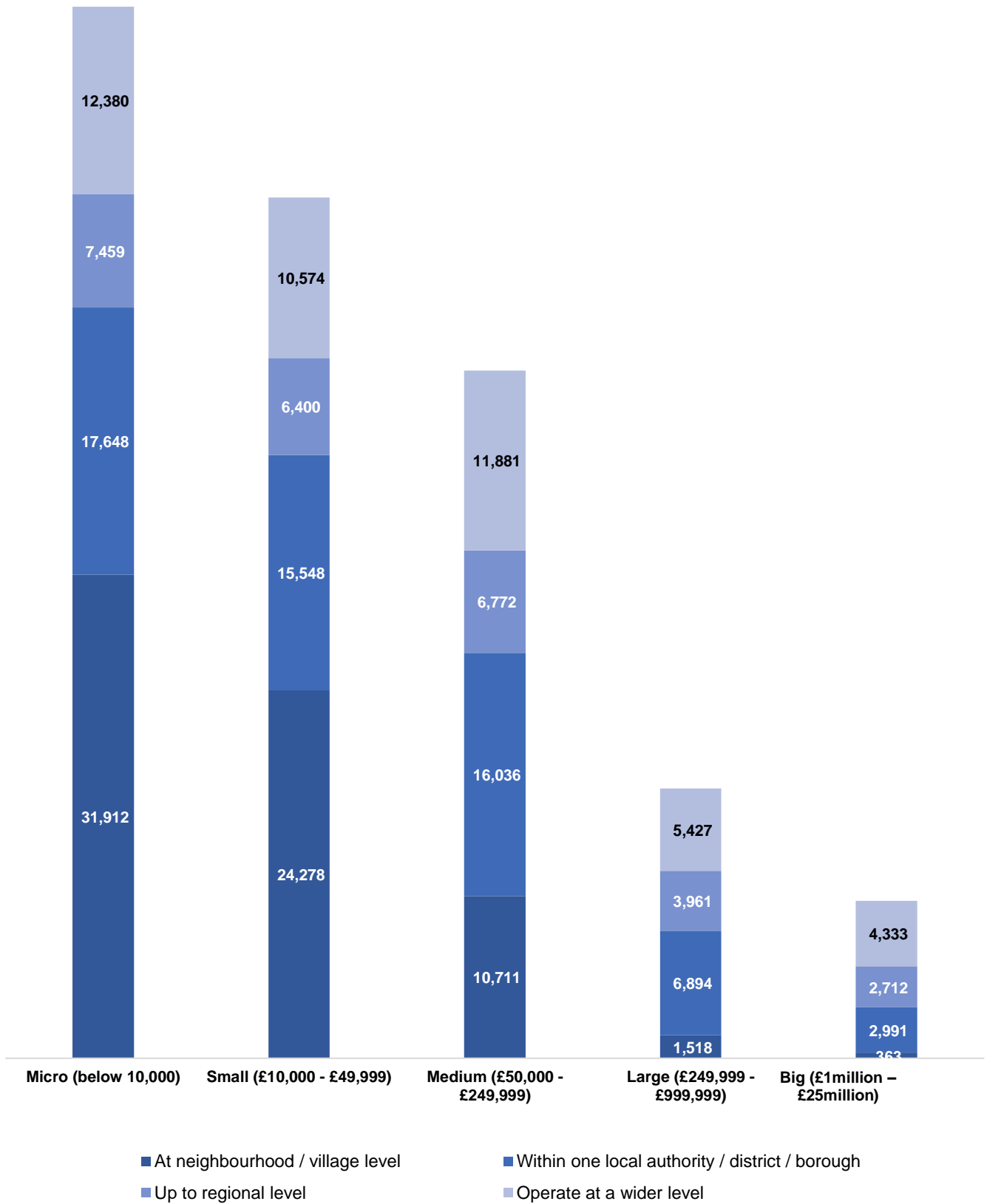
Figure 4 Spatial range of activity by Third Sector organisations



In the Third Sector, micro and small organisations are much more populous (see Figure 5). But bigger organisations, due to their scale and command over financial resources, often dominate debates about the situation of the sector.

Most national surveys of the Third Sector tend to collect data mainly from bigger organisations. It is important not to transplant narratives surrounding the situation, objectives and experiences of bigger organisations onto smaller organisations.

Figure 5 Estimated number of organisations working at spatial levels across England and Wales by size of organisation



How many people work in the Third Sector?

It is estimated that the Third Sector in England and Wales employs about 1.1 million people. Around 40 per cent of organisations are employers – though many have just one or a few part-time staff. That constitutes around 3 per cent of national employment in most English regions and Wales.

Third Sector Trends estimates how many employees, on average, organisations have depending up on their size and where they are based. This works well for the local Third Sector in most English regions and Wales because a majority of organisations work within regional boundaries.

It is hard to determine how many employees there are in London using the TSTS methodology because register and survey data show that the sector is dominated by bigger organisations – nearly half of which work beyond the boundaries of Greater London. It is, therefore, highly unlikely that Third Sector employees constitute 7.6 per cent of the workforce in the capital as many will be distributed more widely. On balance the evidence suggests that there are about 193,300 London-based employees, constituting about 3.6 per cent of the workforce of the capital.

NCVO also make estimates on regional/national employment. Their estimates are based on Labour Force Survey data which only has limited coverage of voluntary sector activity. Both approaches to making estimates have their merits but neither can claim to be perfect. Nevertheless, NCVO and TSTS estimates indicate that the broad spread of sector employees is similar.

Figure 6 The contribution of the Third Sector to overall employment in England and Wales				
	Percentage of Third Sector organisations which are employers	Estimated number of Third Sector employees	NCVO Civil Society Almanac estimates ²	Percentage of regional employment TSTS estimates
North East England	40.1	37,300	33,500	3.1
North West England	39.4	101,300	78,600	2.9
Yorkshire and Humber	38.7	66,900	69,000	2.6
East Midlands of England	38.2	56,600	58,200	2.4
West Midlands of England	34.6	79,000	55,300	2.8
East of England	36.5	88,800	74,800	2.8
London	46.2	193,700 (365,400)	164,200	3.6 (7.6)
South East England	40.3	169,500	146,400	3.7
South West England	37.3	97,700	98,800	3.5
Wales	33.2	41,300	38,300	2.8
England and Wales	39.6	1,103,800	825,491	3.0 ³

² Third Sector Trends estimates are based on the number of organisations based in regions. This means that it does not control for the distribution of employees across regional boundaries. Consequently, the figure for London may be as much as twice as high as is actually the case because larger London organisations employ people across the UK or abroad. Otherwise, Third Sector Trends data compare quite closely with NCVO estimates. See: <https://www.ncvo.org.uk/news-and-insights/news-index/uk-civil-society-almanac-2022/workforce/#/>

³ Average regional percentage, excluding London.

The indications are that employment has grown in the Third Sector since 2019, but not dramatically so. One factor that is constraining sector growth is that 43 per cent of employers are currently struggling to recruit new staff. Furthermore, a fifth of employing organisations say that they are finding it harder to hold on to their existing staff.

Figure 7 Recruitment and retention of employees in the last two years



The Third Sector does not just rely on employed staff to get work done. It also depends heavily upon regular volunteers. Regular volunteers commit, on average, around 72 hours work per year, or six hours a month. There are about 4.3 million regular volunteers working in England and Wales at the moment. Collectively they contribute 312 million hours of work. If this work had to be paid for by TSOs, it would amount £3 billion at the level of the National Living Wage. And at 80 per cent of average wages would be nearly £5 billion.

While the cost of paid employees in the Third Sector is much higher at £36 billion, much of that employment is concentrated in medium sized to the biggest organisations. Micro and small TSOs depend almost entirely upon voluntarily given time.

Figure 8 The energy regular volunteers inject into social and economic wellbeing

	Number of regular volunteers	Estimated total hours worked (£millions)	Value at National Living Wage (£millions)	Number of full-time equivalent regular volunteers	Value 80% average regional wage (£millions)
North East England	152,100	11.0	104	6,600	146
North West England	432,600	31.1	296	18,900	446
Yorkshire and Humber	308,700	22.2	211	13,500	310
East Midlands of England	294,900	21.2	202	12,900	293
West Midlands of England	330,300	23.8	226	14,400	346
East of England	443,600	31.9	303	19,400	478
<i>London</i>	<i>966,600</i>	<i>69.6</i>	<i>661</i>	<i>42,200</i>	<i>1,340</i>
South East England	713,400	51.4	488	31,100	817
South West England	487,000	35.1	333	21,200	494
Wales	206,000	14.8	141	9,000	205
England and Wales	4,335,200	312.1	2,965	189,200	4,875

What does the Third Sector achieve?

This report shows that TSOs commit their energies to support a wide range of beneficiaries and serve many different social purposes. As Figure 9 shows, there is a great deal of interaction between different aspects of personal, social and economic impact of sector activity. It is not possible convincingly to isolate areas of benefit because TSOs often serve a range of beneficiaries in a variety of ways.

This means that ‘attributing’ value to types of funding or areas of activity is difficult to do. But it is possible to look at sector-wide contribution providing that it is understood that boundaries between different aspects of sector activity are fuzzy and permeable.

Figure 9 Interactions between core social impact variables	
Core areas of sector impact	
Personal health (29.6% of VCSE organisations say they have a strong impact)	Social wellbeing (33.3% of VCSE organisations say they have a strong impact)
Financial security (20.0% of VCSE organisations say they have a strong impact)	Community wellbeing (34.3% of VCSE organisations say they have a strong impact)
Two-way interaction	
Personal health & Financial security (11.4%, n=691)	Personal health & Social wellbeing (21.7%, n=1,319)
Social wellbeing & Community wellbeing (20.1%, n=1,221)	Community wellbeing & Financial security (11.9%, n=722)
Personal health & Community wellbeing (16.2%, n=985)	Financial security & Social wellbeing (14.5%, n=883)
Three-way interactions	
Personal health, Social wellbeing & Financial security (10.0%, n=608)	Social wellbeing, Community wellbeing & Personal health (13.9%, n=843)
Personal health, Financial security & Community wellbeing (8.0%, n=487)	Community wellbeing, Social wellbeing & Financial security (10.3%, n=623)
Four-way interactions	
Personal health, Personal wellbeing, Financial security & Community wellbeing (7.5%, n=455)	

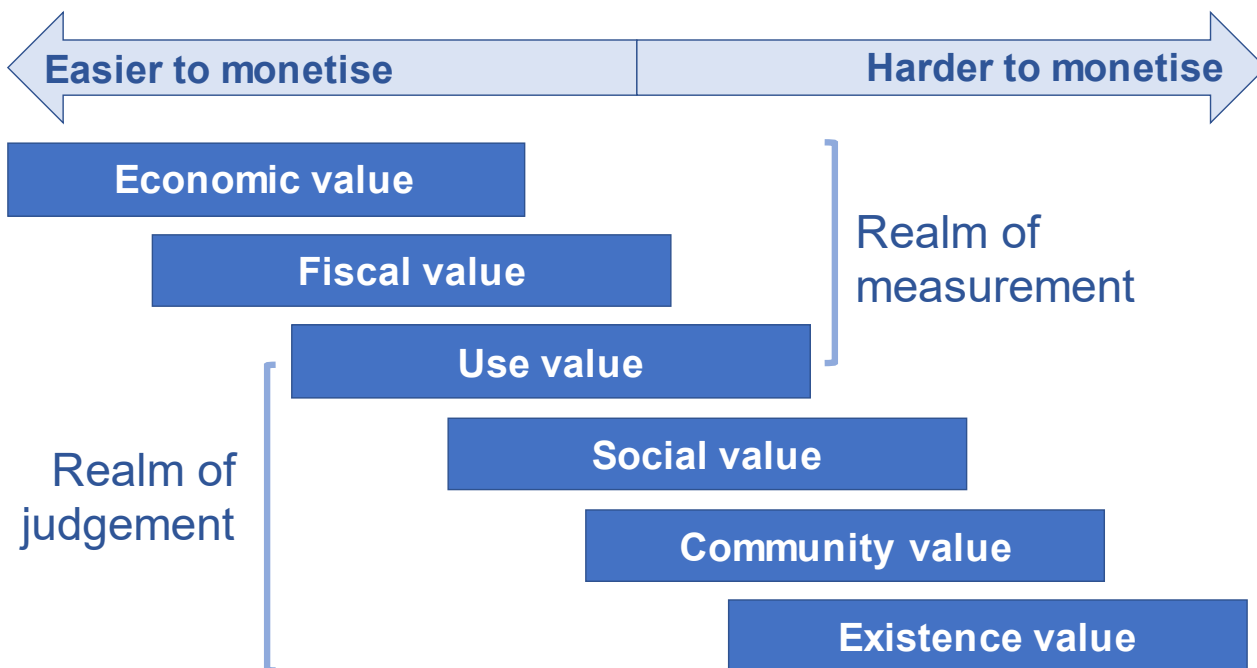
Tangible and intangible values

Third Sector activity produces added ‘tangible’ and ‘intangible’ value above and beyond the energy that is invested. Tangible added value can sometimes be measured – such as the financial contribution the Third Sector makes to the local economy through its spending on, for example, wages, rent, goods and services which is recycled in the local economy.

Intangible value cannot be measured. Well-informed ‘judgement’ is required to make proxy assessments of its financial worth. Too often intangible value is dismissed from assessment of sector value – but just because it cannot be ‘measured’ does not mean that value is not produced.

Ironically, the easiest ‘measure’ of sector value would be to assess the cost to the public purse if Third Sector organisations no longer committed their energies to local issues – but, of course, nobody wants that to happen.

We know that Third Sector work is valued because TSOs enjoy considerable longevity compared with small businesses. And we know that their purpose is valued by localities because people use their services.



What is the contribution of Third Sector activity worth?

Using proxy measures to estimate the value of Third Sector activities helps to demonstrate how much the energy TSOs put into their work is transformed into added social and economic value. This can be calculated in a comparative way to demonstrate the contribution made to localities, regions or nations.

As Figure 10 indicates, the Third Sector converts energy invested into about three-and-a-half times as much social and economic value.

Values can be translated into proxy financial measures per 1,000 members of the local population. This indicates that value falls unevenly - where the most affluent regions seem to benefit the most. Again, London does not fit the model too well because much of its energy is likely to be distributed more widely across the UK and abroad. This will require further analysis in later reports.

Figure 10 Added value contributed by the Third Sector to social and economic wellbeing

	Financial value of the Third Sector (£millions)	Economic, fiscal and use added value (£millions)	Intangible social, community & existence added value (£millions)	Total value (£millions)	Ratio of energy invested to value produced	Value per 1,000 population (£millions)
North East England	1,650	2,560	1,650	5,860	3.5	2.3
North West England	4,690	7,270	4,690	16,660	3.6	2.3
Yorkshire and Humber	3,080	4,770	3,080	10,920	3.6	2.0
East Midlands of England	2,500	3,880	2,500	8,880	3.5	1.8
West Midlands of England	3,770	5,840	3,770	13,370	3.5	2.2
East of England	4,430	6,870	4,430	15,730	3.5	2.5
<i>London</i>	<i>18,550</i>	<i>28,760</i>	<i>18,550</i>	<i>65,860</i>	<i>3.5</i>	<i>7.5</i>
South East England	8,740	13,550	8,740	31,030	3.6	3.3
South West England	4,510	6,990	4,510	16,020	3.5	2.8
Wales	1,870	2,900	1,870	6,630	3.6	2.1
England and Wales	53,790	83,380	53,790	190,960	3.5	3.2

Section 1

Introduction

1.1 The Third Sector Trends study

Third Sector Trends was initiated in 2008 by *Northern Rock Foundation* in North East England and Cumbria as a longitudinal study to explore the structure and dynamics of the sector in the context of change.

The field of study has widened over the years to include Yorkshire in 2010, the remainder of North West England in 2016 and across England and Wales in 2019. The longitudinal survey work has been repeated six times so far, which produces unique opportunities for trend analysis.

The study examines how Third Sector organisations (TSOs) with a wide range of characteristics and working in different local contexts fare over time. This is the only long-running study of its kind in the UK.

1.2 Purpose of this report

This is the first report from the Third Sector Trends study of England and Wales in 2022. Its purpose is to lay the foundations for subsequent reports by providing headline findings on sector structure, purpose, energy and impact in Wales and all English regions.

The report will be divided into four substantive sections which provide preliminary analysis on the following topics:

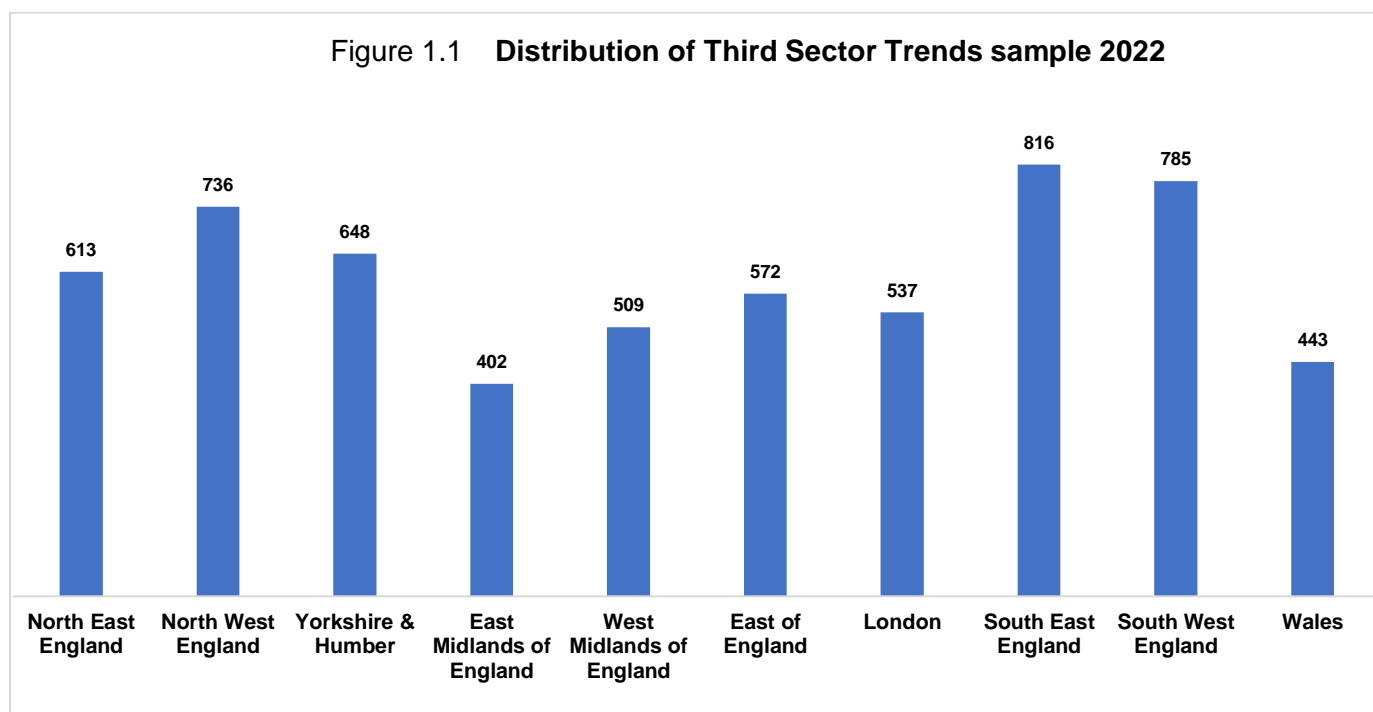
- Section 2 will present data on the structure of the Third Sector using both register and survey data. Analysis will focus on sector population, legal form, organisational size, income and spatial location.
- The social purpose of the Third Sector will be explored in Section 3 using comparative analysis by organisational size, operational range and spatial location. The section will look firstly at survey findings on beneficiaries served followed by the strength of personal or community impact achieved.
- Section 4 will present estimates on the energy the Third Sector has at its disposal at regional and national levels. Energy is defined by the availability of financial, in-kind and people resources to achieve organisational objectives for beneficiaries and communities.
- The final analytical section will present estimates on the value of the social and economic impact the Third Sector achieves for its beneficiaries and communities in comparative context.

These sections on statistical findings will be followed by a brief summary of key conclusions and an outline of the content of subsequent reports which will be released over the next few months.

1.3 Research methods and survey sample⁴

Fieldwork began in June and concluded at the end of September 2022. This involved the use of an online survey which produced 6,070 responses across England and Wales. The majority of responses were collected by sending direct email invitations to listings of charity leaders drawn from the Charity Commission (4,809 returns representing a 4.3% response rate from a sample frame of 110,930 charities).

This was supplemented by appeals to join the survey by local infrastructure organisations (such as councils for voluntary service), community foundations and charitable trusts and foundations. This produced 1,263 additional returns. Survey returns were distributed across Wales and English regions as shown in Figure 1.1.



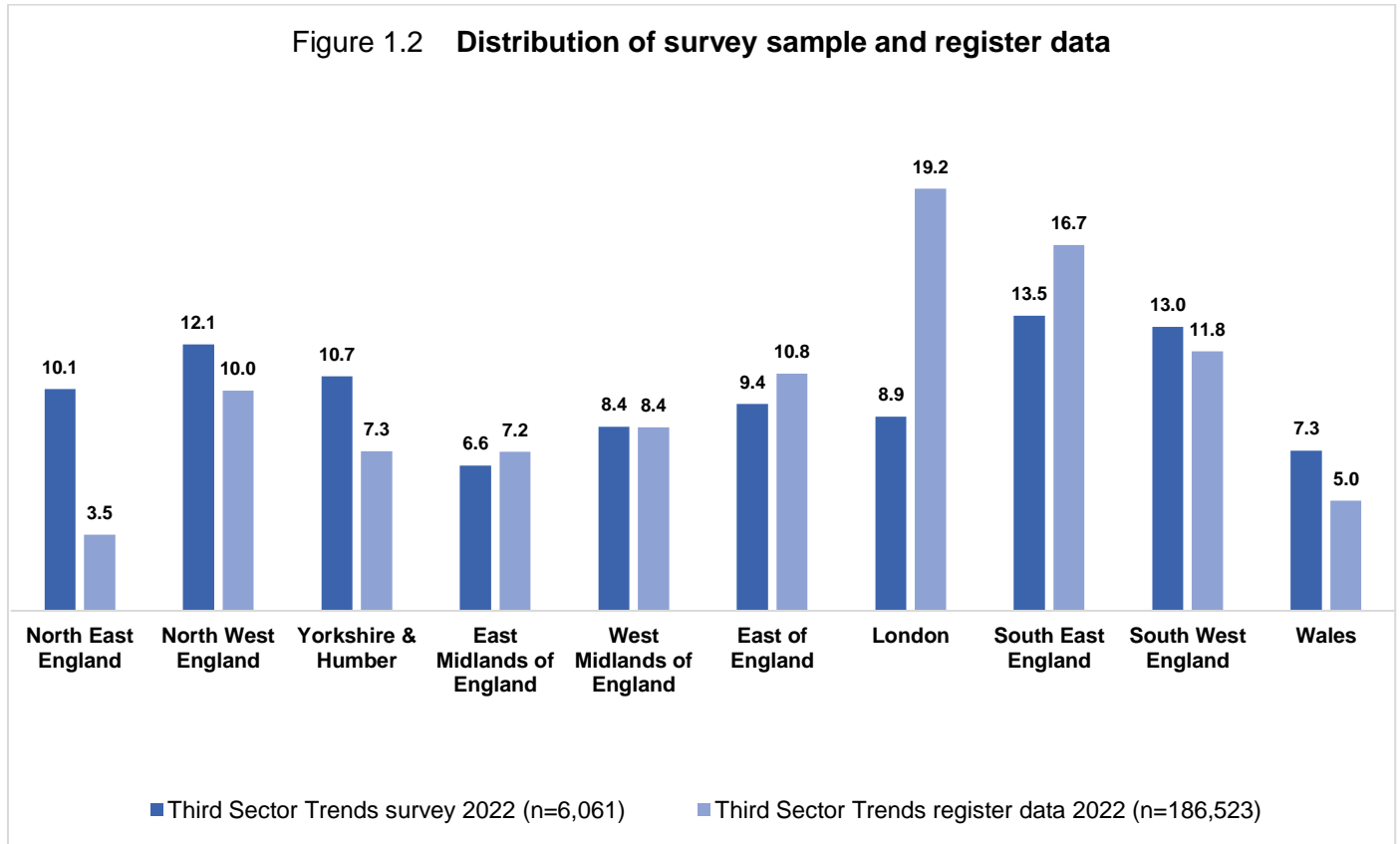
The large number of survey respondents provides a strong basis for detailed analysis of sector dynamics. As a sample survey, however, there are insufficient data to make reliable assessments of sector structure, purpose and impact. Consequently, the study established a database on Third Sector Organisations in England and Wales drawn from the full range of available registers. This data set includes 187,000 organisations.⁵

Using evidence from the Third Sector Trends registers database, it is possible to show how representative survey data are. As shown in Figure 1.2 there is a close match between the sample data and register data in most English regions and in Wales. The exceptions are North East England, where the study began and where there is a stronger local commitment to invest in the process. In London, by contrast, the response rate was much lower than other regions.

