




## Shifting out of reverse

*An analysis of the VCSE Sector Barometer, in partnership with NTU VCSE Observatory*

Anoushka Kenley, Jack Larkham

With thanks to Jansev Jemal, Professor Daniel King, Dr Juliana Mainard-Sardon, Dr Hai Dang Nguyen, Associate Professor William Rossiter, Nicole Sykes, and Dr Juliet Wakefield

June 2023



Pro Bono Economics uses economics to empower the social sector and to increase wellbeing across the UK. We combine project work for individual charities and social enterprises with policy research that can drive systemic change. Working with 400 volunteer economists, we have supported over 500 charities since our inception in 2009.

## Summary

The UK economy continues to grow incredibly slowly, and the latest government data shows people are generally feeling less happy than they were a year ago. As the country hits the 18th month in which inflation outstrips pay growth, the cumulative effects of the cost of living crisis are becoming harder for many people to manage. Charities' support remains important for many.

Yet the past quarter has been one of tentatively improving news about the economy. Two years ago, 'inflation rate hits 8.7%' would have been a dramatic news headline, but the latest data showing inflation returning to single digits is now a reason for quiet optimism about the long-term. Energy prices have begun to fall, for the first time since October 2020. Meanwhile, there are fewer people 'economically inactive' (meaning they are out of work, but not actively looking for work either) than there were last summer, though there are still record high numbers of people who are economically inactive due to ill health. Nonetheless, this is good news for employers struggling to recruit new staff members.

Some of these glimmers of hope in the wider economy seem to be translating into glimmers of optimism in the charity sector. Results from the third wave of the quarterly VCSE Sector Barometer, carried out by Pro Bono Economics (PBE) and Nottingham Trent University National VCSE Data and Insights Observatory, show that, while a large majority of charities still expect demand over the coming months to increase, a growing proportion expect that they will be able to meet it. For the first time since the survey started in November 2022, more than half of charities of all sizes (51% of large charities, 52% of medium charities and 61% of small charities) expect to be able to meet demand for their support over the next three months.

In part, this is because fewer charities expect *large* increases in demand for their support. It may also be helped by the improved financial circumstances that many survey respondents report and an easing of the recruitment challenges that charities faced last year. Charities of all sizes, large charities in particular, are feeling more optimistic about their finances than they were in November last year – the proportion expecting their finances to improve over the next quarter has almost doubled (from 17% to 32%). Meanwhile, charities of all sizes are feeling less worried about staff recruitment, though this is an issue which is much more important for large charities than small ones (40% of large charities are worried about it, compared to just 5% of small charities). Almost half of large charities (48%)

---

and a third of small (34%) and medium charities (35%) expect their paid workforce to grow over the next quarter.

But paid staff are only part of the charity sector's workforce. Volunteers are the backbone of the sector, and most charities say they would not be able to keep going without them. Yet the latest government data shows a decade-long decline in regular volunteering rates and this survey shows that recruiting and retaining volunteers is fast becoming one of the biggest concerns for charities.

Six in ten (63%) small charities now cite volunteer recruitment as a major organisational concern, and most charities now describe their experience of volunteer recruitment as 'difficult'. Wider economic and social pressures are exacerbating this trend, with a third of charities (34%) citing the cost of living crisis as an issue for volunteer retention. Nonetheless, a quarter of charities (27%) cite a lack of organisational capacity as a key issue preventing volunteer recruitment.

The impact of the challenges with volunteer recruitment and retention has been significant. In the face of rising demand across the sector, four in ten (40%) charities say that a lack of volunteers over the past year has stopped them meeting their main objectives.

As levels of need and volunteering head in opposite directions, it is vital that efforts to grow volunteering are successful. With the Big Help Out attracting around 6.5 million volunteers as part of the Coronation celebrations, and an estimated 7.8 million people saying they are more likely to volunteer as a result<sup>1</sup>, it is crucial for the charity sector and those it supports that intentions translate into action.