⁴ A separate report is available which details the research methodology employed in the Third Sector Trends surveys. This can be accessed here: [Technical paper on research methodologies, October 2022](#).

⁵ Full details on this database and how it was constructed is available in a technical paper on analytical techniques adopted in the Third Sector Trends study which can be found here: [Technical working paper on analytical techniques](#).

Figure 1.2 Distribution of survey sample and register data



Section 2

Sector structure

2.1 Population and distribution of organisations

The Third Sector Trends study is primarily concerned with the contribution of the Third Sector to social, economic and environmental wellbeing of localities. Consequently, the study excludes analysis of major charitable organisations with income above £25million. NCVO collate substantive data on the activities and resources of larger charities which is reported in their annual Civil Society Almanac.⁶

The following factors will be considered: population density, legal form, organisational size, sector income, sector distribution by levels of area affluence, urban form and the spatial operational range of organisations.

In England and Wales, it is estimated that there are about 200,000 registered Third Sector organisations (TSOs). These organisations are not distributed evenly across Wales and English regions. Instead, as shown in Table 2.1 there is a higher concentration of TSOs per 1,000 members of the local population in more affluent regions such as South East England than is the case in poorer regions such as North East England.

	Estimated Number of TSOs	Percentage of TSOs in each region	Population in each region (millions) ⁷	TSOs per 1,000 population
North East England	6,922	3.5	2.6	2.7
North West England	20,095	10.0	7.4	2.7
Yorkshire and Humber	14,568	7.3	5.5	2.6
East Midlands of England	14,491	7.2	4.9	3.0
West Midlands of England	16,751	8.4	6.0	2.8
East of England	21,610	10.8	6.3	3.4
London	38,485	19.2	8.8	4.4
South East England	33,353	16.7	9.3	3.6
South West England	23,683	11.8	5.7	4.2
Wales	10,041	5.0	3.1	3.2
England and Wales	200,000	100.0	59.6	3.4

⁶ The most recent data from NCVOs Civil Society Almanac is available [here](#).

⁷ ONS Regional population estimates, 5th September 2022, [Population and household estimates, England and Wales - Office for National Statistics \(ons.gov.uk\)](#)

2.2 Legal form of organisations

The Third Sector Trends register dataset includes most organisations from registers – with the exception of, amongst others, political parties, trade unions, private schools, universities and hospital trusts.⁸ At present, a substantial number of constituted organisations remain unregistered, (estimated at 12,700) such as faith groups. Table 2.2 shows the distribution of registered TSOs by region.

The distribution of TSOs by legal form varies by region/nation. In Wales, North East England, North West England, Yorkshire and Humber and the West Midlands of England, there is a noticeably higher proportion of registered societies. This is likely to be related to the industrial heritage of these regions where charitable status may have been eschewed for political and cultural reasons. In the East of England, South East England and South West England, there tend to be a higher proportion of registered charities.

The distribution of Charitable Incorporated Organisations (CIOs) is relatively even, but Community Interest Companies (CICs) - which are more prevalent in more urbanised regions of North East England, North West England, the West Midlands and London. But there is also a concentration of CICs in South West England.

Community Amateur Sport Clubs (CASCs) are distributed fairly evenly across regions - with the exception of London where there are many fewer. CASCs, though large in number, only constitute a small proportion of sport related TSOs. Many more are registered as Charities, CIOs, CICs and Registered Societies.

Table 2.2 Wales and English regional distribution of charities by legal form

	Charities	Charitable Incorporated Organisations	Community Interest Companies	Registered Societies	Community Amateur Sport Clubs	N=
North East England	60.3	10.8	17.2	8.0	3.7	6,458
North West England	66.1	9.8	15.4	5.1	3.6	18,747
Yorkshire and Humber	67.8	11.0	11.0	6.3	3.9	13,591
East Midlands of England	72.3	9.7	10.1	4.3	3.6	13,519
West Midlands of England	67.9	8.8	14.9	5.2	3.2	15,628
East of England	75.4	9.0	8.5	3.6	3.5	20,161
London	70.6	12.0	12.7	3.4	1.3	35,904
South East England	72.5	10.2	9.4	3.9	4.0	31,116
South West England	70.0	8.7	12.4	4.9	3.9	22,095
Wales	67.1	13.7	9.8	6.1	3.4	9,368
England and Wales	70.1	10.3	11.8	4.6	3.2	186,587

⁸ Full details of exclusions and inclusions is available in the technical paper on sector structure, see section 1: Definitions and data sources, 2022 *ibid.*:

Unregistered organisations

It is not known how many organisations and groups sit ‘below the radar’ of registers in England and Wales. Many local infrastructure organisations (such as Councils for Voluntary Service) hold listings of local members or associates which enumerate many more groups than can be identified on registers.

Academic study on the characteristics, purpose and social value produced by such societies, organisations or groups has been undertaken,⁹ but firm empirical evidence to affirm how many informal organisations exist and where they tend to be concentrated remains patchy.

The Third Sector Trends Study commissioned the most detailed study to date to estimate the proportion of VCSE organisations which operated below the radar in 46 local authorities in Cumbria, Yorkshire and Humber and North East England. From this work it was determined that there was an average of 3.66 below the radar groups per 1,000 population.¹⁰ This equates to 1.29 below the radar groups for every registered organisation.¹¹

More recent research for Local Trust by NCVO and 360Giving has drawn a distinction between more structured unregistered organisations (which are in a position, for example, to apply for grants) and less formal groups. The evidence suggests that a proportion of unregistered groups could be considered as sufficiently similar to many small charities and CIOs that they could be included in ‘formal’ sector estimates. Local Trust estimate that there are between 200,000 - 300,000 below the radar groups. Around 13,000 of which received grants between 2016-19.¹²

Such estimates are plausible, but their use remains contentious as it is not known whether their activities are fully comparable with those of registered organisations. During the Covid-19 pandemic, however, there have been indications that mutual aid groups have been effective in tackling a wide range of issues such as social isolation and homelessness.

Mutual aid groups have been defined as:

A mutual aid group is a volunteer led initiative where groups of people in a particular area join together to support one another, meeting vital community needs without relying on official bodies. They do so in a way that prioritises those who are most vulnerable or otherwise unable to access help through regular channels.¹³

⁹ See, for example, McCabe, A. and Phillimore, J. (2009) Exploring below the radar: issues of theme and focus, Birmingham, *Third Sector Research Centre Working Paper no. 8*: <https://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/tsrc/working-papers/working-paper-8.pdf>. A second collection of observations related to this study was published with critical commentary on what defined such informal groups. Qualitative analysis had much to say about the experience, purpose and potential social benefit produced by such groups but avoided speculation on their number. See: McCabe, A. (2018) Ten years below the radar: reflections on voluntary and community action 2008-2018, Birmingham, *Third Sector Research Centre Working Paper no. 143*. <https://www.birmingham.ac.uk/Documents/college-social-sciences/social-policy/tsrc/working-papers/10-years-below-the-radar-final.pdf>

¹⁰ Mohan, J., Kane, D., Wilding, K., Branson, J. and Owles, F. (2010) *Beyond ‘flat earth’ maps of the Third Sector*, Newcastle-upon-Tyne: Northern Rock Foundation: <https://www.communityfoundation.org.uk/wordpress/wp-content/uploads/2017/09/NRF-TST-Report-Beyond-Flat-Earth.pdf>. The summation of area statistics was undertaken using all three Third Sector Trends Mapping reports for Cumbria, Yorkshire and Humber and North East England which listed 23,526 registered organisations in an area with a population of 8.3m people.

¹¹ In Third Sector Trends surveys, all organisations and groups are welcome to join the study by invitation from the researchers (using registered listings), funding bodies (such as trusts and foundations), public bodies (such as local authorities and NHS Trusts) and local infrastructure organisations (at regional or local authority/district level) which hold listings.

¹² See: 360Giving and NCVO (2020) *Below the Radar: exploring grants data for grassroots organisations*, London: Local Trust: <https://localtrust.org.uk/wp-content/uploads/2020/08/Below-the-Radar-Report-HR.pdf>.

¹³ See, for example, Power, A. and Benton, E. (2021) *Where next for Britain’s 4,300 mutual aid groups?*, London: London School of Economics: <https://blogs.lse.ac.uk/covid19/2021/05/06/where-next-for-britains-4300-mutual-aid-groups/>. The full academic article by the same authors ‘Community responses to the Coronavirus pandemic: how mutual aid can help’, is available here:

It has been estimated that there are around 4,300 mutual aid groups in the UK which marshal the efforts of up to 3 million volunteers who provide support for local communities. Early indications from research suggest that many of these groups and volunteers will continue to inject energy into their communities once the pandemic subsides – though not necessarily on the same issues.

While there is keen interest amongst sector representative bodies, think tanks and policy analysts to include unregistered societies in sector estimates, Third Sector Trends analysis does not do so. In the absence of credible evidence of how many there are, how they work, what they do, who they serve and what they achieve.¹⁴

2.3 Organisational size and characteristics

The Third Sector Trends study does not use the same size categories as the Charity Commission or NCVO in its analysis. This is because the study has a strong focus on the local Third Sector where a majority of organisations are small. If these smaller organisations are not disaggregated into discrete categories, it is not possible fully to understand how the sector is structured, how it works and how it achieves its objectives.

The use of these categories does not imply that they are completely separate and distinctive, but they are useful when making comparisons about organisational structure, functions, policy and practice preferences which inform analysis, interpretation, conclusions and recommendations.¹⁵

- **Informal organisations:** ‘micro TSOs’ (with income below £10,000) and ‘small TSOs’ (with income between £10,000 and £50,000) rarely employ staff and therefore operate quite informally in terms of their policies and practices – they mainly operate at a local level, but not exclusively so. They are usually heavily or completely reliant on voluntarily given time to sustain their activity. Being small does not mean that these organisations lack complexity in terms of interpersonal relationships – this is due to the voluntaristic nature of participation in activity which requires the development of a negotiated order to define and tackle priorities.
- **Semi-formal organisations:** ‘medium sized TSOs’ (with income between £50,000 and £250,000) adopt semi-formal practices. They tend to employ people but there is little scope for a complex division of labour or occupational specialisation. Often, they are the ‘embodiment’ of their leaders’ interest in cultural and value terms – but not always – some adopt more inclusive cooperative approaches. This can make personal interrelationships complex. While they are ambitious to achieve a great deal, they rely mainly on grants to keep going and most have limited or no interest in delivering public sector contracts.
- **Formal organisations:** ‘larger TSOs’ (which have income between £250,000 and £1million) are more formal in their structures and culture because their scale allows for specialisation and a more complex division of labour. There are formally embedded hierarchical aspects to organisational structure and some procedural practices are necessarily adopted. But they are not impersonal

<https://ppr.lse.ac.uk/articles/10.31389/lseppr.21/>. <https://covidmutualaid.org/> is the coordinating body, although not all mutual aid groups are registered here.

¹⁴ Unregistered organisations are encouraged to take part in Third Sector Trends surveys by local infrastructure organisations such as CVs which include them in their listings. But only 143 unregistered organisations chose to complete the Third Sector Trends survey from a sample of 6,070 in 2022, which is insufficient to undertake analysis in any depth.

¹⁵ While Third Sector Trends analysis uses five categories of organisations, TSOs are also distributed into 12 income categories in the registered charities dataset and in the survey datasets. Only rarely, however, are these more finely tuned categories employed when finer tuned analysis is required.

bodies in practice because of their small scale and limited number of employees and volunteers. These TSOs rely on a mixed finance diet where grants and self-generated trading tend to be amongst the most important income sources.

- **Formal hierarchical organisations:** ‘big TSOs’ (which have income between £1million - £25million). Due to scale they adopt more formalistic interpersonal relationships between strata of employees and social distance becomes more pronounced and separates domains of decision making and practice delivery – whilst not losing elements of organic change from across the formal hierarchy. Financially, these organisations rely on mixed sources: particularly grants, self-generated income and public contracts. They devote significant time to strategic planning and position themselves beneficially through effective public relations and networking.
- **Formal complex organisations:** ‘major’ or ‘super major’ TSOs which have income above £25million are not included in the study because they are more likely to work nationally or internationally and resemble large businesses or smaller public sector bodies in organisational terms. Many rely heavily on public sector contracts, grants and trading. Very large organisations often depend upon self-generated fundraising. Consequently, they seek to develop a recognisable presence or ‘brand’ in the public domain. Such organisations tend to be effective at influencing policy stakeholders and/or formal engagement in visible campaigning.

The population of TSOs in the local Third Sector in England and Wales is shown in Table 2.3. It is clear from these data that the structure of the Third Sector is broadly similar across English regions and Wales – with the exception of London where there is a much bigger proportion of large organisations.

In London, 10 per cent of TSOs have income from £1million to £25million compared with a national average of 5 per cent. Similarly, 15% of TSOs in London have income between £250,000 and £1million compared with a national average of just 9%. It will be necessary, therefore, to exercise caution when comparing London data with that of English regions or Wales.

	Micro (£10,000 or less)	Small (£10,001-£50,000)	Medium (£50,001 - £250,000)	Large (£250,001 - £1m)	Big (£1m – £25m)	Registered TSOs in each region
North East England	34.1	27.7	23.1	10.2	5.0	6,922
North West England	35.1	27.9	23.6	8.9	4.6	20,095
Yorkshire & Humber	35.8	28.5	23.2	8.4	4.1	14,568
East Midlands of England	41.9	28.4	19.6	6.7	3.4	14,491
West Midlands of England	37.3	28.7	21.5	8.1	4.4	16,751
East of England	39.6	28.8	21.4	6.7	3.6	21,610
London	25.3	24.1	25.9	14.7	10.0	38,485
South East England	32.2	31.7	23.4	7.8	4.8	33,353
South West England	38.6	29.9	21.1	6.8	3.7	23,683
Wales	41.2	29.6	18.4	7.1	3.7	10,041
England and Wales	34.7	28.4	22.7	8.9	5.2	200,000

2.4 Organisational income

It is not possible to produce definite figures on sector income because some registers do not record any detail and in those which do, data are incomplete. Nevertheless, using the available data and supplementing this with large scale survey data from Third Sector Trends helps to generate a good set of estimates on sector income at regional and national levels (see Table 2.4).¹⁶ It should be noted that income in London is higher than other regions largely but not wholly due to the concentration of large and big TSOs.

Table 2.4 Estimated organisational income by charity size and region (£millions, October 2022)

	Micro (£10,000 or less)	Small (£10,000 - £49,999)	Medium (£50,000 - £249,999)	Large (£249,999 - £999,999)	Big (£1million – £25million)	Total estimated income per region	TSOs in each region
North East	8.98	36.29	172.83	317.15	948.01	1,483.26	6,922
North West	27.29	106.29	500.28	817.01	2,723.82	4,174.69	20,095
Yorkshire & Humber	19.56	78.67	358.63	551.73	1,700.19	2,708.78	14,568
East Midlands of England	22.64	74.51	291.92	423.63	1,333.46	2,146.16	14,491
West Midlands of England	23.49	89.87	373.31	606.73	2,266.40	3,359.81	16,751
East of England	31.32	113.97	479.03	638.24	2,609.12	3,871.69	21,610
London	41.38	212.82	1,096.19	1,981.37	13,752.71	17,084.47	38,485
South East	41.46	205.20	838.21	1,186.96	5,521.53	7,793.35	33,353
South West	34.52	131.02	520.50	713.51	2,522.30	3,921.84	23,683
Wales	15.69	55.02	187.53	310.80	1,026.47	1,595.51	10,041
England and Wales	266.33	1,103.65	4,818.43	7,547.13	34,404.01	48,139.56	200,000

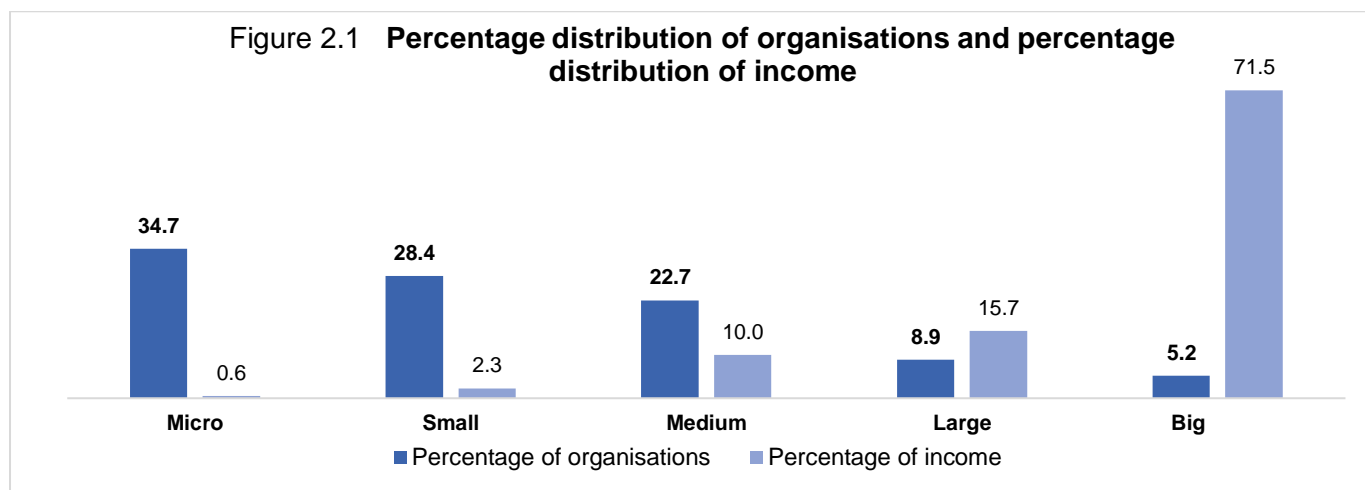
When organisational population is compared with income by TSO size categories, significant variations emerge. Micro TSOs, which constitute 35 per cent of the sector share less than 1 per cent of sector income. By contrast, the biggest organisations only comprise 5 per cent of sector population, but command 72 per cent of its income.

This tells a simple story. Larger organisations are heavily dependent upon ‘money’ to keep themselves going (so as to pay, for example, employed staff and managers to get things done) while the smallest organisations rely primarily upon the use of voluntarily given time to perform their roles.

This finding has a significant bearing on the interpretation of data in this and future reports because it is abundantly clear that in analytical terms, we are not comparing like-with-like. Consequently, sweeping generalisations about sector activities or expectations must always be treated with caution.

¹⁶ A detailed set of explanations on how these estimates are reached is provided in the technical paper on Third Sector Trends’ analytical techniques, *ibid*, Section 2

Figure 2.1 Percentage distribution of organisations and percentage distribution of income



2.5 Organisational density by area affluence

The distribution of TSOs by size and area affluence is shown in Table 2.5.¹⁷ In the least affluent areas (IMD 1-2) there tends to be a higher concentration of medium, larger or big TSOs than in the most affluent areas (IMD 9-10) where there is a larger proportion of micro and small organisations.

The likely reason for the larger proportion of small organisations in wealthy areas, is that social capital is stronger and people have greater financial resources at their disposal. Each of these factors may incentivise people to engage in charitable work and/or be interested in the idea of setting up and running TSOs.

In poorer areas, there is a stronger concentration of larger charities for several inter-related reasons. At a pragmatic level, it is cheaper for organisations to establish themselves in less affluent areas because properties and rents may be lower. From a practice and purpose point of view, larger TSOs are more likely to engage in activities that meet urgent or critical needs – and much of this work may be funded by grants and contracts from agencies that have a statutory or strategic mission to invest in such issues.

Table 2.5 Percentage of TSOs by indices of deprivation by size of organisation (Third Sector Trends register data, column percentages, England and Wales 2022)

	Least affluent IMD 1-2	IMD 3-4	Intermediate IMD 5-6	IMD 7-8	Most affluent IMD 9-10	
Micro (£10,000 or less)	25.8	30.9	38.0	38.2	36.2	34.7
Small (£10,001- £50,000)	24.5	25.0	27.5	29.6	33.3	28.4
Medium (£50,001 - £250,000)	28.4	24.9	20.9	20.3	21.8	22.7
Large (£250,001 - £1m)	14.4	12.1	8.3	7.3	5.4	8.9
Big (£1m – £25m)	6.9	7.1	5.4	4.6	3.3	5.2
N=	18,368	24,188	30,344	31,748	29,785	134,433

¹⁷ Other registers of TSOs do not record organisational income or data is too partial to use reliably. So this study is reliant on evidence from charities and charitable incorporated organisations which is then scaled up to whole sector level. Indices of deprivation in England and Wales are measured differently, so data sets for England and Wales were categorised separately and then remerged into a single set of deciles and quintiles for analytical purposes.

Table 2.6 compares the distribution of TSOs in each region by indices of multiple deprivation (IMD). Variations in distribution reflect comparative levels of affluence and deprivation across regions.

In South East England, for example, only 6 per cent of TSOs are located in the least affluent quintile, while 37% are located in the most affluent. In North East England, by contrast, 26 per cent of TSOs are located in the least affluent quintile while only 16 per cent are situated in the most affluent.

Table 2.6 Regional and national distribution of charities by income of organisations (row percentages, 2022)						
	Least affluent IMD 1-2	IMD 3-4	Intermediate IMD 5-6	IMD 7-8	Most affluent IMD 9-10	Number of TSOs
North East England	26.0	22.3	19.3	16.4	16.0	6,458
North West England	27.3	18.0	18.8	18.2	17.6	18,740
Yorkshire and Humber	22.4	16.5	20.2	21.8	19.0	13,581
East Midlands of England	15.5	18.0	18.6	24.7	23.1	13,515
West Midlands of England	24.3	17.5	23.1	19.9	15.3	15,630
East of England	7.4	15.5	25.0	26.1	26.0	20,160
London	19.2	31.4	23.6	17.5	8.4	35,901
South East England	5.8	11.0	18.0	27.8	37.3	31,107
South West England	10.0	18.8	29.1	24.8	17.3	22,081
Wales	12.9	17.5	23.7	25.1	20.8	9,295
England and Wales	15.7	19.2	22.2	22.5	20.4	186,468

All regions are varied in their social, spatial and economic characteristics. This makes interpretation of comparative data complex. It is useful, therefore, to compare three 'area types'.¹⁸

Table 2.7 shows the distribution of TSOs in 'metropolitan areas' (such as Bristol, Greater Manchester or London), 'town and country areas' (such as the shire counties of Dorset, Herefordshire or North Yorkshire), and 'major urban areas' (such as the cities of Cardiff, Leicester, Plymouth or Southampton).

¹⁸ These distinctions were drawn using ONS look ups. This involved merging local authority categories with ONS/Defra rural/urban categorisations. For details see *Third Sector Trends: technical Paper on Analytical Techniques*, *ibid*.

Table 2.7 Distribution of TSOs in ‘metropolitan’, ‘major urban’ and ‘town and country’ locations of England and Wales (Registers data, 2022)

	Least affluent IMD 1-2	IMD 3-4	Intermediate IMD 5-6	IMD 7-8	Most affluent IMD 9-10	
Metropolitan	27.3	27.3	19.8	15.6	9.9	65,644
Major urban	16.8	16.2	16.9	21.4	28.6	47,987
Town and country	4.6	13.8	27.8	29.3	24.5	72,837
All TSOs	15.7	19.2	22.2	22.5	20.4	186,468

Variations in the distribution of TSOs in ‘metropolitan’, ‘major urban’ and ‘town and country’ areas across nations and regions is revealing (see Table 2.8). In those regions where there is a higher concentration of TSOs in the least affluent areas (such as North East England or the West Midlands of England) many more TSOs are located in ‘metropolitan’ areas. Whereas in the most affluent regions (such as East of England or South East England), the majority of TSOs are located in ‘major urban’ or ‘town and country’ areas.¹⁹

Table 2.8 Regional and national distribution of TSOs across ‘metropolitan’, ‘major urban’ and ‘town and country areas’ (Third Sector Trends registers data, 2022)

	Metropolitan	Major urban	Town and country	N=
North East England	42.4	15.2	42.4	6,458
North West England	55.1	25.3	19.6	18,740
Yorkshire & Humber	61.9	7.7	30.3	13,581
East Midlands of England	0.0	43.3	56.7	13,515
West Midlands of England	41.0	16.5	42.5	15,630
East of England	2.4	40.9	56.7	20,160
London	96.2	3.8	0.0	35,901
South East England	2.9	44.3	52.7	31,107
South West England	8.3	23.8	67.9	22,081
Wales	0.0	44.6	55.4	9,350
England and Wales	35.1	25.7	39.1	186,523

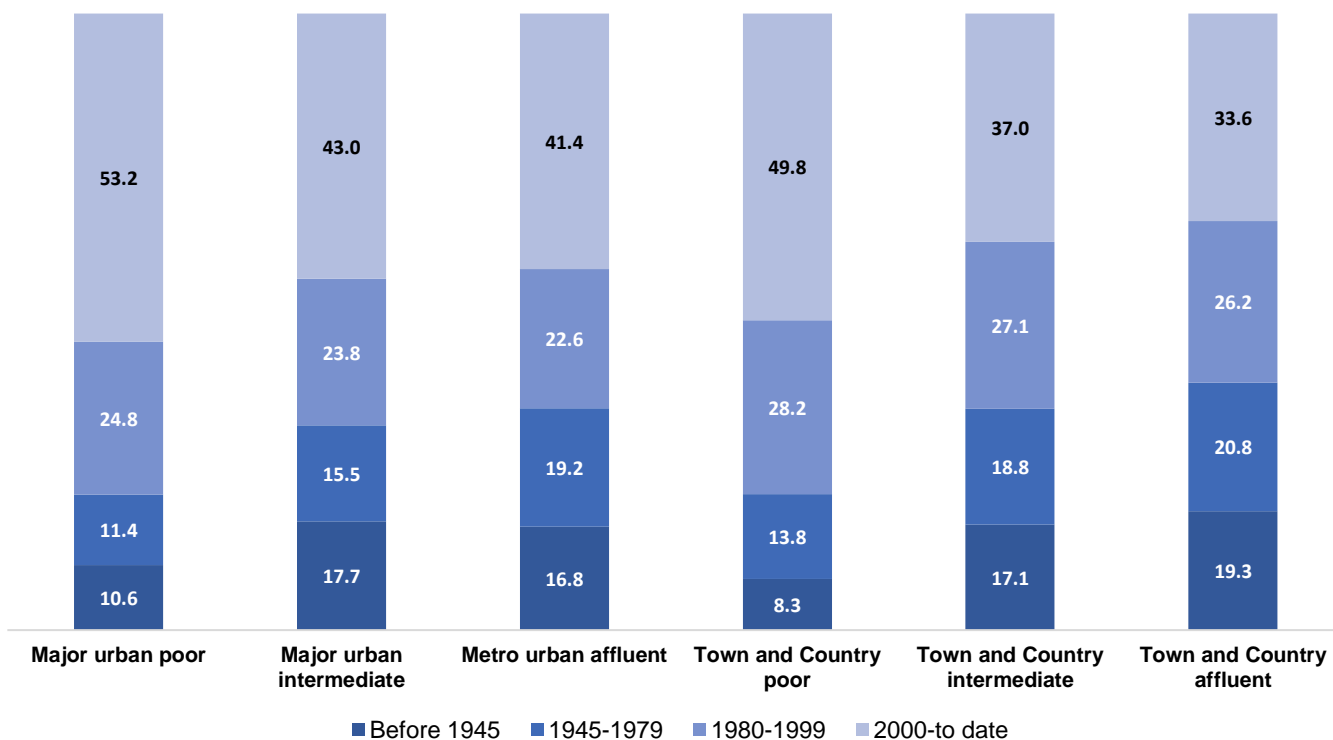
The age profile of organisations varies depending upon the type of urban location within which they are based and its relative wealth (see Figure 2.2). In ‘major urban poor areas’ (which includes metropolitan areas in this chart) 53 per cent of TSOs

¹⁹ In future reports from Third Sector Trends 2022, finer distinctions will be drawn about the practices and impact of TSOs in, for example, more or less affluent locations within ‘metropolitan’, ‘major urban’ or ‘town and country’.

were established in the last 20 years compared with just 33 per cent in the most affluent ‘town and country’ areas.

Organisations tend to have been established longer when they are based in the most affluent areas, whether they are in ‘major urban affluent’ locations or in ‘town and country’ affluent areas (36% and 40% respectively were established before 1979).

Figure 2.2 Age of organisations in six area types (England and Wales 2022, n=5,970)



2.6 Spatial range of organisational activity

One of the difficulties of analysing the activities of TSOs using register data is that reliable evidence is not collected on the spatial range of activity of individual organisations. Consequently, it is necessary to use Third Sector Trends survey data to estimate the operational reach of organisations of different sizes.

Table 2.9 shows that micro TSOs are the most likely to limit their range of activity to the immediate locality of a village or neighbourhood (46%). But many work more widely within local authorities, across the region, nationally or at international level.

Given the scale of their operational capabilities, it is not surprising that the biggest TSOs are most likely to work at a regional or wider level: about two thirds of these organisations work beyond the boundaries of the local authority within which they are based. Nevertheless, nearly a third of the largest TSOs commit their resources entirely to their local authority area – 4 per cent of which focus entirely on the local neighbourhood.

Table 2.9 Spatial range of activity of TSOs in England and Wales (Column percentages, Third Sector Trends Study, 2022)

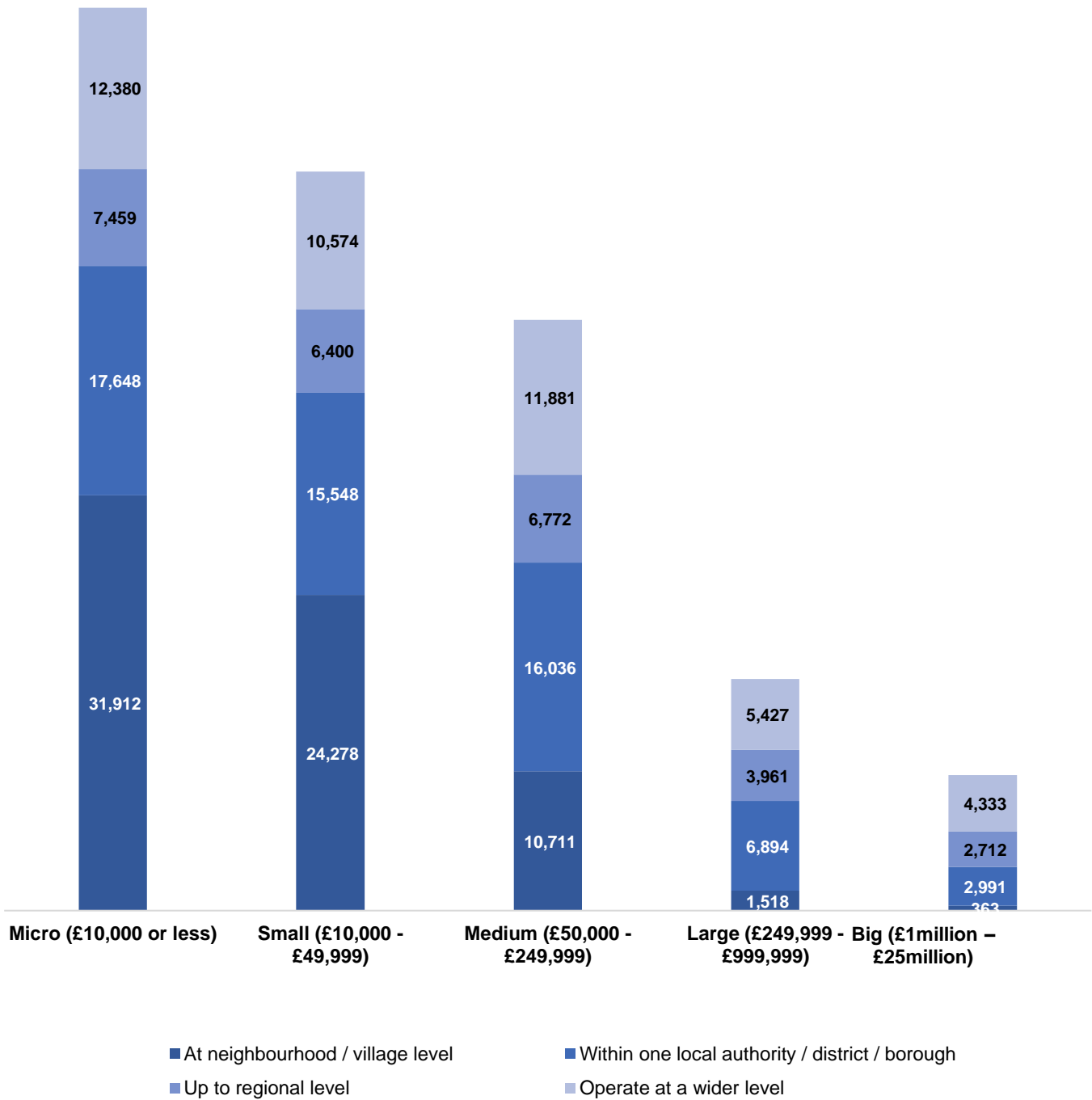
	Micro (£10,000 or less)	Small (£10,000 - £49,999)	Medium (£50,000 - £249,999)	Large (£249,999 - £999,999)	Big (£1million – £25million)	All TSOs
Just in our neighbourhood or village	46.0	42.7	23.6	8.5	3.5	32.6
Within our local authority / county council district / London borough	25.4	27.4	35.3	38.7	28.8	30.1
Across at least two local authorities / districts / London boroughs	10.7	11.3	14.9	22.3	26.1	14.2
At a regional level (e.g. North East England, London or South West England)	5.1	5.9	8.7	12.1	18.3	7.9
At a national level / across the UK	6.8	6.1	11.2	12.0	18.3	9.0
Internationally	5.9	6.6	6.2	6.4	5.1	6.2
All TSOs	1,805	1,633	1,475	692	372	5,977

When scaled-up to regional and national levels, populations of TSOs operating at different spatial ranges can be estimated (see Figure 2.3). This provides useful insights about the deployment of Third Sector energy.

- 65,000 TSOs (33% of the whole sector) concentrate their activity solely within the local neighbourhood or community - 56,000 of which are micro or small organisations.
- About 125,000 TSOs (63% of the whole sector) work within the boundaries of a single local authority area, of which 94,831 are micro or small organisations.
- About 77 per cent of TSOs (153,700) work within the boundaries of a single region.
- About 44,500 TSOs (22%) operate beyond the regional level.

These findings indicate that it is not easy to make broad generalisations about the spatial range of sector activity. It is true that most organisations work at the local level, and that smaller TSOs are the most likely to do so. But many small organisations work at a wider level, just as many big organisations work exclusively within the community.

Figure 2.3 Estimated number of organisations working at spatial levels across England and Wales by size of organisation (Third Sector Trends survey data scaled up to national level using register data, 2022)



Section 3

Sector Purpose

3.1 Defining beneficiaries and areas of impact

This section presents findings on beneficiaries served and perceptions of organisational impact achieved by Third Sector organisations. Recently, much work has been done by the Charity Commission to reconfigure its own definitions and categories of charitable activity. The work has involved consultation with stakeholders to produce a taxonomy that covers the whole range of sector activity. This will provide a tremendously useful resource when populated with data.

No matter how complete datasets are, analysis of the purpose and impact of the sector is difficult because TSOs rarely align themselves with one category of activity. This because organisations, large or small, serve many purposes and several constituencies of beneficiaries. Rather than trying to iron out this problem, Third Sector Trends analysis accepts that boundaries between sector activities are not firm, but rather, they are ‘fuzzy’ and ‘permeable’.

3.2 Beneficiaries served

Third Sector Trends uses a short list of categories which cover the principal beneficiaries of sector activity. Table 3.1 shows the percentage of TSOs of different sizes which serve each beneficiary group. These are ranked by the ‘most’ to the ‘least’ frequently served groups.

Over half of TSOs (56%) state that they serve ‘people in general’. And many others serve broadly-defined beneficiary groups such as ‘children and young people’ (44%) and ‘older people’ (33%).

As would be expected - more closely defined beneficiary groups are supported by fewer organisations. But often beneficiary areas are inter-related and the same organisation may well serve many of them.

The larger that organisations become, the more likely that they are to say that they serve beneficiary groups – which might well be expected given that they have more resources available to do so. Although there are some exceptions, such as those organisations which support people in rural areas.

	Micro (£10,000 or less)	Small (£10,000 - £49,999)	Medium (£50,000 - £249,999)	Large (£249,999 - £999,999)	Big (£1million – £25million)	All TSOs in rank order
People in general	57.3	58.5	49.2	43.0	40.6	55.9
Children and young people	32.1	44.4	49.2	42.4	43.9	44.0
Older people	29.5	34.3	32.0	30.6	30.5	33.4
People with mental health conditions	15.6	20.2	30.4	37.6	35.6	25.7
People with physical health conditions	16.9	18.2	22.7	24.3	29.9	21.5
People with physical disabilities	17.1	18.5	21.8	24.4	25.9	21.2
People or households living in poverty	10.6	15.4	25.1	30.7	25.9	19.8

Table 3.1 Continued....	Micro (£10,000 or less)	Small (£10,000 - £49,999)	Medium (£50,000 - £249,999)	Large (£249,999 - £999,999)	Big (£1million – £25million)	All TSOs in rank order
People with learning disabilities	12.3	14.9	22.4	24.6	26.5	18.8
People in disadvantaged urban areas	8.7	12.6	21.0	30.2	25.7	17.2
People in rural areas	15.1	18.4	13.9	15.8	12.0	16.5
Unemployed/workless people	6.7	10.2	16.7	22.8	23.5	13.8
People with homelessness and housing issues	4.7	8.3	13.9	16.5	23.8	11.1
Carers	6.2	9.1	12.9	14.7	17.1	10.9
People of a particular ethnic or racial origin	5.5	6.2	10.4	11.8	11.0	8.4
People with concerns about gender and sexuality	2.4	3.5	5.6	7.0	9.4	4.7
N=	1,815	1,645	1,485	696	374	6,015

The extent to which TSOs serve discrete beneficiary groups is shaped by the characteristics of the places where they are based. Table 3.2 shows the percentage of TSOs attending to beneficiary groups seems to reflect the level of affluence of the area where they work.

For example, three times as many TSOs in the least affluent areas (19%) serve people facing homelessness or housing issues than in the most affluent areas (6%). A similar pattern is repeated for those TSOs serving people in disadvantaged urban areas, people and households living in poverty, and unemployed or workless people.

Table 3.2 Percent of TSOs serving beneficiary groups by area affluence						
	Least affluent areas IMD 1-2	IMD 3-4	Inter-mediate IMD 5-6	IMD 7-8	Most affluent areas IMD 9-10	All TSOs
People in general	47.5	53.4	55.5	54.8	53.7	53.0
Children and young people	45.2	43.2	39.3	41.2	39.1	41.6
Older people	35.7	32.8	29.9	31.4	28.8	31.7
People with physical disabilities	26.1	21.4	17.9	18.7	15.9	20.0
People with physical health conditions	27.5	21.6	17.7	18.6	16.8	20.4
People with mental health conditions	38.5	28.4	20.0	19.3	16.1	24.4
People with learning disabilities	26.1	20.1	15.2	14.7	13.5	17.9
People of a particular ethnic or racial origin	16.2	8.9	5.7	6.1	3.2	8.0
People with homelessness and housing issues	19.1	12.8	8.9	6.7	5.9	10.7
Carers	15.9	10.9	9.6	9.0	6.3	10.4
Unemployed/workless people	26.7	15.7	9.8	8.2	5.2	13.1
People with concerns about gender & sexuality	9.6	4.4	3.4	3.1	2.1	4.5
People in rural areas	10.1	14.0	18.9	20.5	13.6	15.6
People in disadvantaged urban areas	34.0	19.4	10.8	9.6	8.3	16.3
People or households living in poverty	34.6	20.8	14.4	13.8	11.2	18.9
N=	1,178	1,118	1,291	1,293	1,062	5,942

Regional analysis (see Table 3.3) indicates that the situation in some regions is quite similar. The three northern regions, West Midlands and Wales, for example, all have

densely populated industrial or former industrial areas which suffer significant social deprivation.

South East England, South West England and East of England (and to a lesser extent, the East Midlands) tend, by contrast, to have fewer major urban areas – and are also often characterised by their relative affluence. London does not fit comfortably into either category.

Making effective comparisons across English regions and Wales requires much deeper analysis than is possible here. This is because of spatial variations within regions which require much more in-depth work.²⁰ To help interpret national level findings, ‘types of areas’ have been defined.²¹

- **Metropolitan areas:** including Tyne and Wear, West Yorkshire, South Yorkshire, Greater Manchester, Merseyside, West Midlands, Bristol and London.
- **Major urban areas:** includes larger cities (such as Portsmouth, Nottingham, Swansea and Reading) and polycentric urban areas (such as Tees Valley or the Potteries conurbation).
- **Town and Country areas:** includes less urban unitary authorities and counties such as Northumberland, Cornwall and Suffolk).

As shown in Figure 3.4, the extent to which beneficiaries are served reflects the characteristics of areas.

In ‘Metropolitan areas’, TSOs are much more likely to serve ‘people in disadvantaged urban areas’, ‘people and households living in poverty’, ‘unemployed/workless people’, ‘people of a particular ethnic or racial origin’ and ‘people with mental health conditions’.

While in more affluent ‘town and country areas’, TSOs are much more likely to serve ‘people in general’ and ‘people in rural areas’. The situation in major urban areas tends to sit somewhere in between the two.

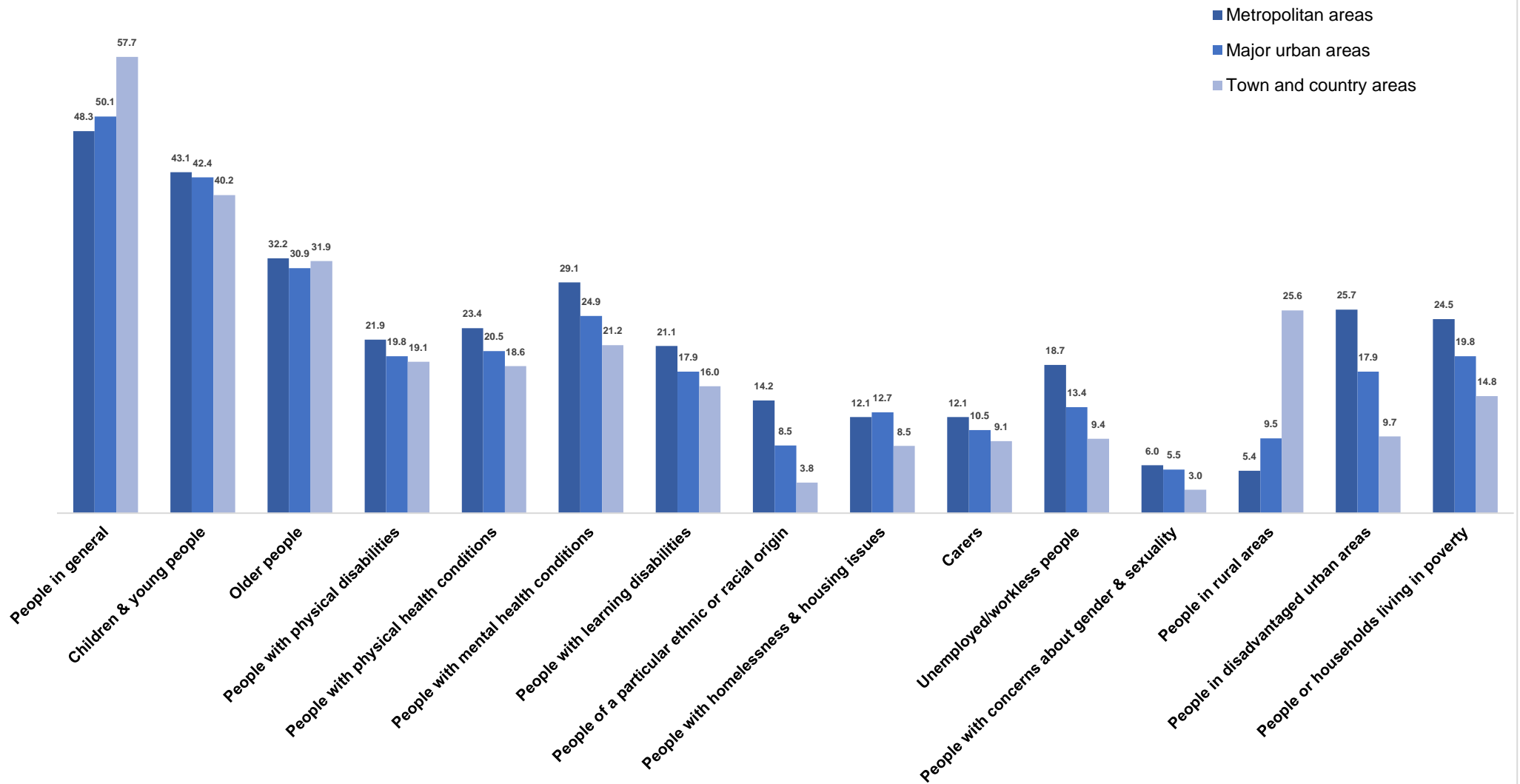
²⁰ Recent examples include sub-regional Third Sector Trends analysis in [Yorkshire and Humber](#) and [Cornwall](#).

²¹ A full explanation of how this variable was constructed is available in the Technical Paper on approaches to analysis, 2022 *ibid*.

	People in general	Children and young people	Older people	People with physical disabilities	People with physical health conditions	People with mental health conditions	People with learning disabilities	People of a particular ethnic or racial origin
North East England	53.7	45.4	37.7	23.2	23.3	31.6	22.2	9.0
North West England	52.9	41.6	35.7	24.5	25.5	31.5	22.0	10.3
Yorkshire & Humber	53.1	39.8	35.2	23.1	23.9	29.3	21.5	9.4
East Midlands	56.0	41.3	29.6	16.9	18.7	24.4	16.4	7.7
West Midlands	53.4	40.9	30.1	23.4	22.8	26.1	17.9	9.8
East of England	54.9	38.3	28.3	16.6	15.9	17.3	14.0	3.1
London	45.8	44.5	28.5	17.9	19.0	22.3	15.6	16.4
South East England	49.4	39.2	28.6	16.7	16.5	17.2	13.2	5.0
South West England	54.8	41.4	28.4	17.8	18.9	21.8	16.4	4.7
Wales	58.5	44.9	35.2	21.4	19.6	23.9	20.8	6.8
England and Wales	53.0	41.5	31.7	20.1	20.5	24.5	17.9	8.0

	People with homelessness and housing issues	Carers	Unemployed/workless people	People with concerns about gender and sexuality	People in rural areas	People in disadvantaged urban areas	People or households living in poverty	N=
North East England	9.5	14.5	17.6	7.2	16.6	23.2	23.5	613
North West England	14.8	15.1	19.7	6.8	14.0	22.7	24.0	736
Yorkshire & Humber	9.9	12.3	16.5	5.6	15.6	22.1	20.1	648
East Midlands	12.9	7.0	15.7	4.2	18.9	15.7	17.9	402
West Midlands	10.6	11.4	13.0	4.5	15.5	19.4	21.4	509
East of England	7.2	8.7	6.6	1.6	19.1	8.4	12.9	572
London	12.8	7.1	14.7	4.7	3.5	20.1	20.3	537
South East England	10.0	7.0	8.1	2.6	11.0	9.3	14.0	816
South West England	9.2	8.5	8.7	4.1	22.2	10.6	16.8	785
Wales	9.3	10.8	12.2	3.6	21.2	14.2	18.5	443
England and Wales	10.6	10.3	13.1	4.5	15.6	16.4	18.9	6,061

Figure 3.1 Percentage of organisations attending to beneficiary groups in metropolitan, major urban and town & country areas



Clusters of beneficiary groupings

With the above findings in mind about the difficulties of isolating discrete areas of beneficiary focus, four clusters of benefit have been created (see Figure 3.3).