---

<sup>1</sup> S Wait, [6.5 million people participated in the Big Help Out, organisers claim](#), Civil Society Media, 9 May 2023

Times are still tough, but charities are increasingly confident of being able to meet growing need

While the UK economy limps towards recovery, progress remains slow. Falling inflation<sup>2</sup>, a drop in economic inactivity<sup>3</sup>, and rising consumer confidence<sup>4</sup> mean the UK may have taken two tentative steps forward, but weak growth figures<sup>5</sup>, a small spike in unemployment<sup>6</sup>, and a slump in measures of national wellbeing<sup>7</sup> indicate that perhaps it has also taken one and a half steps back.

Naturally, a more positive outlook leads to renewed optimism. And while greater positivity is a cause for celebration, it is important to remember that the overall economic picture remains anything but upbeat.

Unsurprisingly, this pattern of growing optimism set against a backdrop of unprecedented difficulty is reflected in the results of the most recent VCSE Sector Barometer.

Charities are still facing rising demand, with almost three-quarters (73%) of larger charities and over four in five (81%) medium charities saying that demand had increased over the past three months. Looking forward three months shows a similar picture, with more than four in five (83%) larger charities expecting demand to grow during that period.

There are, however, indications that the rate of demand increase is beginning to slow. As Figure 1 demonstrates, the proportion of small and medium charities expecting demand to grow by a lot has declined consistently from the first wave of the survey in November 2022, with an 8 percentage point drop for large charities over that period.

---

<sup>2</sup> Pro Bono Economics, [PBE Reacts: ONS inflation statistics](#), 24 May 2023

<sup>3</sup> Office for National Statistical (ONS), [Statistical bulletin, Employment in the UK: May 2023](#), 16 May 2023

<sup>4</sup> Growth from Knowledge, [Consumer Confidence Index](#), 19 May 2023

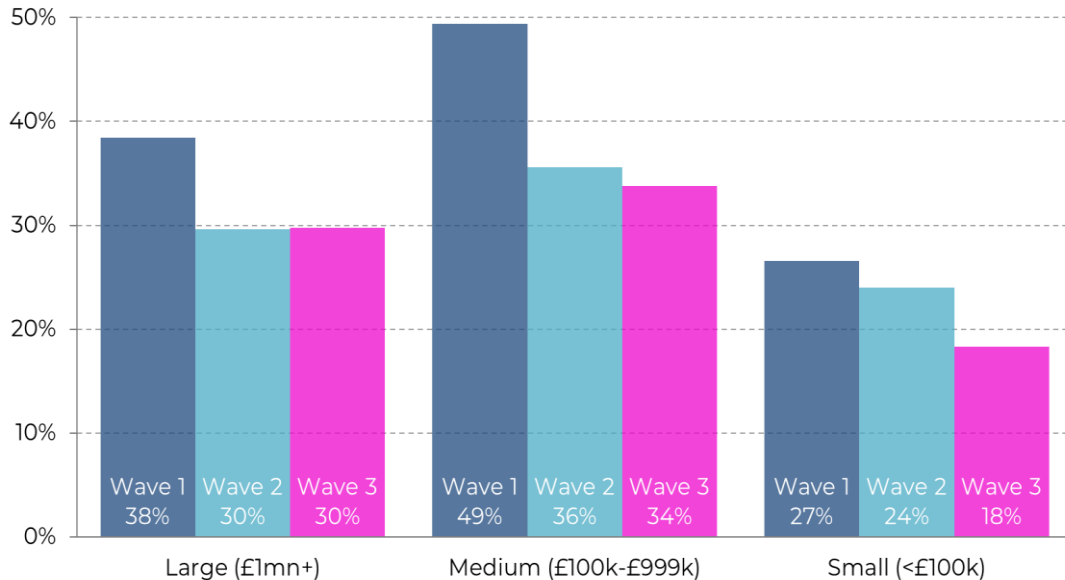
<sup>5</sup> ONS, [Statistical bulletin, GDP monthly estimate, UK: March 2023](#), 12 May 2023

<sup>6</sup> ONS, [Statistical bulletin, Labour market overview, UK: May 2023](#), 16 May 2023

<sup>7</sup> ONS, [Statistical bulletin, Quality of life in the UK: May 2023](#), 12 May 2023

Figure 1. Charities are expecting the rate of demand growth to continue to slow

Proportion of respondents who expect demand to grow by a lot over the next three months, by organisation size (income)



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small.