For analytical purposes, the 'generalist' category cannot be used effectively as it embraces 81 per cent of the sample (4,925 responses). Indeed, 90 per cent of TSOs which work only at neighbourhood or village level define themselves as generalists, 81 per cent of those working within a single local authority area do so, as do 74 per cent of TSOs working across a wider area.

The 'social justice' category cannot be defined as being fully separate either from 'health and wellbeing' or 'poverty'. For example, serving issues surrounding housing or homelessness is often associated with poverty – but not always – in many affluent areas, housing costs can affect a wide range of local people. Similarly, not all people living in disadvantaged urban areas suffer from poverty – but they are affected by other factors in their locality deriving from urban deprivation.

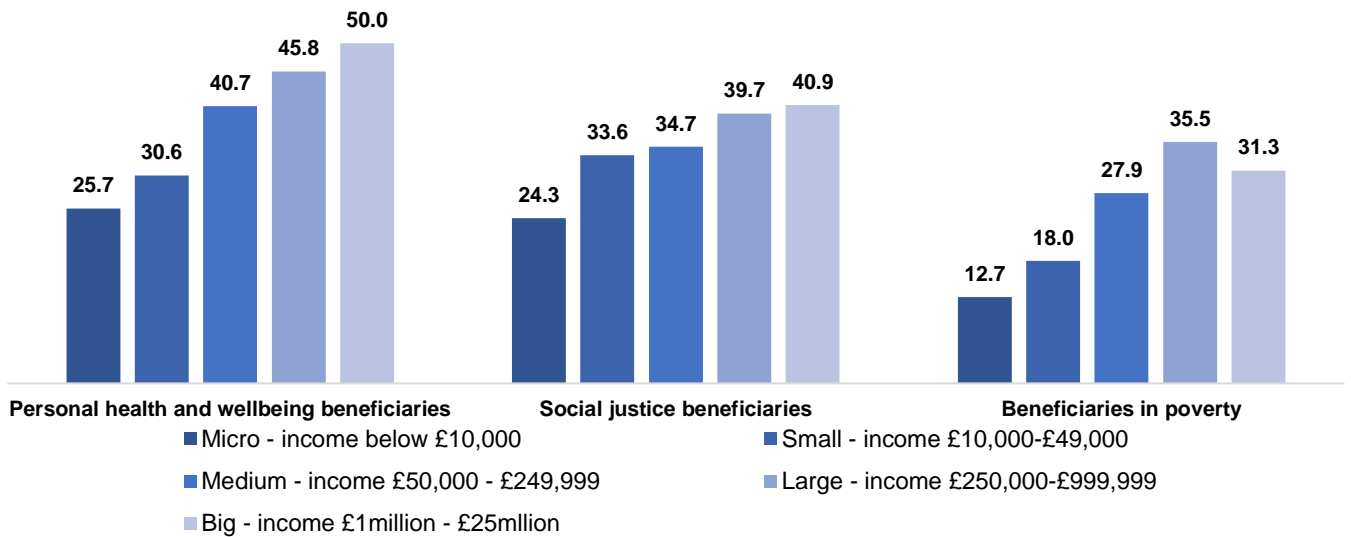
Figure 3.2 Clusters of beneficiaries served	
Beneficiary group	New category
People in general	Generalists (n=4,925, 82% of sample)
Children and young people	
Older people	
People with physical disabilities	Personal health and wellbeing (n=2,106, 35% of sample)
People with physical health conditions	
People with mental health conditions	
People with learning disabilities	
People of a particular ethnic or racial origin	Social justice (n=1,956, 32% of sample)
People with homelessness and housing issues	
Carers	
People with concerns about gender and sexuality	
People in rural areas	
People in disadvantaged urban areas	
People or households living in poverty	Poverty (=1,323, 22% of sample)
Unemployed / workless people	

Figure 3.3 shows that the size of organisations makes a difference. Larger and often more specialised organisations with a bigger resource base, are more likely to serve beneficiary groupings than their smaller counterparts – but the extent to which this happens varies by cluster.

In the case of personal health and wellbeing beneficiaries, the biggest TSOs (50%) are twice as likely to provide support than the smallest (25%). In the field of social justice, variations are less pronounced. For example, small and medium sized TSOs are almost equally likely to serve these beneficiaries.

Serving beneficiaries in poverty is less common *per se*. Micro TSOs are least likely to be involved in such work (13%) while large organisations are the most involved (36%). The percentage of the biggest organisations is lower, at 31 per cent.

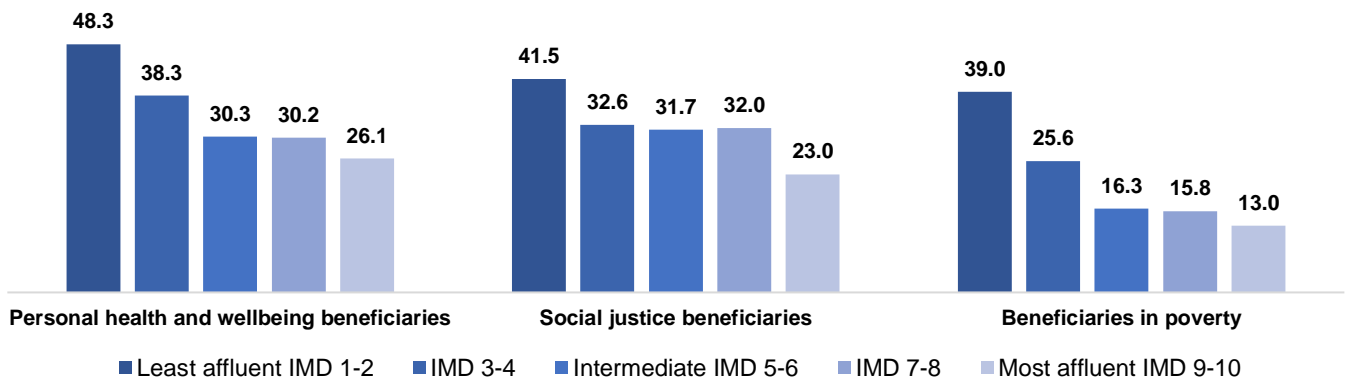
Figure 3.3 Extent to which beneficiary clusters are served by TSOs of different sizes



Area affluence also affects the extent to which beneficiary needs are served. In the least affluent areas, each cluster of beneficiaries is much more likely to be served by TSOs – though to the greatest extent for health and wellbeing beneficiaries (48 per cent).

As would be expected, those TSOs serving beneficiaries in poverty are much more likely to focus their work in the least affluent areas (39%) than the most affluent areas (13%). Attending to issues surrounding social justice, by contrast, is fairly evenly shared in areas of intermediate affluence (IMDs 3-8). And even in the most affluent areas, this remains a key concern for 23 per cent of TSOs.

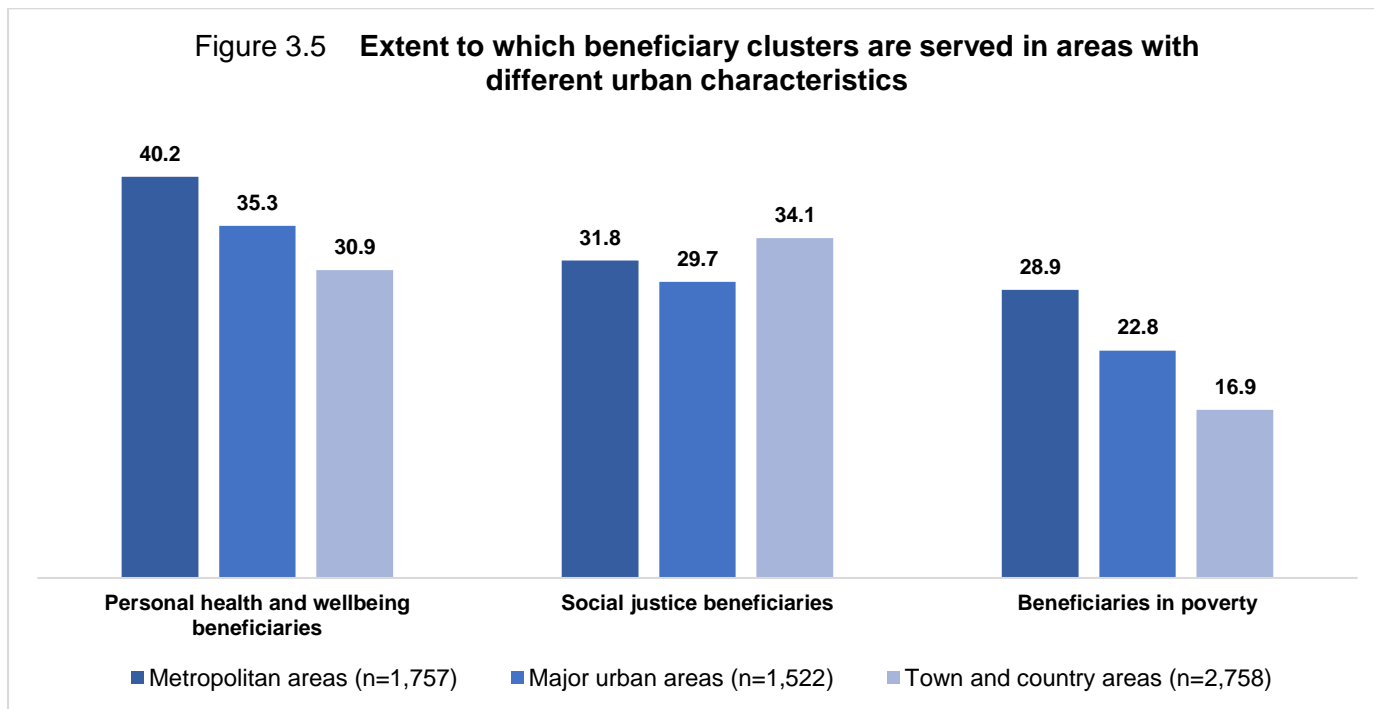
Figure 3.4 Extent to which beneficiary clusters are served in areas of greater or lesser affluence



The urban characteristics of the places where TSOs are based has some impact on the extent to which they engage with beneficiary clusters. But variations are much less pronounced than when compared specifically with area affluence as shown above.

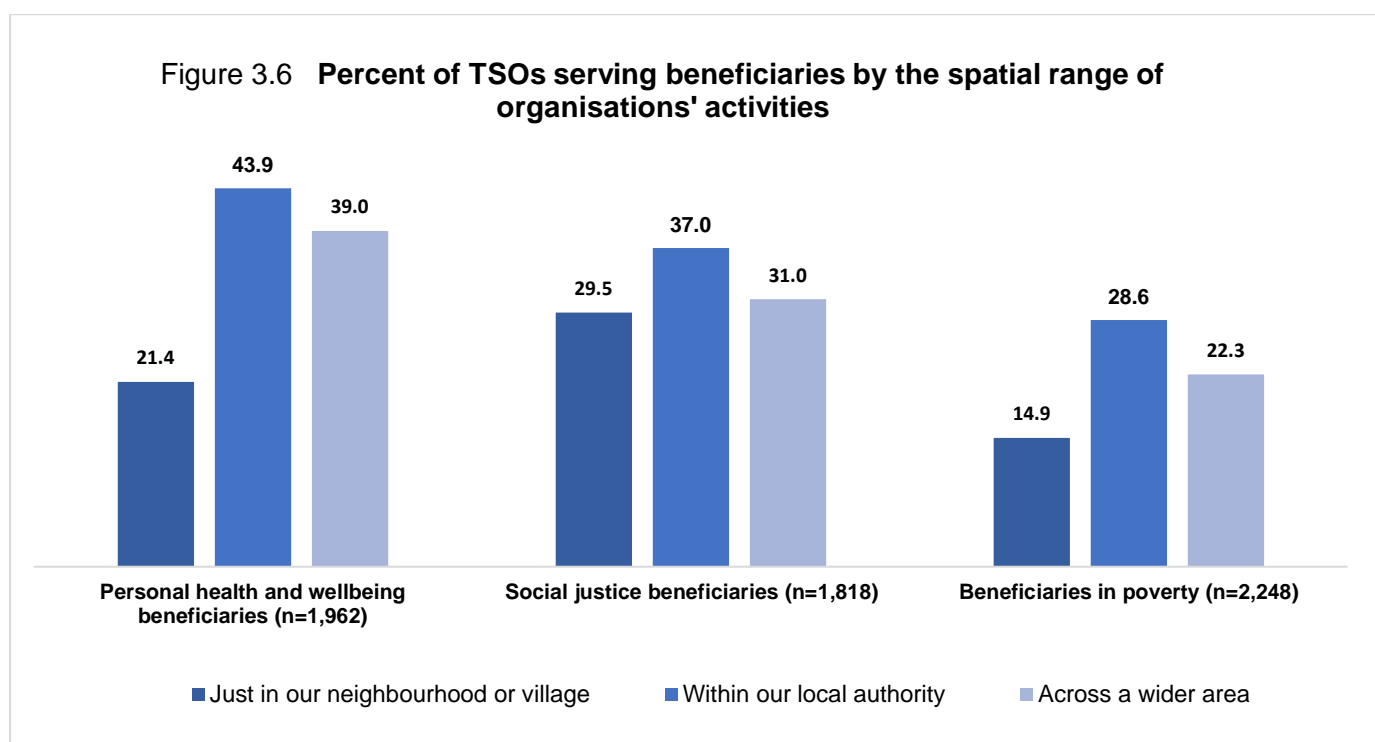
In ‘Metropolitan areas’, TSOs are more likely to serve beneficiaries in the health and wellbeing cluster than in ‘town and country areas’ – but these variations are not dramatic. The percentage of TSOs serving beneficiaries in poverty is considerably greater in ‘metropolitan areas’ (29%) than in ‘town and country areas’ (17%).

TSOs addressing issues surrounding social justice are more evenly distributed. Indeed, a higher percentage of TSOs in ‘town and country areas’ attend to such issues (34%) than in ‘metropolitan’ or ‘major urban areas’.



Interpretation of data in Figures 3.3 to 3.5 is imprecise because many TSOs do not limit their work to the area within which they are based. As Figure 3.6 shows, the largest percentage of active TSOs in all three beneficiary clusters work within the boundaries of a single local authority. Within local authority areas, social conditions can vary considerably.

Most TSOs work beyond the boundaries of their own neighbourhood and many at a wider level than just the local authority area. Nearly 40 per cent of TSOs which attend to health and wellbeing issues work across local authorities, regions or work at a national level as do 31 per cent of TSOs working in the social justice field and 22 per cent of TSOs serving beneficiaries who are in poverty.



It is important to reiterate an earlier point that TSOs rarely serve just one constituency of beneficiaries. As Figure 3.7 shows, interactions are widespread between clusters of beneficiaries.

For example, over 20 per cent of TSOs serve beneficiaries in the 'personal health and wellbeing' and 'social justice' clusters. And indeed, 12 per cent of TSOs serve beneficiaries in all three clusters.

Table 3.4 Interactions between areas of beneficiary support		
Area of beneficiary support	N=	Percent of all TSOs
Personal health and wellbeing	2,106	34.7
Social justice	1,956	32.2
Poverty	1,323	21.8
Two way interactions		
Personal health and wellbeing & Social Justice	1,226	20.2
Social justice and Poverty	944	15.6
Personal health and wellbeing & Poverty	921	15.2
Three way interactions		
Personal health and wellbeing, Social justice & Poverty	747	12.3

3.3 Perceptions of impact achieved

Table 3.8 shows the strength of impact that TSOs say they have on aspects of personal, social and community wellbeing.

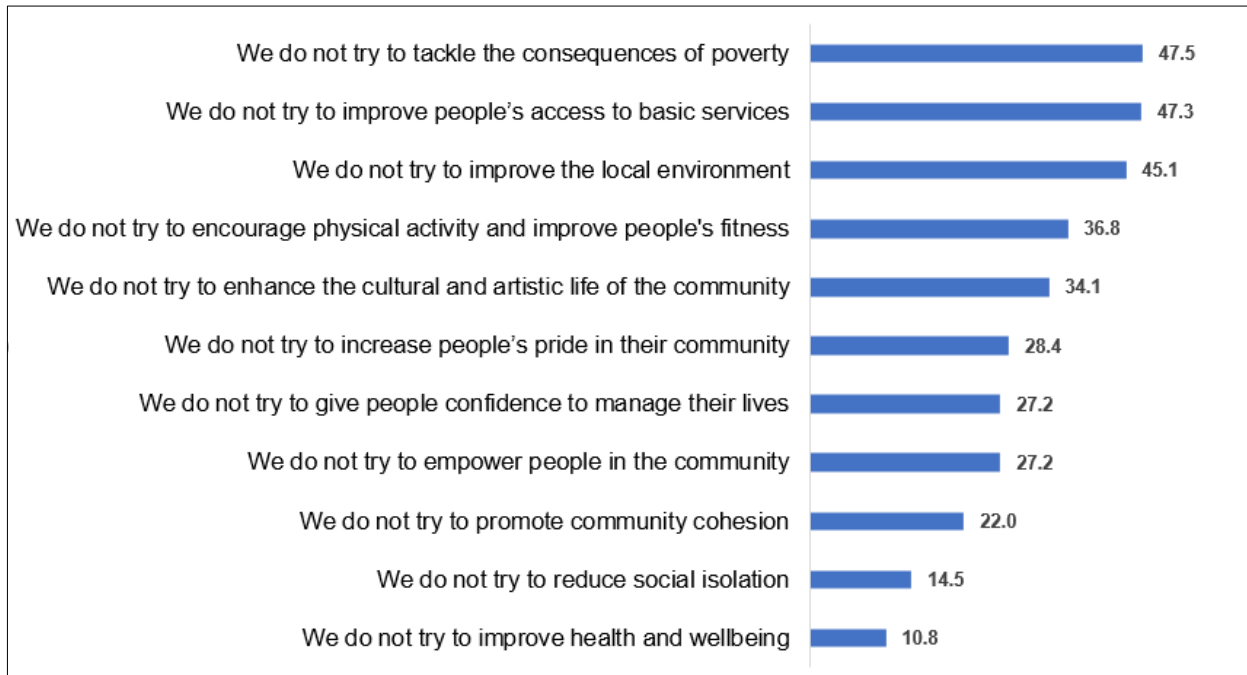
Two findings stand out. Firstly, a higher percentage of TSOs perceive that they have very strong impact on 'generalist' objectives such as 'health and wellbeing' (27%) or 'social isolation' (26%), while fewer make such claims about more specialised or focused aspects of impact such as 'increasing employability' (8%) or 'improving the local environment' (10%).

Secondly, it is worth paying close attention to areas of impact that TSOs do not contribute towards (see Figure 3.7). It may be surprising that nearly half of the sector does not try to tackle 'the consequences of poverty', 'increasing access to basic services' or 'improving the local environment.'

To get beneath the surface of these headline findings, data must be disaggregated by size of organisations and their spatial location.

	We have a very strong impact	We make a good contribution	We make some difference	We don't try to do this	N=
We improve health and wellbeing	27.1	38.1	24.0	10.8	5,787
We reduce social isolation	25.5	36.2	23.8	14.5	5,673
We encourage physical activity and improve people's fitness	13.7	23.0	26.5	36.8	5,451
We increase employability	8.1	15.9	24.6	51.3	5,281
We tackle the consequences of poverty	11.6	16.6	24.3	47.5	5,321
We improve people's access to basic services	13.1	17.6	22.0	47.3	5,300
We enhance the cultural and artistic life of the community	16.8	23.1	26.0	34.1	5,432
We improve the local environment	10.0	17.1	27.8	45.1	5,284
We promote community cohesion	19.7	30.6	27.7	22.0	5,473
We empower people in the community	20.4	26.6	25.8	27.2	5,399
We increase people's pride in their community	15.9	26.8	28.9	28.4	5,346
We give people confidence to manage their lives	24.8	24.8	23.2	27.2	5,464
Average response rate	27.1	38.1	24.0	10.8	5,787

Figure 3.7 **Percentage of TSOs which do not try to have an impact on aspects of social wellbeing**



Size of organisations

Organisational size affects whether TSOs feel that they have an impact in specific areas of work. As shown in Figure 3.8, larger organisations are much more likely to report that they make a 'strong' or 'good' contribution than smaller organisations.

There are some exceptions. Smaller organisations are more likely to feel that they have impact on the enhancement of the cultural and artistic life of the community. In relation to 'improving the local environment' and 'increasing people's pride in the community', perceptions of impact are fairly evenly balanced.

The question is, why do larger TSOs generally feel that they make more of an impact? It may be a matter of 'scale', that they are bigger and achieve more. It could also be because they understand and are more comfortable with using the technical language surrounding impact evaluation or measurement. Or perhaps it is due to the stronger focus and specialisation of many larger organisations? These issues will need to be explored further at a later date.

Figure 3.8 Relationship between organisational size and perceptions of impact
 (percent of TSOs which say they have a 'very strong impact' or 'make a good contribution' to each aspect of impact)

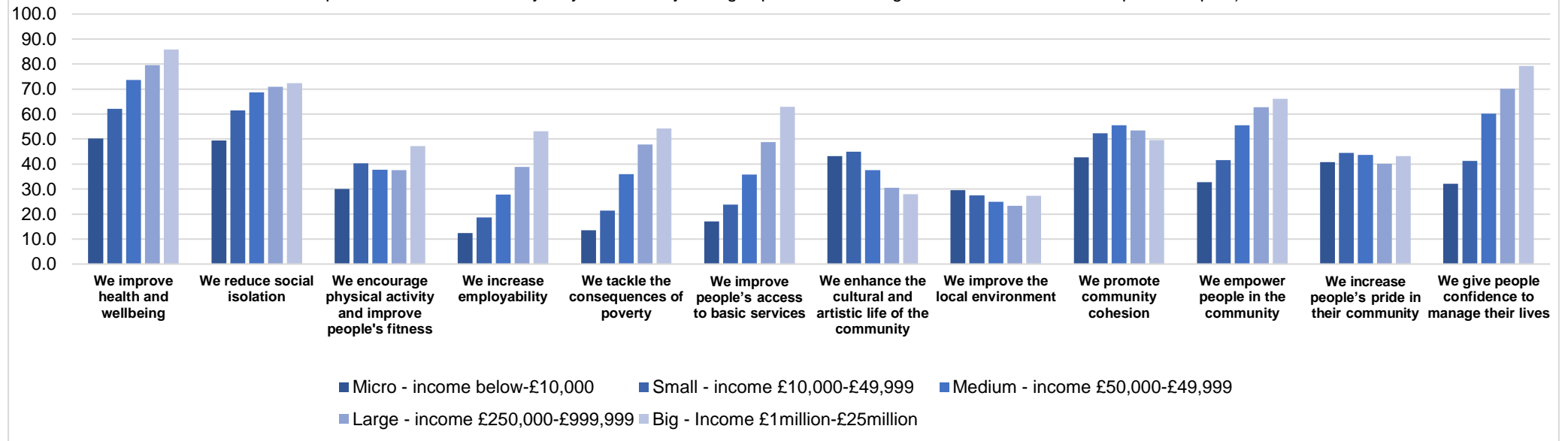
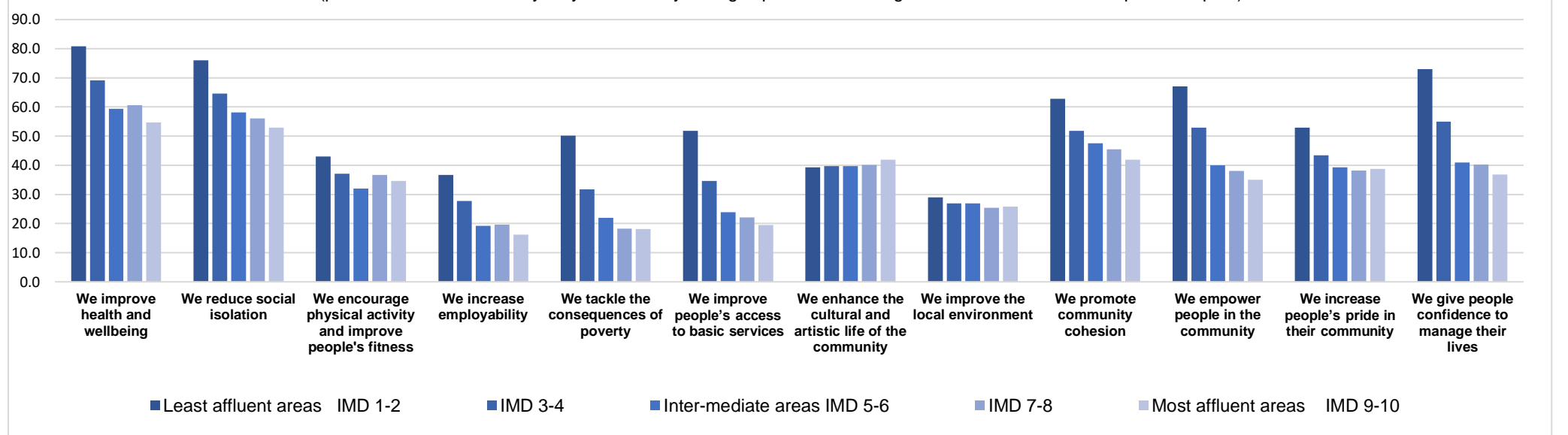


Figure 3.9 Relationship between organisational location and perceptions of impact
 (percent of TSOs which say they have a 'very strong impact' or 'make a good contribution' to each aspect of impact)



Spatial context

To help clarify the issue, Figure 3.9 compares perceptions of impact by the relative affluence of areas within which organisations are based. In most aspects of impact, similar patterns are observed: in poorer areas greater impact is claimed. The only clear exceptions relate to the 'improvement of the local environment' and the 'enhancement of cultural and artistic life of the community'.

The type of urban location where organisations are based also has an effect on perceptions of impact. Stronger claims are expressed in 'metropolitan areas' in most aspects of impact. This may be because (as indicated in Figure 3.9) there are stronger concentrations of social deprivation in metropolitan areas. Furthermore, bigger organisations tend to be more common in metropolitan areas and the least common in 'town and country' areas.

Perceptions of impact are more evenly balanced in fields such as enhancing the 'cultural and artistic life of the community', 'local environment' and the provision of support to 'promote physical activity and improve fitness'.

Finally, the spatial range of organisations' work affects perceptions of impact. As shown in Figure 3.11, organisations which focus their work entirely within their local neighbourhood or within one local authority area are more likely to emphasise impact on aspects of community life (such as 'pride in the community', 'improving the local environment', 'promoting community cohesion', 'improving access to basic services' and 'encouraging physical activity to improve fitness.')

Those organisations which work at local authority or a wider spatial range (beyond local authority boundaries) are more likely to emphasise factors such as 'reducing social isolation', 'improving health and wellbeing', 'cultural and artistic life of the community', 'empowering people in the community' and 'giving people confidence to manage their lives'.

Interpretation is difficult because it cannot simply be assumed that larger organisations work across a wider spatial range while smaller TSOs focus on their locality (see Section 2.5).

With the above caveats in mind, regional variations in perceptions of impact are shown in Table 3.9. As is the case for beneficiaries served (see Table 3.3), regions with major industrial heartlands (Northern regions, West Midlands and Wales) tend to have quite similar impact profiles. These areas tend to have higher levels of deprivation, so it is not surprising that there is a stronger emphasis on impact on 'tackling social isolation', 'giving people confidence to manage their lives', 'health and wellbeing', 'improving employability', and so on.

Those regions which are dominated by shire counties (such as South East England, South West England, East of England and to a lesser extent, the East Midlands) tend to be more affluent than industrialised regions. Consequently, perceptions of impact on critical or pernicious social needs tend to be lower.

The spatial range of organisations' work varies to some extent by regions (see Figure 3.10) but not dramatically so. The exception is London where 47 per cent of TSOs work at a regional or wider level. It has to be accepted that this puts a spanner in the works analytically because much of the energy TSOs based in London expend on supporting beneficiaries and achieving impact lands elsewhere. And as will be shown in the next section on sector energy, it also interferes with assessments of regional sector income and employment.

Figure 3.10 Relationship between urban location and perceptions of impact
 (percent of TSOs which say they have a 'very strong impact' or 'make a good contribution' to each aspect of impact)

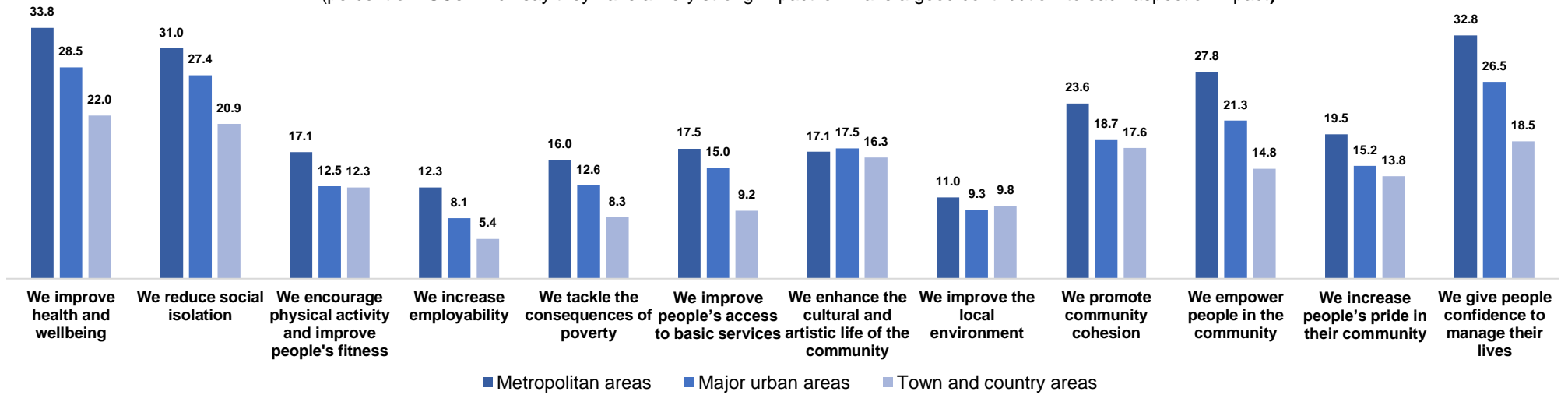
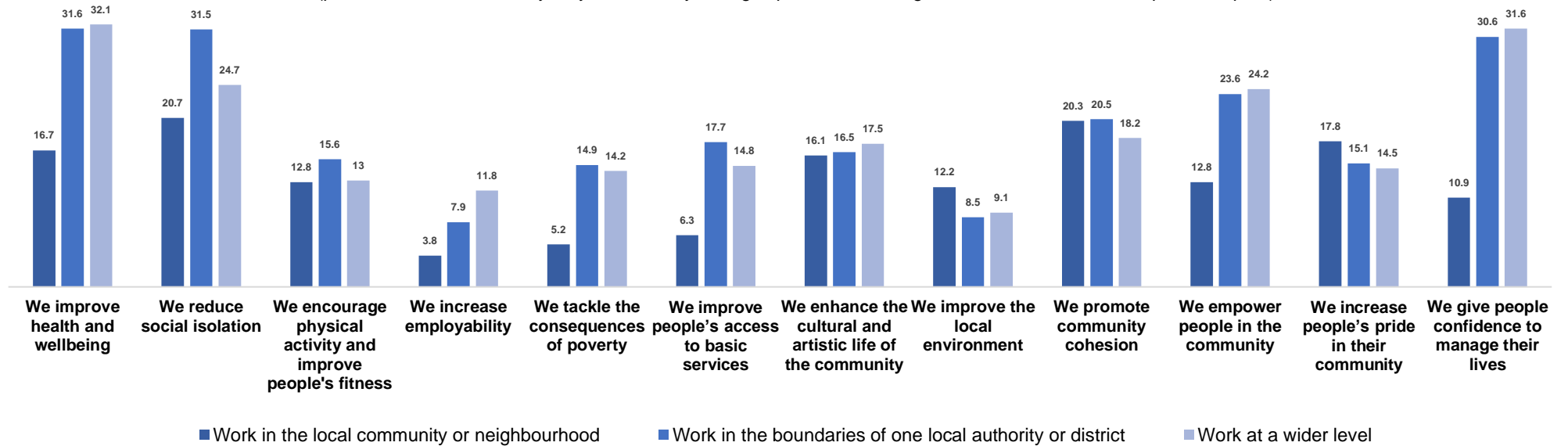
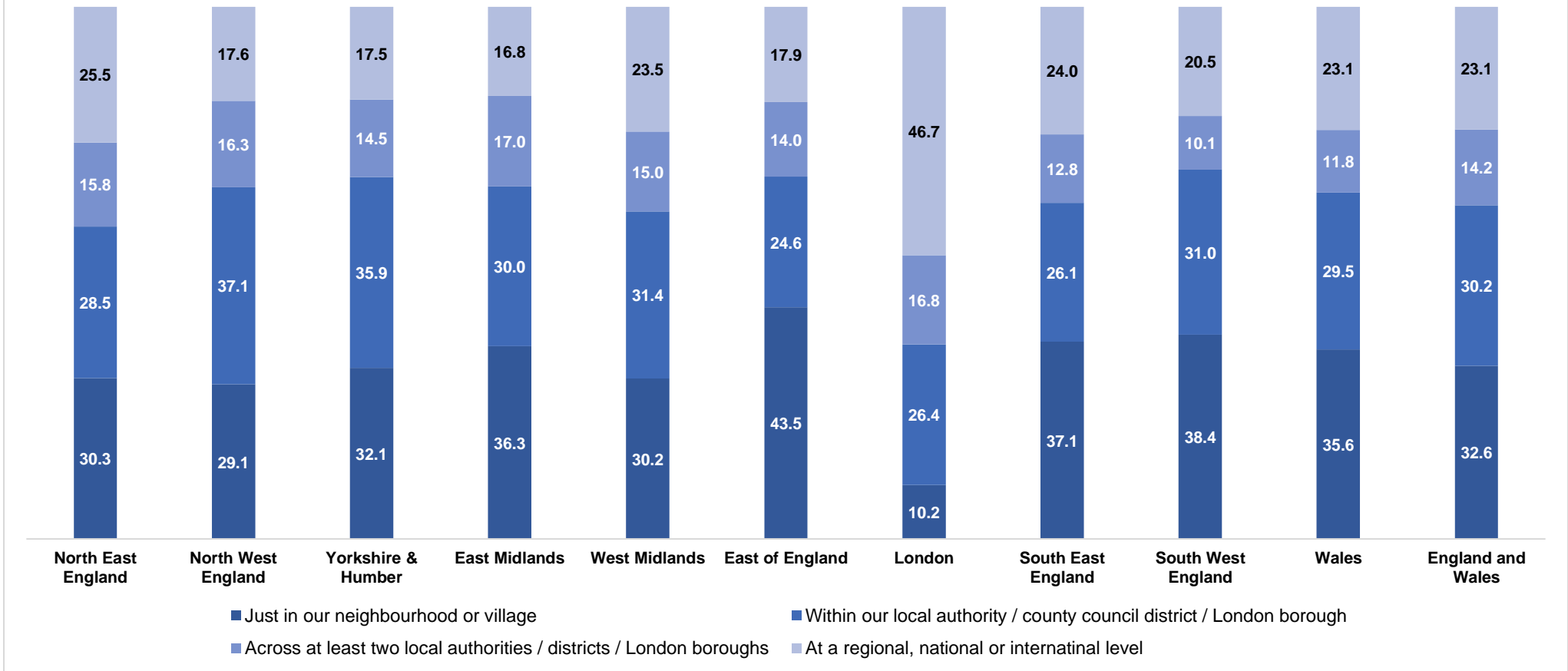


Figure 3.11 Relationship between spatial range of activity and perceptions of impact
 (percent of TSOs which say they have a 'very strong impact' or 'make a good contribution' to each aspect of impact)



Percentage of TSOs which 'strongly agree'	North East England	North West England	Yorkshire & Humber	East Midlands of England	West Midlands of England	East of England	London	South East England	South West England	Wales	England and Wales
We improve health and wellbeing	32.5	33.7	30.1	23.9	28.7	19.4	29.0	19.9	24.3	30.1	27.1
We reduce social isolation	32.1	32.1	30.0	25.1	26.0	17.3	24.4	19.5	20.5	29.2	25.5
We encourage physical activity and improve people's fitness	15.9	15.1	16.8	12.7	12.0	10.3	17.1	11.6	11.6	14.9	13.8
We increase employability	10.7	11.8	9.2	6.0	8.5	3.2	11.6	6.7	5.4	7.2	8.1
We tackle the consequences of poverty	14.4	14.2	10.8	10.9	11.5	7.0	16.1	9.3	10.2	11.9	11.6
We improve people's access to basic services	16.0	17.1	16.9	13.2	15.3	7.8	14.4	8.3	9.3	14.1	13.1
We enhance the cultural and artistic life of the community	17.9	16.3	15.8	15.6	11.7	14.6	20.2	19.3	16.0	20.4	16.8
We improve the local environment	8.9	12.8	10.6	7.5	10.7	6.8	9.2	9.2	9.8	14.1	10.0
We promote community cohesion	23.4	22.5	22.4	18.5	19.8	12.2	21.6	15.9	18.0	23.8	19.7
We empower people in the community	27.0	25.0	25.8	17.8	22.5	9.9	23.3	16.2	14.6	21.9	20.4
We increase people's pride in their community	19.3	19.3	19.5	14.0	14.5	12.0	18.3	12.0	12.5	17.8	15.9
We give people confidence to manage their lives	29.9	30.1	30.4	24.6	27.9	16.0	29.0	18.4	18.7	24.8	24.8

Figure 3.10 Spatial operation range of TSOs by English region and Wales (Third Sector Trends 2022, n=6,023)



Making sense of the impact of the work of the Third Sector at national, regional and local level is challenging because there are, as indicated in this analysis, so many factors to take into account.

It is worth remembering, though, that it will never be possible to ‘nail down’ who does what, where and with what impact precisely. And it has to be accepted that attribution of impact will always be shared. No single organisations can achieve everything on its own – and more often than not – they achieve more by working alongside other organisations in the Third Sector, public sector and private sector in complementary ways.

Furthermore, TSOs rarely commit to achieving impact in just one way or working for a single group of beneficiaries. Instead, it should be recognised that their work contributes to beneficiaries in direct, complementary or tangential ways. To demonstrate this, Figure 3.11 shows how clusters of impact have been assembled from individual categories of impact. These have been cross-tabulated to find out how many cross-overs exist in organisational practices

Figure 3.11 Construction of four key areas of social impact			
Personal health	Social wellbeing	Financial security	Community wellbeing
We improve health and wellbeing	We give people confidence to manage their lives	We increase employability	We enhance the cultural and artistic life of the community
Support health and fitness	We reduce social isolation	We improve people’s access to basic services	We increase people’s pride in their community
		We tackle the consequences of poverty	We promote community cohesion
			We empower people in the community
			We improve the local environment

As Figure 3.12 shows, between a fifth and third of TSOs believe that they have a ‘strong impact’ in each of these clusters. Furthermore, many organisations commit to achieving impact in two or more clusters of social impact. Indeed, nearly 8 per cent of organisations feel that they achieve strong impact in all four areas of impact.

This should not be surprising. Many TSOs engage in a wide range of activities which serve many purposes even if they have a particular area of specialism in terms of purpose, beneficiary orientation or approach to practice. With these observations in mind, when trying to determine the whole value of the contribution of the Third Sector – much will depend on shared, well-informed judgement – rather than nailing down the specifics of who achieved what.

Figure 3.12 Percentage interactions between core social impact variables (Third Sector Trends 2022, England and Wales, n=6,070)

Core areas of sector impact	
<p>Personal health (29.6% of VCSE organisations say they make a substantive impact)</p>	<p>Social wellbeing (33.3% of VCSE organisations say they make a substantive impact)</p>
<p>Financial security (20.0% of VCSE organisations say they make a substantive impact)</p>	<p>Community wellbeing (34.3% of VCSE organisations say they make a substantive impact)</p>
Two-way interactions	
<p>Personal health & Financial security (11.4%, n=691)</p>	<p>Personal health & Social wellbeing (21.7%, n=1,319)</p>
<p>Social wellbeing & Community wellbeing (20.1%, n=1,221)</p>	<p>Community wellbeing & Financial security (11.9%, n=722)</p>
<p>Personal health & Community wellbeing (16.2%, n=985)</p>	<p>Financial security & Social wellbeing (14.5%, n=883)</p>
Three-way interactions	
<p>Personal health, Social wellbeing & Financial security (10.0%, n=608)</p>	<p>Social wellbeing, Community wellbeing & Personal health (13.9%, n=843)</p>
<p>Personal health, Financial security & Community wellbeing (8.0%, n=487)</p>	<p>Community wellbeing, Social wellbeing & Financial security (10.3%, n=623)</p>
Four-way interactions	
<p>Personal health, Personal wellbeing, Financial security & Community wellbeing (7.5%, n=455)</p>	

Section 4

Sector energy

4.1 Headline findings on change

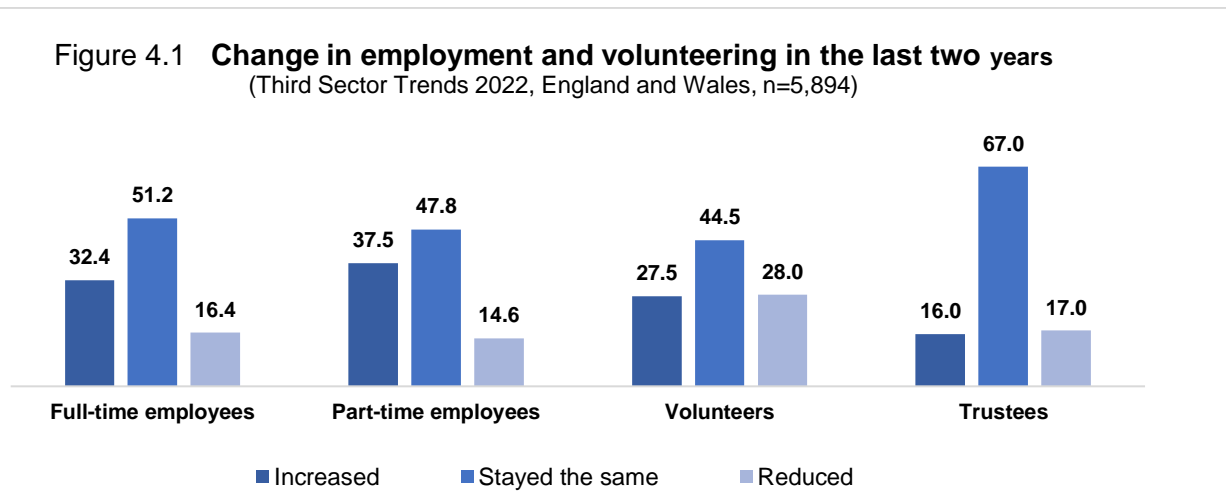
This report aims to assess the level of ‘energy’ employees and volunteers inject into civil society to achieve social outcomes. Later reports will look in much more depth at the dynamics surrounding people resources and relationships within the sector.

It is useful, however, to present some headline data on changing patterns of recruitment and retention of employees and volunteers over the last two years. These findings help to inform the process underpinning the calculation of employee and regular volunteer numbers in England and Wales.

Figure 4.1 indicates that there has been some fluctuation in employee, volunteer and trustee numbers over the last two years. On balance, the indications are that the numbers of full-time and especially part-time employees may have risen since 2020.

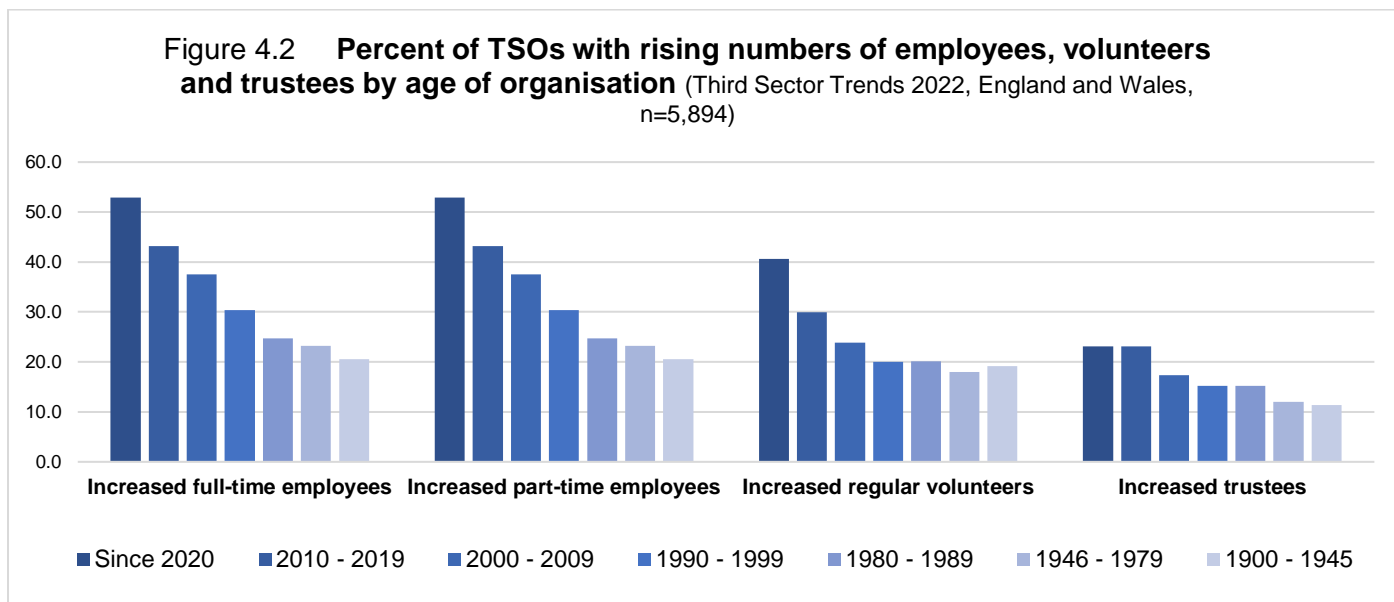
Volunteer numbers, while changing in individual organisations, seem to have remained fairly similar overall. Trustees constitute the most stable category – 67 per cent of organisations report no change.

It will be demonstrated in subsequent reports that much lies below the surface of these headline data that have been taken into account when making assessments of overall changes in levels of employment and volunteering. For example, older organisations (established before 1945) were much less likely to have experienced rising numbers of employees or volunteers, while the most recently established TSOs were the most likely.