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

Escalating demand has pushed the sector to its limits, but charities are starting to close the gap between the support people need and the support they are able to offer

Pandemic pressures and the cost of living crisis have resulted in record demand for charity services. In March, Citizens Advice recorded the highest-ever number of referrals to charities and food banks in a single month<sup>8</sup>.

To keep up with that demand, recent analysis by Pro Bono Economics (PBE) found that many charities have tried to grow their workforce, but the tightness of the labour market last year meant that recruitment was challenging and many vacancies went unfilled. In turn, this had negative consequences for staff, innovation, and beneficiaries. However, there are now signs that the time and effort invested in trying to keep up with growing levels of need are starting to pay off.

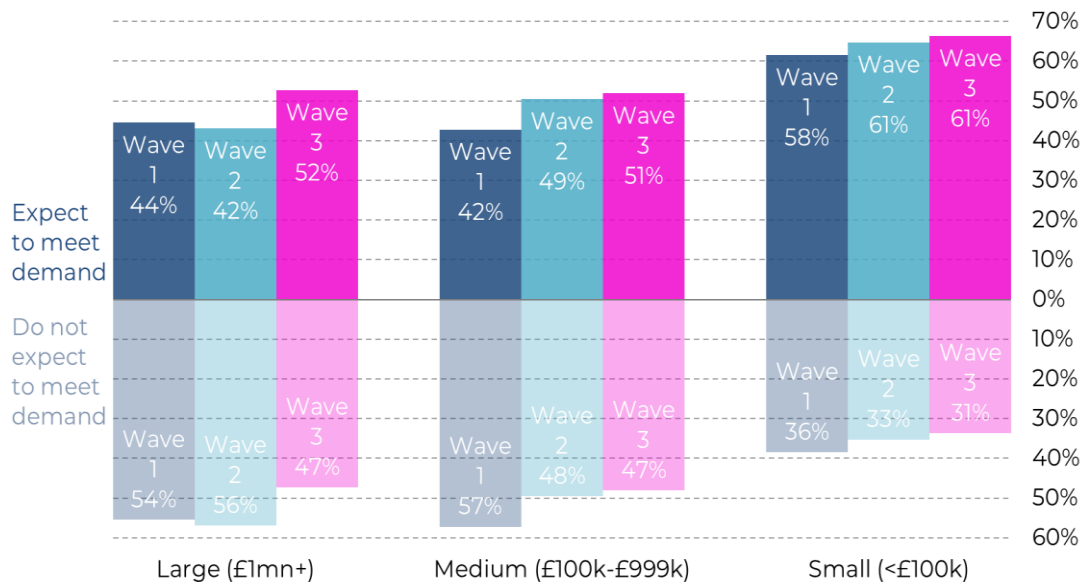
As can be seen in Figure 2, it looks likely that the gradual slowdown in the rate of demand growth, coupled with the efforts of charities to grow their

<sup>8</sup> Citizens' Advice, [Citizens Advice cost of living data dashboard](#), 11 May 2023

workforce, has meant the sector is beginning to close the gap between supply and demand.

Figure 2. For the first time since the survey started, more than half of charities of all sizes expect to meet demand in the next three months

Proportion of respondents who expect/do not expect to be able to meet demand over next three months, by organisation size (income)



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small. Residuals are NA/Don't know

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

### Financial improvement is key to increased optimism, with larger charities showing signs of fastest recovery

Alongside demand for services, both income and recruitment have been high up the list of concerns for charities as the cost of living crisis has borne down on them. And while these issues are still the primary problems facing trustees and charity leaders, there are indications that financial and recruitment challenges are starting to ease, particularly for larger charities.