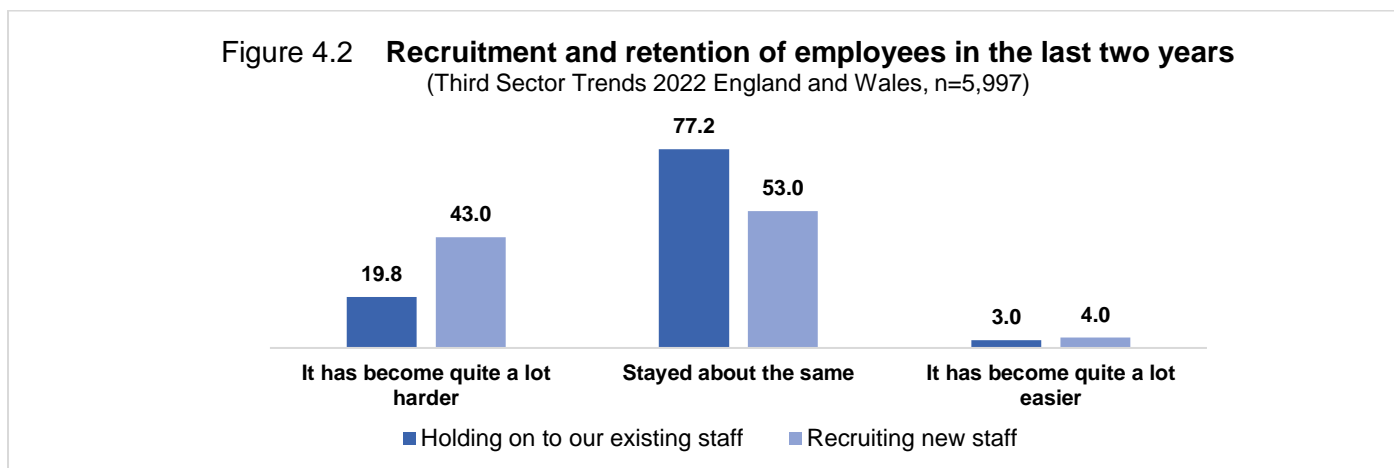


It will be demonstrated in more depth in subsequent reports that much lies below the surface of these headline data that have been taken into account when making assessments of overall change in levels of employment and volunteering. For example, older organisations (established before 1945) were much less likely to have experienced rising numbers of employees or volunteers, while the most recently established TSOs were the most likely (see Figure 4.2).

If rising employment is due to the activities of ‘new’ organisations, this is clearly not indicative of the general situation. Furthermore, some organisations will have ceased to operate since the study was last done – which will result in a reduction in overall employment.



Recruitment and retention statistics provide another useful indicator when estimating change in employee numbers. As Figure 4.2 shows, 20 per cent of TSOs have found it harder to hold onto existing staff and 43 per cent have experienced difficulties in recruiting new employees.



Difficulties encountered with retention and recruitment of employees in English regions and Wales are shown in Figure 4.3. Some regions are struggling more than others, but this is clearly a general problem for the sector.

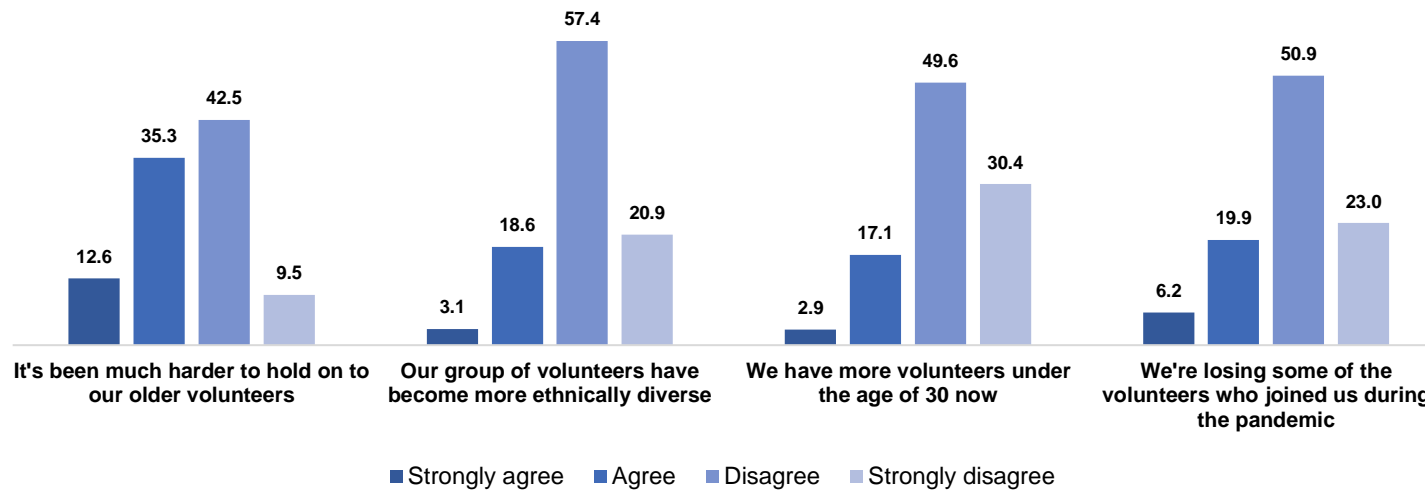
Headline data on change in the number of regular volunteers suggests limited overall change (see Figure 4.1). But beneath the surface, it appears that many organisations have experienced change in the composition of the regular volunteer workforce and some may have had difficulties in retaining regular volunteers.

Over half of TSOs report that it has been harder to hold on to older volunteers and it looks unlikely that this has been fully compensated for by the recruitment of new volunteers. Indeed, a quarter of organisations say that they are losing some of the volunteers who joined them during the pandemic.

Figure 4.3 **Percentage of TSOs experiencing difficulties with retention and recruitment of staff by English Region and Wales** (Third Sector Trends 2022, n=5,992)



Figure 4.4 **Change in the composition of volunteer workforce changed in the last two years** (Third Sector Trends 2022, England and Wales, organisations with no volunteers excluded, n=4,709)



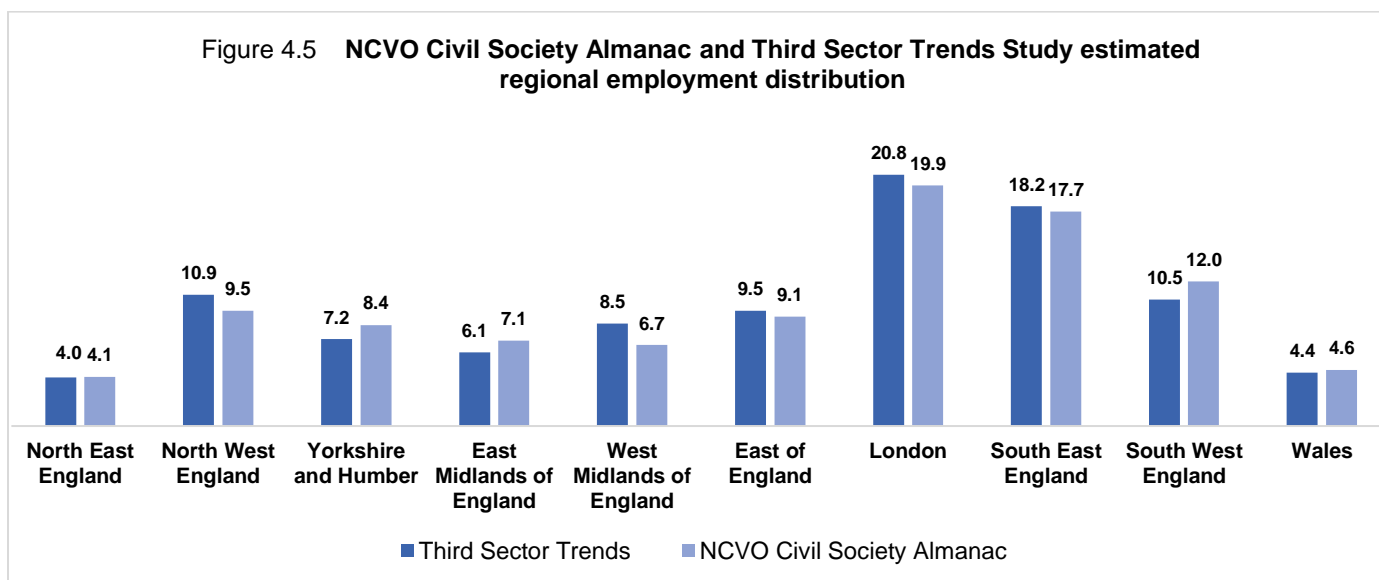
4.2 Employee estimates

Estimating the number of employees in the Third Sector is a complex process. National statistics do not have a separate category for the Third Sector. Instead, Third Sector employees are scattered across several industrial sectors.²² Estimates on Third Sector employment are reliant on survey estimates which collect data in bands on the number of employees in organisations of different sizes.

Third Sector Trends samples have been cross-checked against the National Survey of Third Sector Organisations of 2010 to ensure that the methodology of preparing estimates is broadly comparable. Table 4.1 presents headline data on employment estimates by English regions and Wales together with the percentage of Third Sector employers. Additionally, the percentage of Third Sector employment as a proportion of all employment is estimated.

NCVO has estimated that there are about 950,000 employees in the UK.²³ Third Sector Trends estimates tend to be higher than NCVOs statistics because the study takes a wider view on sector composition – even though some Major and all Super Major TSOs are excluded from the study.

It is estimated that the Third Sector in England and Wales employs about 1.1 million people. Around 40 per cent of organisations are employers – though many have just one or a few part-time staff. That constitutes around 3 per cent of national employment in most English regions and Wales.



It is harder to determine how many employees there are in London using the TSTS methodology because the sector is dominated by bigger organisations – nearly half of which (47%) work beyond the boundaries of Greater London. It is, therefore, highly unlikely that Third Sector employees constitute nearly 8 per cent of the workforce in the capital as many will be distributed more widely. A more probable estimate for London based employment is around 193,700.

NCVO and TSTS estimates are calculated differently, both approaches to making estimates have their merits but neither can claim to be perfect. Nevertheless, NCVO and TSTS estimates indicate that the broad spread of sector employees is similar (see Figure 4.5).

²² The approach taken to making employment estimates is detailed more fully in the technical paper on analytical approaches in Third Sector Trends, *ibid*, Section 4.

²³ [Five insights about the state of the voluntary sector: Civil Society Almanac 2022 | NCVO](#)

	Estimated number of TSOs	Estimated percentage of TSOs which are employers	Estimated Third Sector employees	Total regional employment estimates ²⁴	Percentage Third Sector regional employment
North East England	6,900	40.1	37,300	1,200,000	3.1
North West England	20,100	39.4	101,300	3,461,000	2.9
Yorkshire and Humber	14,600	38.7	66,900	2,603,000	2.6
East Midlands	14,500	38.2	56,600	2,357,000	2.4
West Midlands	16,800	34.6	79,000	2,835,000	2.8
East of England	21,600	36.5	88,800	3,131,000	2.8
<i>London²⁵</i>	<i>38,500</i>	<i>46.2</i>	<i>193,700 (365,000)</i>	<i>4,802,000</i>	<i>7.6</i>
South East England	33,400	40.3	169,500	4,585,000	3.7
South West England	23,700	37.3	97,700	2,787,000	3.5
Wales	10,000	33.2	41,300	1,463,000	2.8
England and Wales	200,000 ²⁶	39.6	1,103,800	29,224,000	3.8

To test the reliability of employee estimates, Table 4.2 presents indicative salary costs to employing organisations in the Third Sector. These costs are based on the assumption that average wages in the Third Sector stand at around 80 per cent of average regional wages partly due to the prevalence of part-time or fractional appointments, but also because salary levels tend to be lower than the public or private sector.

It is accepted that estimating wages at 80 per cent of average regional wages may be too low and that employer on-cost estimates at 25 per cent may be too modest. However, in the absence of firm data accumulated from individual employers from national statistical sources, it is not possible to test these assertions. As Table 4.2 indicates, the total cost of employee wages in employee organisations ranges from 69-75 per cent across English regions and Wales.

²⁴ ONS regional labour market statistics, released August 2022 [HI00 Regional labour market: Headline Labour Force Survey indicators for all regions - Office for National Statistics](#)

²⁵ In London, the statistical model may have skewed employment estimates to some extent due to the much larger proportion of bigger employees. The likelihood is that many larger London-based TSOs employ staff across English regions and Wales – but the extent of this distribution cannot be determined.

²⁶ Please note, rounding error produces a total of 200,100.

Table 4.2 Estimated wage costs and proportional costs of wages against sector income

	Estimated number of full-time equivalent employees	80 per cent of average regional wage excluding employer on-costs ²⁷	Total wage cost £millions	percent of income spent on employees assuming most income is located in employer organisations
North East England	37,300	22,012	1,027.47	69.3
North West England	101,300	23,623	2,992.54	71.7
Yorkshire and Humber	66,900	23,046	1,927.94	71.2
East Midlands	56,600	22,733	1,608.74	75.0
West Midlands	79,000	24,000	2,368.91	70.5
East of England	88,800	24,694	2,740.09	70.8
London ²⁸	365,400	31,773	14,497.16	84.9
South East England	169,500	26,248	5,562.55	71.4
South West England	97,700	23,264	2,841.59	72.5
Wales	41,300	22,805	1,178.28	73.8
England and Wales	1,103,800	25,028	36,745.27	71.7

Constructing estimates on full-time and part-time employees has become more complex in recent years. This is due to the lack of data in Third Sector Trends or elsewhere on the number of hours part-timers work.

Furthermore, there is some emerging evidence from NCVO on fractional appointments which are close to full time employment. In Third Sector Trends qualitative work, for example, it is common to find that employees work on a 0.8 full-time equivalent contract (that is, four days a week). But the scale of that qualitative study is far too small to make credible claims.

Bald estimates from Third Sector Trends on the split between full-time and part-time employees by region is provided in Table 4.3, but with the above caveats in mind, they must be interpreted with some caution.

²⁷ Employer on-costs have been conservatively estimated at around 20 per cent (for national insurance and pensions because much of the workforce is part-time. Total wage costs include these on-costs, whereas the listing of 80 per cent average wages does not. For example, the actual employer cost for North East England would be closer to £27,500 per full-time equivalent employee (that is £22,012 plus 20% on-costs). It is not anticipated that full-time employers will receive only 80 per cent of average regional wages, but salary levels are likely to be somewhat lower. Recent estimates from Pro Bono Economics suggest that full-time Third Sector wages are about 7 per cent below average. <https://www.probonoeconomics.com/news/charity-sectors-ability-to-attract-talent-under-threat-from-pay-gap>

²⁸ The proportion of salary costs appears to be higher in London at 85 per cent. But as noted, we have concerns that London employee data estimates may be skewed due to the substantially different composition of the Third Sector in the capital. As noted above, actual employees in London is likely to be about half of the sum listed because employees will be distributed across the UK and internationally.

Table 4.3 Estimated percentage of part-time and full-time employees

	Percent part-time employees	Percent full-time employees
North East England	57.3	42.7
North West England	57.4	42.6
Yorkshire and Humber	57.5	42.5
East Midlands	57.8	42.2
West Midlands	57.6	42.4
East of England	57.8	42.2
London	57.1	42.9
South East England	57.6	42.4
South West England	57.8	42.2
Wales	57.8	42.2
England and Wales	57.4	42.6

In the second scheduled report from the Third Sector Trends Survey 2022, data on people resources in the Third Sector employment will be analysed in more depth to explore changing patterns of employment in the sector. The analysis will also include new evidence on the extent of recruitment and retention challenges in the sector. Future analysis will also explore the extent to which employers invest in training and staff development in the Third Sector.

4.3 Regular volunteer estimates

National estimates for the number of volunteers in the UK are published annually in NCVO's Civil Society Almanac.²⁹ It is reported that 16.3 million people volunteered at least once in the previous year with a group, club or organisation in the UK (down from 19.4 million the previous year). About 9.2 million people volunteered at least once a month (down from 11.9 million in the previous year). These are impressive statistics that show that a culture of volunteering, in one capacity or another, is well established in the UK.

In studies of the Third Sector, it is necessary to be careful about extrapolating too much insight from headline volunteering statistics, and especially so when considering the support volunteers regularly offer to TSOs. The Third Sector Trends Study is interested in levels of 'regular volunteering' because they allow TSOs to be able to plan and practice their work with a clear idea in mind about the volunteering resources they can draw on (in addition to the work that might be done by paid employees when such staff exist).

Regular volunteers are defined in Third Sector Trends as people who provide on average 72 hours of support to a TSO in one year (or an average of six hours per month). Calculations exclude occasional or ephemeral (i.e. 'one-off') volunteering.³⁰

²⁹ NCVO: [Volunteering overview - Volunteering | UK Civil Society Almanac 2021 | NCVO](#). [Volunteering overview – Volunteering | UK Civil Society Almanac 2022 | NCVO](#).

³⁰ Ephemeral or occasional volunteering may include people who help with a fundraising appeal, people who are allocated to volunteer through, for example, employee supported volunteer initiatives or by university student volunteer programmes.

As TSTS only has data from TSOs, several other kinds of volunteers cannot be included in the analysis:

- Volunteers giving time to public bodies such as local public libraries (unless they are community run entities) or the NHS (unless they are working directly for a TSO such as WRVS).
- Volunteering in schools as governors, as members of informal/unregistered parent teacher associations, supporting teachers in the classroom, school trips and sports days, or general school fundraising activities.
- Volunteering for other public bodies such as the police as special constables, the criminal justice system as magistrates, or as reservists in the armed forces and so on.
- Employee supported volunteers or the provision of pro-bono support by employees or professionals (unless it is facilitated via a TSO such as Pro-Bono Economics).
- Volunteers participating in national fundraising appeals (for example, BBC Children in Need, Comic Relief, Sport Relief, or for large national charities such as Save the Children and Oxfam³¹ etc.)

It is not being insinuated that these forms of volunteering lack value or are of a lesser value than those working directly for local TSOs. It is simply a question of calculating the contributions regular volunteers make in the local Third Sector to society.

With these caveats in mind, it is possible to calculate the amount of energy which is produced through voluntarism³² in TSOs of different sizes by estimating the number of hours regularly given by volunteers. When compared with previous estimates in the North of England in 2019 and 2016, the indications are that there has been a substantive fall in the number of regular volunteers in the Third Sector in the post-pandemic period – but not, perhaps, as much as expected (see Figure 4.5).

This may be due to difficulties in re-engaging volunteers who withdrew from providing time during the period of lockdowns. It may also be associated with the loss of new volunteers who contributed effort during the coronavirus crisis but have since returned to their normal routines (see Figure 4.4). Such factors will be explored in depth in the second report from Third Sector Trends 2022.

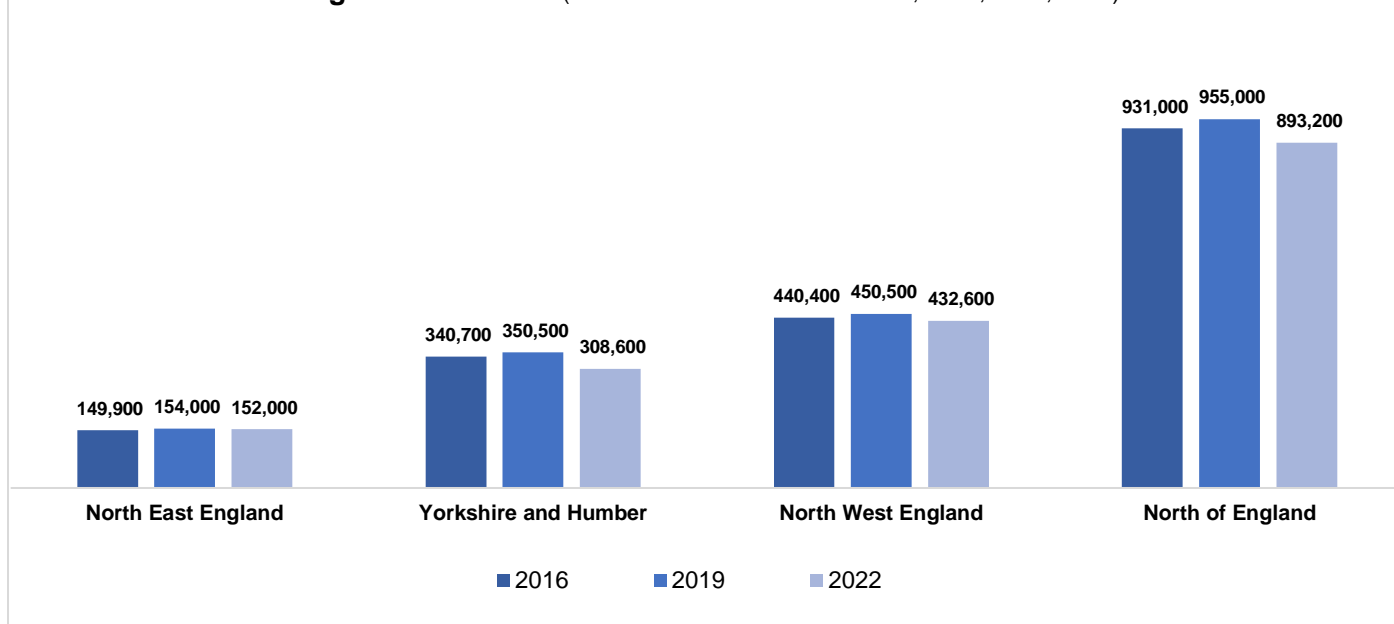
³¹ Supporting large nationals as volunteers in local charity shops would be included providing that federated branches responded to the survey at a local level.

³² In this analysis, average numbers of 'regular volunteers' have been estimated from response data in each of the 5 standardised TSO income categories used in this report: micro TSOs=15, small TSOs=16, medium TSOs=20, large TSOs=38, big TSOs=48. These multipliers have been substantially reduced from the 2019 calculations due to changes in the composition of the volunteering workforce which will be reported at a later date. Clearly the range of numbers vary considerably in individual organisations, but for a scaling-up exercise, averages must be adopted. Similarly, the hours worked by individual volunteers may vary widely, but in this study the average number of hours given by volunteers is estimated at 72 per annum or 6 per month. The emphasis is on regular volunteers. In micro and smaller TSOs only, this includes the contribution of trustees and committee members who tend to get more directly involved in day-to-day activities or, in very small TSO, the group may be entirely reliant upon them to do so. Hours worked are scaled up to FTE employees on the following basis: 7.5-hour days at 220 working days per year.

Proxy financial ‘replacement values’ of the work of volunteers have been calculated using two measures: the National Minimum Wage (at £9,50 per hour) and 80% average regional hourly wage (at plain rate, i.e. not including employer on costs) as financial benchmarks. Estimates were scaled up to regional level using Charity Commission Register charity population data (see Table 4.4).

	Number of regular volunteers	Estimated total hours worked (millions)	Value at National Living Wage (£millions)	Number of full-time equivalent regular volunteers	80% average regional wage	Value produced at 80% average regional (£millions)
North East England	152,000	11.0	104.0	6,600	22,012	146
North West England	432,600	31.1	295.9	18,900	23,623	446
Yorkshire & Humber	308,700	22.2	211.1	13,500	23,046	310
English East Midlands	294,900	21.2	201.7	12,900	22,733	293
English West Midlands	330,300	23.8	225.9	14,400	24,000	346
East of England	443,600	31.9	303.4	19,400	24,694	478
<i>London³³</i>	<i>966,600</i>	<i>69.6</i>	<i>661.1</i>	<i>42,200</i>	<i>31,773</i>	<i>1,340</i>
South East England	713,400	51.4	487.9	31,100	26,248	817
South West England	487,000	35.1	333.1	21,200	23,264	494
Wales	206,000	14.8	140.9	9,000	22,805	205
England and Wales	4,335,000	312.1	2,965.0	189,170	25,028	4,875

Figure 4.6 Change in estimated regular volunteer workforce in the North of England 2016-2022 (Third Sector Trends in the North, 2016, 2019, 2022)



³³ Estimates of the number of volunteers may be over or underestimated in London because many larger organisations, such as charitable foundations, tend not to have volunteers. Large international organisations by contrast may have very large numbers of volunteers but they may not provide support in England and Wales. As a study of the local Third Sector, these estimates feel ‘about right’ when compared with other.

Section 5

Sector impact

5.1 How to value sector activity

Third Sector Trends' approach to impact analysis has been designed to examine ways of assessing the contribution of the Third Sector as a complete entity to the social and economic wellbeing of localities.

This represents a departure from most evaluation studies of sector impact which, until now, have tended to focus on:

- **practice interventions** (such as programmes to address homelessness, teenage pregnancy, recidivism).
- **organisational or partnerships interventions** (such as mental health recovery college programmes, young people's employability programmes); and,
- **place-based interventions** which attempt to strengthen or revive local economy and society (such as Local Trust programmes or interventions to tackle declining coastal towns).

A wide range of techniques have been developed to undertake evaluation of Third Sector activity such as *cost-benefit analysis* and *social return on investment*.³⁴ These approaches are underpinned by social-science driven methodologies to examine aspects of behavioural, economic or social change.

Some impact-focused approaches to evaluation construct *theories of change* to test the effectiveness of programmes achievement of desirable objectives.³⁵ More recently, the use of *social impact bonds*, which are devised to incentivise social investment by pinpointing likely financial outcomes, have caught the political imagination in some circles.³⁶

³⁴ There is a large policy and practice literature associated with approaches to evaluation methodologies which cannot be reviewed here. There are several approaches to Social Return on Investment (SROI), see for example: New Economics Foundation (2004) *Social Return on Investment: valuing what matters*, London, New Economics Foundation. <https://www.nefconsulting.com/wp-content/uploads/2017/09/sroi-valuing-what-matters.pdf> For current practice provided by NEF, see: <https://www.nefconsulting.com/training-capacity-building/resources-and-tools/sroi/>. For a useful critical review of SROI see Arvidson, M., Lyon, F., McKay, S. and Moro, D. (2011) *The ambitions and challenges of SROI*, Birmingham: Third Sector Research Centre University of Birmingham. See also: Morris, A. (2003) *Models of Research Impact: a cross-sector review of literature and practice*, London: Learning and Skills Research Centre; and Nutley, S., H. Davies, et al. (2002) *Evidence Based Policy and Practice: Cross Sector Lessons from the UK*, London, ESRC UK Centre for Evidence Based Policy and Practice. Cost benefit analysis has been used extensively in public and social policy domains.

³⁵ Theories of change have been used extensively in programme design and evaluation. There is a large literature which lends enthusiastic support to this approach, see for example: Taplin, D. *et al.* (2013) *Theory of Change, technical papers*, New York, Center for Human Environments. In the UK, New Philanthropy Capital has been a leading exponent of Theories of Change, for more detail see: <https://www.thinknpc.org/resource-hub/creating-your-theory-of-change-npcs-practical-guide/>. The approach is not without its detractors, however, see for a short example: Mulgan, G. (2016) *What's wrong with theories of change?* London, NESTA: <https://www.nesta.org.uk/blog/whats-wrong-with-theories-of-change/>

³⁶ Social Investment is not a new idea. For example, in the 19th century, the Peabody Trust became well known for its 'five per cent philanthropy' in the production of affordable rented housing for the poor, see: Tarn, J.N. 1973. *Five Per Cent Philanthropy*. London: Cambridge University Press. Enthusiasm for social investment and Social Impact Bonds (SIBs) resurfaced about a decade ago and the idea received an enthusiastic response in government circles. Cabinet Office described social investment as "Social investment provides capital that enables social organisations to deliver both social and financial returns. The investment is repayable, often with interest, and is typically used to develop new or existing activities that generate income – such as trading activities or contracts for delivering public services." (Cabinet Office, 2015). Exponents for social impact bonds (SIBs) have made compelling arguments for the take up of SIBS, see for example: Mulgan, G., S. Tucker, A., Rushanara, and B. Sanders. 2007. *Social Innovation: what it is, why it matters and how it can be accelerated*, Oxford: Said Business School; Nicholls, A. 2010. 'The Institutionalization of Social

When carefully used in the right contexts, the above approaches can throw light on the benefits that interventions have brought about. But such techniques cannot be transplanted directly onto an enquiry about 'whole sector' impact for a number of reasons.

Firstly, impact evaluation work at organisational or programme levels tends to be highly focused on specific areas of practice or impact. When looking at sector impact from an area perspective, this is a serious limitation because TSOs' perceptions of impact tend to centre on 'softer' outcomes which are often produced in complementary ways and across fields of practice by many organisations and agencies.

Secondly, evaluation work is generally time limited to the period of funding. The desire to produce results quickly can drive the research focus onto concrete outcomes such as the number of people who engage in programmes and include immediate assessments of attitudinal or potential behavioural change. This can restrict the scope for assessing longer-term aspects of change in localities or for constituencies of beneficiaries that are brought about by a complicated and unpredictable mix of factors.

Thirdly, clear boundaries are often drawn around programme interventions to ensure that impact can be attributed to specific sources of funding. But as shown in Section 4 of this report, the way the work of the Third Sector is configured is much more complex and means that the disaggregation of the impact of individual organisations, in fields of practice or within localities is not easily achieved. In a study of whole sector impact, it must be recognised that boundaries are both fuzzy and permeable.

Fourthly, many evaluation exercises often seek to produce evidence of direct financial benefit gained as a result of funding programmes of work. This is explicable because funding agencies, especially in the public sector, are legally constrained, procedurally oriented and culturally attuned to procurement practices which focus primarily upon conventional economic notions of value for money.³⁷ The problem, in sector-level analysis, is that funding streams can rarely be disaggregated due to the complex mix of resources which TSOs draw upon.

Finally, evaluation work is intensive and expensive. Much of the work of the Third Sector is undertaken by smaller organisations and groups which do not have the capacity, capability or interest in undertaking impact evaluation. And even if they could be persuaded to do so, the cost of doing such work would undoubtedly be greater than the value of most of the grants they received.

The limitations of assessing impact attribution

This critical discussion indicates that current approaches to evaluation work tend to be driven by a desire to 'attribute' impact to discrete funding streams. This has been especially common in public sector funding programmes since the 1980s when procurement practices were transformed to increase outsourcing of public service

Investment: the interplay of investment logics and investor rationalities', *Journal of Social Entrepreneurship*, 1:1, pp. 70-100. However, strong evidence of the success of these approaches has yet to emerge and there is little enthusiasm within the Third Sector to engage with social investment. See Chapman, T. (2017) 'The propensity of Third Sector organisations to borrow money in the UK', *Policy Studies*, 38:2, 185-204.

³⁷ There has been a shift in legislative focus on value since the enactment of the Public Services (Social Value) Act in 2013. The Act demands that in procurement processes, aspects of social value are considered, but falls short on defining what constitutes social value and enforcing compliance. It is the stated intention of government to strengthen the processes surrounding social value assessments for larger departmental contracts. For further detail, see: <https://www.gov.uk/government/publications/social-value-act-information-and-resources/social-value-act-information-and-resources>. A useful review of the policy and practice implications surrounding the act has been published by Power to Change: Jones, N. and Yeo, A. (2017) *Community business and the Social Value Act*, London: Power to Change: <https://www.powertochange.org.uk/wp-content/uploads/2017/08/Report-8-Community-Business-Social-Value-Act-1.pdf>.

delivery, to encourage greater competition amongst private or Third Sector suppliers, and to improve quality while driving down costs.

This has not always been the case. It was once much more common for local authorities and health authorities to award grants or issue 'service level agreements' to trusted service delivery partners in the Third Sector.³⁸ Such funding arrangements are still commonly used by charitable trusts and foundations which are not bound by public sector procurement rules.

In a Third Sector Trends study of the work of 25 grant making charitable trusts and foundations,³⁹ it was shown that the majority of institutions made little use of formal approaches to impact assessment. Often it was argued by foundations that the areas of work they funded were so complicated that even intensive scrutiny would be unlikely to yield convincing evidence. As one participant in the study remarked:

'It's about not necessarily knowing the answer, it's best not to presume too much about things. Good grant makers use judgement and proportionality in their decision making.'

Many charitable trusts and foundations argued that it was more important to focus attention on the 'quality of the relationship' they had developed with TSOs they funded. As one participant argued:

'Actually, I've got no interest in measuring our impact. What I'm interested in is what relationship do we have with those charities, and what relationships they have with communities, other charities and the public sector. Then we can ask ourselves what we are sustaining. And expecting that sometimes it will fail, and not beating ourselves up about that. I don't think it protects you from failure by having really strict criteria on impact and I think that a lot of the stuff that is generated is just put in a drawer and never read.'

In practice terms, some charitable trusts and foundations which had been heavily involved in the use of complex approaches to impact assessment, were rethinking their strategy. This shift in policy was brought about by the realisation that the attribution of impact to funding streams was much harder to do than expected:

'Rather than focusing on the attribution of evidence, we ought to start saying we'll share the outcomes. And because [TSOs] are working in a very fluid environment where people have complex and changing needs, you just have to let the organisation get on with doing the best it can for those individuals. It's about how well they manage their money as an organisation, not attribution. That might be a problem for some funders, but it's probably the direction we need to go.'

In this study of the Third Sector there is an opportunity to look at social and economic impact in a different way from conventional evaluation research. Devising such an approach can proceed based on the understanding gained from analysis in Sections of this report on sector structure, sector purpose and sector energy.

The following key findings should be noted:

³⁸ In the early 1980s, government encouraged the use of procurement practices to outsource public services. This represented a cultural shift from 'public administration' towards 'public management'. Strong emphasis was placed on notions of 'value for money' and 'improvement' strategies applied to customer service and evaluation of satisfaction. This resulted in stronger dependence upon systems of collaborative governance of the commissioning process and progressively increased use of contracts for the engagement of private sector or Third Sector organisations to deliver services. For a useful account of the development of this policy shift, see: Powell, M. (2007) *Understanding the Mixed Economy of Welfare*, Bristol: Policy Press; Dunleavy, P. and Hood, C. (2007) 'From old public administration to new public management', *Public Money and Management*, 14:3, 9-16.

³⁹ Chapman, T. (2020) *The strength of weak ties: how charitable trusts and foundations collectively contribute to civil society in North East England*, Newcastle: Community Foundation serving Tyne & Wear and Northumberland: <https://www.communityfoundation.org.uk/wordpress/wp-content/uploads/2020/02/CFTWN-Strength-of-Weak-Ties-Full-Report-February-2020.pdf>

- The Third Sector is a pluralistic entity: constructed of many organisations and groups which are varied in their legal structures, their size, assets, interests, objectives and approaches to practice.
- The Third Sector is made up of autonomous and independent organisations and groups which cannot be managed systematically or marshalled to serve the interests of the state, market or private individuals.
- Organisations in the Third Sector tend to be ambitious to achieve their objectives. This produces higher levels of demand for sector resources than can ever be supplied. This produces a measure of competition over resource.
- While competition over resources exists, the evidence shows that there is a great deal of informal 'neighbourly' cooperation, semi-formal 'complementary working' in the Third Sector. Formal partnership working, which can constrain organisational autonomy, is much less common.
- The principal areas of impact of Third Sector activity tend to be focused on 'softer outcomes' associated with personal health, personal wellbeing and community wellbeing.
- Third Sector activity tackles many of the same complex issues from different standpoints. While there may be some unnecessary duplication and cross-overs of activity, most sector activity is complementary and value accumulates.

If the value of the activities of the Third Sector is to be assessed and valued, then it is necessary to define in clear terms what it is, precisely, that the sector does. But as noted above, that is difficult because the sector is composed of organisations which are varied in their scale, structures, practices and objectives.

Financial impact values as indicators of 'economic growth'

There is currently much political interest at the national level in finding ways of accounting for the financial value of the Third Sector's work.⁴⁰ It is a well-intentioned aim, which centres on the idea that the activities of the Third Sector are currently insufficiently credited or rewarded because the impact it achieves does not lend itself to the conventional approaches to measurement such as its contribution to gross domestic product (GDP).

GDP is a monetary measure calculated to record total economic output of goods and services.⁴¹ This measure is used at national and international levels to calculate and compare levels of economic growth. A second measure 'gross value added' (GVA) is used by government to assess levels of economic activity in industrial sectors and/or geographical regions.⁴² While GVA is not a measure of productivity, it is widely used to compare the strength of economic activity in regions or industrial sectors.

In recent years, the use of GDP and GVA as indicators of national, regional or industrial sectoral strength and vitality has attracted criticism. In the context of this

⁴⁰ See for example, Kruger, D. (2020) *Levelling up our communities: proposals for a new social covenant*, <https://newsocialcovenant.co.uk/>. Haldane, A. (2019) *The third pillar and the fourth industrial revolution*, Pro Bono Economics 10th Anniversary Lecture: <https://www.probonoeconomics.com/news/andy-haldanes-full-speech-from-the-pro-bono-economics-10th-anniversary-lecture>. There are several initiatives under way to produce economic assessments of sector value. See, for example, a recent report by Pro Bono Economics to encourage government to include more data on Third Sector activity in the National Accounts. See Kenley, A. (2021) *Taking account: the case of establishing a UK social economy satellite account*, London: Pro Bono Economics / Law Family Commission on Civil Society, available here <https://www.probonoeconomics.com/news/government-faces-significant-gap-in-its-understanding-of-economy>

⁴¹ For a concise description of GDP and how it is constructed, see *The Economist* definition <https://www.economist.com/economics-a-to-z/g#node-21529906>

⁴² The ONS definition of GVA and how it is calculated can be found here: <https://www.ons.gov.uk/economy/grossvalueaddedgva>

report, the most important of which is that such measures put emphasis on economic growth but largely ignore the inequitable distribution of the benefits of that growth nationally and internationally.⁴³

Given the shortcomings of conventional economic indicators, new approaches have been put forward. For example, campaigns on ‘community wealth building’⁴⁴ have highlighted the importance of the local social and economic multiplier effects gained via local public sector procurement strategies.

Relatedly, policy work which focuses on the value of the ‘foundation economy’ emphasises the collective contribution of local business activity, the work of the local public sector and the Third Sector on local social and economic wellbeing. As Andy Haldane, former Chief Economist at the Bank of England has argued in an afterword to *The Foundational Economy*:

‘The critique goes to a set of deep questions in economics and economic policy. How do we assess how well society is being served by the economy? The existing conventions, based around individuals’ consumption of private goods – in short, GDP. Or an alternative, based on everyone having sufficient access to social, as well as private, goods – a broader measure of wellbeing?’

45

In the context of this study of the social and economic impact value the Third Sector produces, the use of conventional metrics on productivity could only partially capture the value that the sector produces.

And certainly, there are dangers surrounding the use of terms such as ‘economic growth’ because TSOs are not generally in the business of wealth creation. Even when involved in trading activities, the intention is to reinvest any profits in social causes rather than to invest further in profit making.

Furthermore, most of the trading activity of the Third Sector involves delivery of public sector services under contract. Strictly speaking, such activity is paid for with money that government garners from taxation – so it would be hard to justify claiming that such work is contributing directly to wealth creation.

A much more convincing reason for **not** concentrating heavily on the contribution of the Third Sector to economic growth is that most of the sector’s income is ‘consumed’ rather than ‘produced’. As the NCVO Civil Society Almanac indicates, 72 per cent of sector income is sourced from public giving, grants from the national lottery, trusts and foundations, private sector contributions and dividends from investment. The remainder comes mainly from the public sector usually in the form of contracts together with some self-generated trading.⁴⁶

It makes little sense to attempt to ‘force’ Third Sector activity into systematic models which were developed to measure economic growth produced by mainly by private businesses. Even terms such as ‘social growth’ can be misleading because they give the impression that Third Sector works collectively toward shared objectives.

It is patently obvious that this is not the case. Consequently, it is better to go with the flow and accept that it is hard to pin down in precise terms what the sector does and what it achieves.

⁴³ There is a large literature on the linkages between more equal societies and social wellbeing which is critical of conventional emphasis on economic growth. See: Piketty, T. (2014) *Capital in the twenty-first century*, Cambridge, Mass: Belknap Press of Harvard University; Stiglitz, J. (2013) *The Price of Inequality*, Harmondsworth, Penguin; and, Wilkinson, R. and Pickett, K. (2010) *The Spirit Level: why equality is better for everyone*, Harmondsworth, Penguin.

⁴⁴ See, for example, Guinan, J. and O’Neill, M. (2020) *The case for community wealth building*, Cambridge: Polity Press.

⁴⁵ Haldane, A. (2018) ‘Measuring and shaping the economy: afterword’, *Foundational Economy*, Manchester: Manchester University Press.

⁴⁶ NCVO Civil Society Almanac 2021. [Sector finances - Financials | UK Civil Society Almanac 2021](#) <div class="acknowledgement"> <h2 class="acknowledgement--text">This page was last reviewed for accuracy on 01 September 2021 </h2> </div> <div class="share-text">This page was last reviewed for accuracy on 01 September 2021 </div> | [NCVO](#)

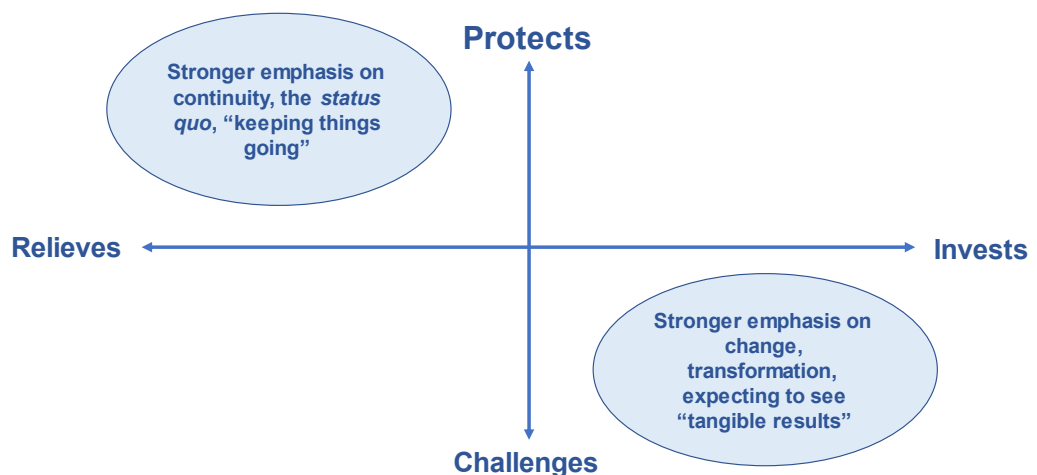
Figure 5.1 provides a simple diagram to show that sector activities are characterised both by inherent tensions and aspects of complementarity. It is conceivable that a single TSO organisation could do all the things listed in the following bullet points.

- **Protects:** when TSOs preserve or protect something which they feel has inherent importance or is, for some reason, under threat from others.
- **Challenges:** when TSOs question the attitudes and behaviour of others or encourage attitudinal or behavioural change.
- **Relieves:** when TSOs tackle an issue by meeting needs that are ignored, neglected or caused by others.
- **Invests:** when TSOs strengthen the resilience, capability or resolve of others to achieve an objective.

Finding a way to ascribe ‘value’ to each of these activities in a standardised way is not possible because the *inherent* value of the activity may be defined differently, depending on the point of view of, for example, the people who lead and manage a TSO which delivers activity, the employees and volunteers who engage in hands-on delivery of services, those people who are the recipients of that activity and from onlookers (in the private or public sectors or the general public) who make their own ‘value judgement’ about whether the activity is worthwhile.

Figure 5.1 shows that the Third Sector can be conceived of as a force for stability and continuity, but also a force which challenges and produces change. It is inevitable that opinions will vary at organisational level and sector levels on what should be regarded as ‘legitimate’ or ‘beneficial’ action depending on the point of view of the observer.

Table 5.1 What does the Third Sector do?



5.2 Accounting for sector value

This section outlines a methodology to help Third Sector stakeholders to make informed judgements about sector value.⁴⁷

Key definitions

The term 'value' can and is used in many contexts in debates about the activities of the Third Sector. This can confuse arguments about what, precisely, the Third Sector contributes in social, economic and environmental terms. Clarifications on the definition and use of terminology are presented below which are used consistently for the remainder of this report.

- **Third Sector practices:** the way TSOs and groups operate is shaped by distinctive sets of *beliefs* and *principles* which inform the ambitions of individual organisational or group activities, together with approaches to work that produce beneficial impact by drawing upon *experience*, *skills* and *ideas* of trustees, employees and volunteers on how to do things.
- **Energy** refers to the resource that the Third Sector has available (or can garner) to achieve objectives. Resources include:
 - work time produced by the sector's **people** (trustees, employees, volunteers and advocates).
 - productive use of **property** assets (such as a buildings and specialist equipment) to deliver services or to rent to generate income; and,
 - **money** (to pay employee salaries, recruit, train and supervise volunteers, pay rent and utility bills, buy consumables for service delivery, etc.).
- **Impact:** is what the sector achieves for:
 - **People:** through the delivery of services to local people to improve health, wellbeing, economic activity and financial security.
 - **Places:** making a positive contribution to community wellbeing by tackling issues such as isolation, social cohesion and economic vitality.
 - **Economy:** how sector trading activity and local expenditure helps to sustain or vitalise local economic conditions and strengthen community wealth and wellbeing.
 - **Environment:** encouraging environmentally beneficial behaviours in the local population and taking direct measures to reduce energy use, recycling, etc.
- **Value:** is used to refer to the way sector impact is assessed. There are several types of value, including: *economic*, *fiscal*, *use*, *social*, *cultural* and *existence* values. These can be assessed using measurement such as financial or proxy financial values, or by using informed judgement.

How can sector value be assessed?

This sub-section explains how value can be assessed in four stages.

- The first step is to produce financial and proxy-financial estimates of the **energy** which the Third Sector has at its disposal to produce social and economic value.

⁴⁷ Further detail on how these conclusions were arrived at through consultation with stakeholder groups can be found in the *Third Sector Trends: Technical paper on analytical approaches, ibid.*

- The second step is to define '*types of value*'. Six types of value are defined, three of which can be 'monetised', and three of which cannot.
- The third step is to present estimates for the *financial value of sector impact* for the local economy.
- Some types of value cannot be measured, but this does not mean that such forms of value do not exist. The final step therefore involves discussion of how to make *informed judgements about how to value the social contribution the sector*.

The first step in the process of estimating the added value the Third Sector contributes involves the identification of the amount of 'energy' which the sector has at its disposal to achieve its objectives. Rather than over-labouring the process of defining sector energy, a relatively simple approach is taken to include the financial or proxy financial value of sector energy under four headings:

- **The value of financial expenditure:** it is possible to make good estimates of sector expenditure. This sum captures the economic value of employee wages, spending on rent and consumables and the disbursement of grants to individuals or other TSOs together with contributions to local and national taxation.
- **The proxy-replacement value of volunteer time available:** in Section 4, robust calculations on the number of regular volunteers and the work time they invest were presented. Replacement values were attributed to this energy at National Living Wage and at 80% of average regional wages. A mid-point estimate is used to define the value of volunteering.
- **The proxy value of additional in-kind support:** in-kind support from the private sector and public sector is estimated. This support includes the free or low-cost use of facilities and services, pro bono advice and technical expertise, employee volunteer support and the provision of free goods such as surplus consumables.⁴⁸
- **The proxy value of self-generated income:** this estimate is based on the regional share of the national value of income gained from retailing of pre-used goods. This represents the production of financial value from redundant articles and is not covered in the expenditure category (which would include income from other types of Third Sector trading).⁴⁹

As shown in Table 5.1, these financial values when combined reach substantial sums. But these statistics do not fully reflect the whole value of the economic and social impact the Third Sector produces. Instead, they simply signal the resource 'energy' that the sector has at its disposal. What is needed, therefore, is a way of

⁴⁸ A recent report on the substantive contribution of business to the Third Sector has been produced as part of the Law Family Commission on Civil Society. See Chapman, T. (2021) *Going the extra mile: how business works with the local Third Sector*, London: Pro Bono Economics. Currently there are no equivalent studies of local public sector investment in the Third Sector using in-kind resources. However, it is likely that the non-financial contributions of public bodies such as NHS trusts, health authorities, police, fire and rescue and other agencies is likely to be at least equal to private sector investment. In-kind support would include the contribution of officers with responsibility for Third Sector liaison, research and intelligence and advice and guidance – but exclude contracts to the Third Sector to provide infrastructure support as this will be counted under Third Sector expenditure. Other forms of in-kind support would include free access to venues and equipment for Third Sector usage and beneficial arrangements such as peppercorn rents.

⁴⁹ The evidence from the Charity Retail Association suggests that charity shop retail produces about £331m in profits in 2018/19. On this basis, estimates were generated for Yorkshire and the three study areas. For further discussion of the value produced through charity shop recycling and retail see also, Osterley, R. and Williams, D. (2019) 'The social, environmental and economic benefits of reuse by charity shops', *Detritus* 7(1) 29-35. <https://digital.detritusjournal.com/articles/the-social-environmental-and-economic-benefits-of-reuse-by-charity-shops/244>. For further analysis on the value of charity shop retail, see Harrison-Evans, P. (2016) *Shopping for good: the social benefits of charity retail*, London: Demos <https://www.demos.co.uk/wp-content/uploads/2017/09/Shopping-for-Good-the-social-benefits-of-charity-retail-.pdf>. While charity retail declined during the pandemic due to lockdowns and closures, there are indications that business has bounced back in 2022: [Charity shops reveal surge in interest with sales 22% higher than pre-pandemic due to cost of living crisis \(inews.co.uk\)](https://www.inews.co.uk/news/charity-shops-reveal-surge-in-interest-with-sales-22-percent-higher-than-pre-pandemic-due-to-cost-of-living-crisis/).

explaining how this energy is *converted* into social and economic impact – that is, how to calculate or judge the ‘added social and economic value’ that the sector produces.

	Estimated Third Sector expenditure	Proxy-replacement value of volunteer time in each area (mid-point estimate)	Proxy value of additional in-kind support in each area	Proxy value of additional sources of self-generated income in each area	Total financial value of sector energy expended by the Third Sector in each area
North East England	1,419	146	75	11	1,652
North West England	3,995	446	218	33	4,692
Yorkshire & Humber	2,592	310	150	24	3,076
East Midlands of England	2,054	293	130	24	2,501
West Midlands of England	3,215	346	177	28	3,766
East of England	3,705	478	212	36	4,431
<i>London</i>	<i>16,350</i>	<i>1,340</i>	<i>800</i>	<i>64</i>	<i>18,553</i>
South East England	7,458	817	410	55	8,740
South West England	3,753	494	225	39	4,512
Wales	1,527	205	120	17	1,868
England and Wales	46,068	4,875	2,517	331	53,791

The second step in the process is to define types of added value that the Third Sector contributes to local economy and society. No claim is made that these distinctions are entirely original – instead, the approach draws upon the large policy and academic literature on the appraisal or measurement of impact which implicitly or explicitly embrace one or more of these notions of impact value.⁵⁰

- **Economic value:** is defined as the economic contribution that the local Third Sector makes to the area through ‘multiplier effects’ driven by: organisational expenditure on local businesses; the spending of employees in the local economy and productivity from self-generated trading activities.
- **Fiscal value:** is defined as the savings gained by local public sector agencies and government departments because of Third Sector activity (either by delivering services under contract more efficiently or cheaply, or by reducing service need via Third Sector generated activity).
- **Use value:** is defined as the direct and immediate personal or social benefits gained by Third Sector service users which in turn incentivises, empowers and facilitates greater socially, economically or environmentally beneficial activity by the resident population in employment, self-employment, running private businesses/social enterprises and volunteering.

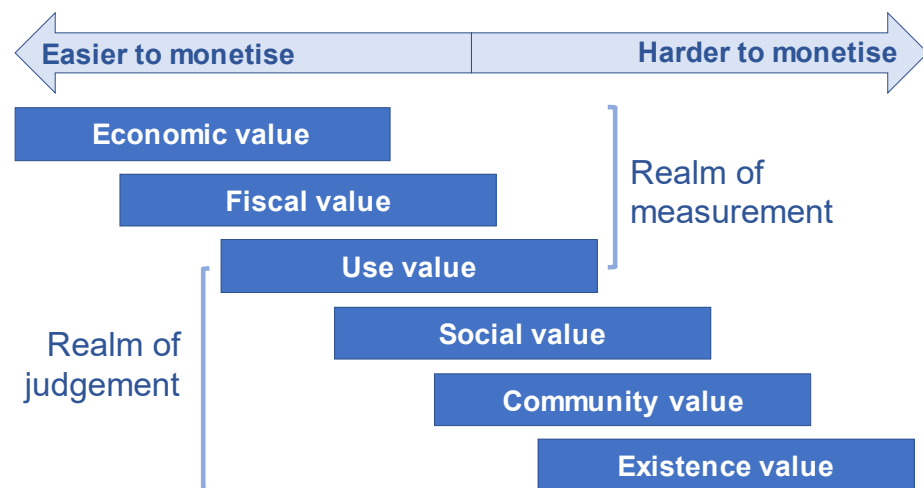
⁵⁰ There is a large academic and policy literature on the definition and measurement of value. A useful recent contribution has been offered by Mulgan, G., Breckon, J., Tarrega, M., Bakhshi, H., Davies, J., Khan, H. and Finnis, A. (2019) *Public value: how can it be measured, managed and grown?* London: Nesta. There are many methodologies on offer to measure value, such as descriptive models of causation adopted in ‘theories of change’ which may result in impact; complex manipulation of evidence and predictive modelling in social return on investment strategies, and so on. Whichever approach is adopted, results can be contested depending on the value position of the observer. For further discussion, see Third Sector Trends discussion paper: *Measuring Impact: easy to say, hard to do*. Newcastle: Community Foundation serving Tyne & Wear and Northumberland.

<https://www.communityfoundation.org.uk/wordpress/wp-content/uploads/2017/09/Measuring-Impact-easy-to-say-hard-to-do.pdf>

- **Social value:** the alleviation of the impact of specific social problems and investment in personal and community wellbeing to generate or embrace new opportunities to strengthen economy and society locally.
- **Community value:** strengthening the quality of life, enriching culture, and encouraging cohesion, tolerance, trust and belief in civil society through the collective contribution of the Third Sector working in neighbourly, complementary or cooperative ways.
- **Existence value:** when the Third Sector invests in social and community wellbeing which is valued by the general population though not necessarily used personally. Existence value also includes extant Third Sector capacity and latent potential to produce energy and momentum to tackle unforeseen local challenges or crises.

As Figure 5.2 illustrates, some of these types of value are easier to measure and 'monetise' than others. Economic, fiscal and use values are more amenable to monetisation. Social, cultural and existence values cannot easily be monetised or measured – but this does not mean that good judgements cannot be made about their value.

Figure 5.2 Realms of measurement and informed judgement



The third step in the analysis is to make estimates of the financial added value of sector activity to the local economy. Before these calculations are presented, brief explanations are given on the approach taken to estimate ranges of multiplier values based on the available evidence and wider research and evaluation literature. Strong emphasis is placed on producing 'plausible', 'intelligible' and 'usable' multipliers.

- **Economic value:** not all Third Sector expenditure will remain in the local economy, for example, a proportion of organisational spending and employee wages will be assigned to mortgage payments or purchases of services and products from outside of the area.

Some multiplier effect calculations use several rounds of impact assessment, where it is assumed that when money is spent in one company, that company will in turn spend this money again, and so on. That is avoided in this study because it cannot be known what proportion of that money is retained by

Third Sector organisations (and it is not appropriate for the sector to take credit for multiplier effects produced by other sectors).⁵¹

On balance, it is estimated that about 55%-75% of sector expenditure will be retained and recirculated in the area.

- **Fiscal value:** it is not possible to gain a clear picture on the fiscal value of the contribution of the Third Sector at present as there are no generalised datasets available from public sector bodies on cost savings at national or local level. There have, however, been some useful studies on fiscal benefits in, for example, reduction in usage of police, health and social services, social services resource because of the activities of local TSOs.

Defining, in precise terms, the origin of such benefit is difficult, as shown in Section 3, because the value of sector activity accumulates from the actions of many types of TSOs which are involved in a wide array of activities that directly or indirectly benefit public sector bodies. For example, in the field of health care, contributions have been identified from TSOs which engage in sporting, recreational, artistic and cultural activities.

On balance, it is estimated that at least an additional 45-65% of the value of Third Sector energy can be set against direct fiscal savings to the state through the processes of prevention, replacement, additionality or deflection from public service use.

- **Use value:** multiplier effects of use values cannot easily be calculated on a case-by-case basis, let alone at sector level. But this does not mean that such value does not exist. For example, the recipients of TSOs' support to tackle financial insecurity can bring immediate benefit (such as access to loans from credit unions, groceries from food banks; mentoring, employability support and borrowing clothes to attend job interviews; support to recover from illness or personal setbacks which facilitate a return to employment, and so on).

While the immediate use value of Third Sector services can be considerable, it would be unrealistic to argue that the full cost of producing use values can be translated into economic multipliers. It is known, for example, that employability support programmes have mixed levels of success for a multitude of reasons. Similarly, support to tackle issues such as drug or alcohol use *can* help produce attitudinal and behavioural change - but not always – and especially so when beneficiaries face a range of other insidious or unpredictable pressures.

On balance, it is estimated that use values translate into an additional 25-45% of sector energy value into economic value.

Each of the above multipliers deal with direct and immediate sources of economic benefit. But the impact of the work of TSOs is not always direct or immediate – so other aspects of social value production must also be considered which affect medium or long-term aspects of wellbeing.

The multiplier estimates are 'conservative' compared with some other assessments about the multiplier effects of discrete aspects of sector activity. This is because specific assessments of Third Sector practices attribute success within defined practice boundaries – but without necessarily considering how other interventions may have contributed to overall impact.⁵²

⁵¹ There is little evidence of extensive inter-trading within the Third Sector (excluding grant making transfers) which is likely to lower accumulated levels of economic impact from within the sector – see Chapman, T. and Gray, T. (2019) *Striking a balance: a study of how community businesses in Bradford, Hartlepool and Middlesbrough build working relationships with the public, private and Third Sector*, London: Power to Change, <https://www.powertochange.org.uk/wp-content/uploads/2019/09/Open-call-report-Striking-a-Balance-DIGITAL-V6.pdf>

⁵² For a brief overview of the limitations of approaches to economic impact analysis, see Westall, A. (2009) *Economic analysis and the Third Sector: overview of economic analysis in relation to the Third Sector*, Birmingham: Third Sector Research Centre Working Paper No. 14. http://epapers.bham.ac.uk/801/1/WP14_Economic_analysis_and_the_third_sector_-_Westall_Dec_09.pdf.

It is accepted that the estimates may be ‘too low’ or ‘too high’. And similarly, the possibility is not dismissed that there could be considerable levels of variation when looking at different aspects of sub-sector activity.⁵³ It would be expected that the estimates, as given, may be subject to challenge as the quality of evidence on sector impact improves – but this should be welcomed if it helps to produce informed debate about Third Sector economic impact.

The resulting economic values, once multipliers have been applied to sector energy estimates are presented in Table 5.2.

	Total financial value of sector energy expended by the Third Sector in each area	Economic multiplier value (mid-point estimate 65%)	Fiscal multiplier value (mid-point estimate 55%)	Use value multiplier (mid-point estimate 35%)	Total contribution of multiplier excluding direct financial value
North East England	1,652	1,074	909	578	2,560
North West England	4,692	3,050	2,581	1,642	7,273
Yorkshire & Humber	3,076	1,999	1,692	1,077	4,768
East Midlands of England	2,501	1,625	1,375	875	3,876
West Midlands of England	3,766	2,448	2,071	1,318	5,837
East of England	4,431	2,880	2,437	1,551	6,868
<i>London</i>	<i>18,553</i>	<i>12,059</i>	<i>10,204</i>	<i>6,494</i>	<i>28,757</i>
South East England	8,740	5,681	4,807	3,059	13,548
South West England	4,512	2,933	2,481	1,579	6,993
Wales	1,868	1,214	1,028	654	2,896
England and Wales	53,791	34,963	29,585	18,827	83,376

5.3 The accumulation of value

The fourth step in this analysis involves making observations on how to value those aspects of Third Sector activities that cannot easily be defined, let alone measured. It may not be possible accurately and consistently to measure value which is created through the individual and accumulated action of the Third Sector, but it does not mean that such value does not exist.

See also, Harlock, J. (2013) *Impact measurement practice in the UK Third Sector: a review of emerging evidence*, Birmingham: Third Sector Research Centre Working Paper No. 14, http://epapers.bham.ac.uk/1800/1/WP106_Impact_measurement_practice_in_the_UK_third_sector_-_Harlock%2C_July_2013.pdf

⁵³ There is a growing body of research literature on the social value produced by sub sectors. See for example Sport England’s measuring impact guidance <https://www.sportengland.org/how-we-can-help/measuring-impact>. A review has also been produced for arts and culture activities, see: See also, Reeves, M. (2003) *Measuring the economic and social impact of the arts: a review*, London: Social Value UK, <https://socialvalueuk.org/report/measuring-economic-social-impact-arts-review/>. For a more critical analysis of arts measurement, see Holdon, J. (2004) *The value of culture cannot be expressed only with statistics, audience numbers give us poor picture of how culture enriches us*, London: Demos: <https://www.demos.co.uk/files/CapturingCulturalValue.pdf>. Similar research has also been undertaken widely in the health and social care field, for an introduction to the field, see: https://www.health.org.uk/topics/community-and-voluntary?gclid=Cj0KCQjw6NmHBhD2ARIsAI3hrM1eO53eusFbSpDO2pvaHqxGNvJRKr31zlf2ucWS48sGtAQIvQ_tNoaApJQEALw_wcB

As shown in Section 3 of this report, TSOs believe that they make a strong contribution to one or many aspects of social life. Similarly, it has been shown in previous Third Sector Trends reports that people in public sector and private sector organisations also value the activity of the Third Sector – these findings will be brought up to date using 2022 survey evidence in the coming months.

Finding a way of *accounting* for the social value that the Third Sector produces may not be easy to do, but there are some basic principles arising from the findings presented in this report which can help make informed judgements on sector strengths.

- **Value produced by TSOs is shared:** only rarely, if ever, could an organisation claim to produce *all* the value that is required by its beneficiaries. Other organisations or groups also play a part as do people in private life (family, friends and neighbours), the private sector (local businesses) and public sector (health, education, police, fire and rescue and the local authority, etc.). While this might constitute some duplication or overlap at times, this is not necessarily a problem as social and personal needs require support of a multifaceted and continuous kind.
- **Value produced by the Third Sector is cumulative:** because the responsibility for the production is shared, it is likely to accumulate. But it does so in unpredictable ways, depending on the circumstances facing beneficiaries. For example, support from one TSO may not produce benefit immediately, but can be realised later – in tandem with other forms of support or encouragement. Not all sector value production can be said to accumulate because TSOs sometimes inadvertently or purposefully engage in activities that undermine the value produced by others.
- **Value is not a constant:** it should be expected that the value the sector produces cannot always be ‘targeted’ or ‘fully utilised’, just as is the case with education or health systems. People make their own choices on what they want to take or leave from the advice or support they may receive. Or other factors beyond their control may increase or limit the extent to which value can be utilised. This makes it hard to determine the value of service or support given - relative to the energy invested.
- **Value does not last forever:** much of the value of the work undertaken by TSOs will disperse and dissipate over time. These processes occur as other interventions are established to tackle issues in new ways which often come about in response to social change and shifting social priorities. The work of the Third Sector is rarely finished – so activity must continually be renewed.

If the technical task of valuing the work of Third Sector is too daunting (because there are too many factors to take account of and too many unknowns as indicated above), it is better to make simple and easily evidenced judgements that ring true.

Intangible social, community and existence values

The old saying, that someone ‘knows the price of everything but the value of nothing’ is pertinent in the context of this discussion. It is not possible to put a price on everything. But just because the value of some things is intangible does not mean that this form of value should be discounted from the analysis.

There is a wealth of good qualitative research evidence available to demonstrate how intangible aspects of benefit are highly valued. One example is provided from a series of case studies undertaken by the author as part of a separate study.⁵⁴ The case study centred on a volunteer-led and run library in an isolated former industrial

⁵⁴ Chapman, T. (2019) *The social process of supporting small charities: an evaluation of the Lloyds Bank Foundation Grow pilot programme*, London: Lloyds Bank Foundation: <https://www.lloydsbankfoundation.org.uk/we-influence/our-research/developing-the-sector>

village. The library had come under community ownership due to an asset transfer from the local authority.

When attempting to determine the economic value of the library a series of measures were contemplated such as the financial costs associated with each book loan. The results were not promising because on an annual basis few loans were made, meaning that the pro-rata cost when set against the expense of running the library was high.

A second attempt at valuing the library on an economic basis considered the income brought in from the small kitchen/café and from renting space for small community clubs and societies. Again, the cost benefit appraisal did not produce promising results because, by strict economic measures, the library was 'losing' money.

Even from a volunteer point of view, the library produced mixed results in impact terms. Trustees, who were also active volunteers at the library, found that their responsibilities (of running the library, applying for grants, liaising with the local council library service, etc.) were onerous and there was limited scope to escape from these responsibilities as succession plans to relieve trustees of their responsibilities had come to nothing.

And yet, the library produced a great deal of intangible value for local individuals and the community in general. Substantive **social value** arose, for example, from its use by a group of secondary school children who, after getting off the school bus each evening, used the kitchen and library as a place to socialise and do their homework before parents arrived to pick them up later in the afternoon. The children benefitted because they had a place to go with friends, their parents were happy that they were safe and under quiet supervision, and neighbours and older relatives were relieved of the pressure of looking out for them.

From a **community value** perspective, the library was quite literally 'the only place in town' for people to arrange to congregate in clubs and societies, or to drop in to read, drink coffee or have a chat. The kitchen/café was free to use because it was uneconomic to run as a social enterprise – though there were some items that people could buy if they chose such as biscuits, sweets or crisps. It was also a place where people could volunteer and keep themselves busy, socially connected and intellectually stimulated.

Arguably, the library's **existence value** was just as important as its more direct social and community value. Most people in the former industrial village did not use it, many probably never would, but they knew it was there and could value the fact that help may be at hand if ever they or their families or neighbours needed to use its services. At the most fundamental level, it was a visible symbol that village was associated with civil society rather than just being a collection of private households.

This case study provides just one example of how intangible forms of value make a difference. In the study from which the example was drawn, there were just 14 detailed case studies in spatially isolated and economically challenged communities: each made its contribution in entirely different ways.⁵⁵

Keeping things simple

The principal purpose of the above discussion is to demonstrate that it is possible to make an informed judgement about the value of intangible forms of impact that cannot be measured. But it also shows that the prospect of collating evidence on such value on even a small sample of TSOs would be substantial and for the whole sector prohibitive. Furthermore, even if that evidence could be collected – it would

⁵⁵ There is a wide range of studies on all aspects of Third Sector impact at organisational or sub-sectoral levels on local communities. A good entry point into this field can be found in the reports produced by the Power to Change Research Institute, <https://www.powertochange.org.uk/research/>; Locality, <https://locality.org.uk/>; and, Local Trust <https://www.localtrust.org.uk/>.

be the challenge of a lifetime to devise a system to quantify it and persuade others that the results were intelligible, useful and valid.

There is a better way to look at this problem of intangibility. Instead of looking for 'data' to collate, categorise and count and then shoehorn into statistical models - surely it is better to recognise that the process of making good judgements about the value of sector activity is already happening. There are two simple ways of recognising this.

Firstly, by taking into account the fact that a majority of TSOs are awarded grants and gifts from time to time, by trusts and foundations, local public bodies which operate small community grants, local parish councils, faith organisations, businesses or philanthropists and so forth. This shows that through the use of trust and judgement, much of the work of the sector has already been assessed and invested in by people holding positions of responsibility.

Secondly, and as importantly, the low levels of closures among TSOs indicates that continuity and sustainability is the norm, not the exception. What this shows is that TSOs are relevant, purposeful and produce social and community activity that people contribute towards and use. It is a simple point to make: if the community did not value the work of the Third Sector – it would not exist.

Surely, most would agree at least in principle, that the social value that the Third Sector accumulates is at least of equal value to the energy the sector invests. Perhaps that is far as financial evaluation exercises on intangible impact need to go – the results of which are presented in Table 5.3.

Table 5.3 Estimates of total value produced by the Third Sector

	Actual financial value of the Third Sector (£millions)	Added economic, fiscal and use value (£millions)	Added intangible social, community and existence value (£millions)	Total value (£millions)	Value per 1,000 regional population (£millions)
North East England	1,652	2,560	1,652	5,864	2.26
North West England	4,692	7,273	4,692	16,657	2.25
Yorkshire & Humber	3,076	4,768	3,076	10,920	1.99
East Midlands of England	2,501	3,876	2,501	8,877	1.81
West Midlands of England	3,766	5,837	3,766	13,369	2.23
East of England	4,431	6,868	4,431	15,729	2.50
<i>London⁵⁶</i>	<i>18,553</i>	<i>28,757</i>	<i>18,553</i>	<i>65,863</i>	<i>7.48</i>
South East England	8,740	13,548	8,740	31,029	3.34
South West England	4,512	6,993	4,512	16,017	2.81
Wales	1,868	2,896	1,868	6,632	2.14
England and Wales	53,791	83,376	53,791	190,957	3.20

⁵⁶ The situation in London clearly requires further analysis in the coming months to assess the extent to which value is distributed across English regions and Wales. In 2022, only 13 per cent of organisations based in Wales and English regions worked across regions, at national or international level, compared with 38 per cent of TSOs based in London. In London, only 36 per cent of organisations limited their work to their local borough, compared with 65 per cent of organisations in Wales and English Regions (n=6,023).

Section 6

Summary and next steps

This is the first report from Third Sector Trends 2022 survey. Its purpose was to lay down the statistical foundations for future reports.

It was preceded by a report on the study's qualitative research [Going the distance](#) which looked at how Third Sector organisations navigate their way through turbulent times.

What this report shows, essentially, is that making sweeping generalisations about the dynamics of the Third Sector are unwise. This is because the sector works in different ways, depending upon where organisations are based, how big they are and what they hope to achieve.

It is anticipated that four more Third Sector Trends reports will be published over the coming months to explore the data in more depth. These reports will also draw on trend analysis from previous rounds of the study.

Employees, volunteers, staff development and equal opportunities

This report will look at change in the composition of the Third Sector's employee and volunteer workforce over the last few years. Themes for analysis will include:

- Change in the labour force and the extent to which employers are struggling to recruit and retain staff in the post-Covid labour force environment.
- Explore those aspects of volunteer commitment which are most valued by organisations and whether these have changed in recent years.
- An update on 2019 analysis on progress towards equality and diversity in Third Sector leadership.
- The extent of investment in staff and volunteer working experience, training and personal development.

Finances, assets and organisational wellbeing

The aim of this report is to look at how Third Sector organisations sustain financial viability by drawing on a wide range of income sources including grants, contracts, gifts subscriptions, self-generated trading and in-kind support. Themes for analysis will include:

- Reliance on principal sources of income and how patterns have changed over the last few years.
- The extent to which organisations with different characteristics and operating in varied spatial environments experience income decline, stability or growth.
- An appraisal of the importance of assets and reserves in sustaining organisational wellbeing.
- Explore whether organisations invest in their future development and use digital technologies to improve financial management and security.

Relationships with the public and private sectors

The Third Sector often prides itself on its ability to engage in partnership working with like-minded organisation. This report will look at the extent of and limits to informal and formal collaboration within the Third Sector and with the public and private sector. Themes for analysis will include:

- The extent to which sector relationships have changed following the Coronavirus pandemic.
- Changing relationships with private business will be explored in the context of a general squeeze on organisational finances due to current economic conditions.
- The strength of relationships with the public sector will be examined – together with analysis of organisational interest in public sector service contracts.
- Grant funding from trusts and foundations is a core element of sector finance. The analysis will explore how this has changed since the Coronavirus pandemic.

The impact of the sector in the context of place

The Third Sector is not distributed evenly across England and Wales. This may mean that some areas are better served than others. As a large-scale national study, Third Sector Trends can explore the energy, investment and impact of the local sector on places with different characteristics. Themes for analysis will include:

- The development of a set of categories of 'types of places' in order to explore how sector energy is employed and the impact that it achieves.
- Assess whether the balance of sector activity varies depending upon the extent of critical and pernicious social needs at the local level.
- How the sector invests in the enhancement of community life through investment in social interaction and fostering pride and confidence in localities.
- Examine whether the energy of the Third Sector can be harnessed and directed by public sector bodies to achieve policy objectives.

Notes



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