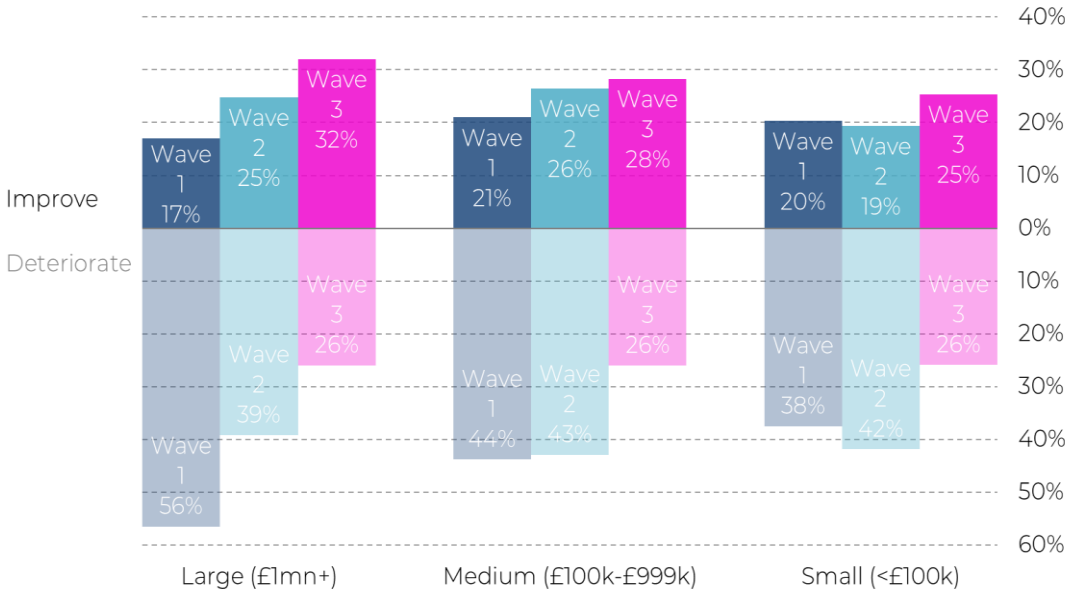
Between November 2022 and May 2023, the proportion of large charities responding to the Barometer that said that their financial position had deteriorated in the previous three months fell by 15ppts, from just under half (49%) to just over one in three (34%). Moreover, larger charities are expecting that positive trajectory to continue - the proportion *expecting* their finances to deteriorate over the coming three months has more than halved (from 56% to 26%) since November 2022, while the percentage expecting their finances to improve has almost doubled (from 17% to 32%).

Smaller and medium charities both report the same trajectory. Since November 2022, there has been a 6ppt reduction in the proportion of small charities reporting that their income decreased over the past three months (from 35% to 29%), while for medium charities the reduction was 6ppts (from 35% to 29%).

Looking ahead, both small and medium-sized charities are more optimistic about their future financial prospects than they were in November 2022 – albeit less optimistic than their larger charity counterparts. As Figure 3 shows, one in five (20%) small charities expected their income to improve in the coming months in November 2022, rising to one in four (25%) in May this year. For medium-sized charities, that figure rose from one in five (21%) in November 2022 to more than one in four (28%) in May.

**Figure 3. Charities are increasingly optimistic about their financial outlook**

Proportion of charities expecting financial position to improve/deteriorate over next three months, by organisation size (income)



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small. Residuals are 'Stay the same' and 'NA/Don't know'  
 Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

Charities are increasingly positive about recruitment, with larger charities, in particular, expecting their workforce to grow in the coming months.

Although overshadowed by inflation and the cost of living crisis, challenges within the labour market were a major economic issue in 2022. And despite an ongoing slump in real terms wages and a slight uptick in

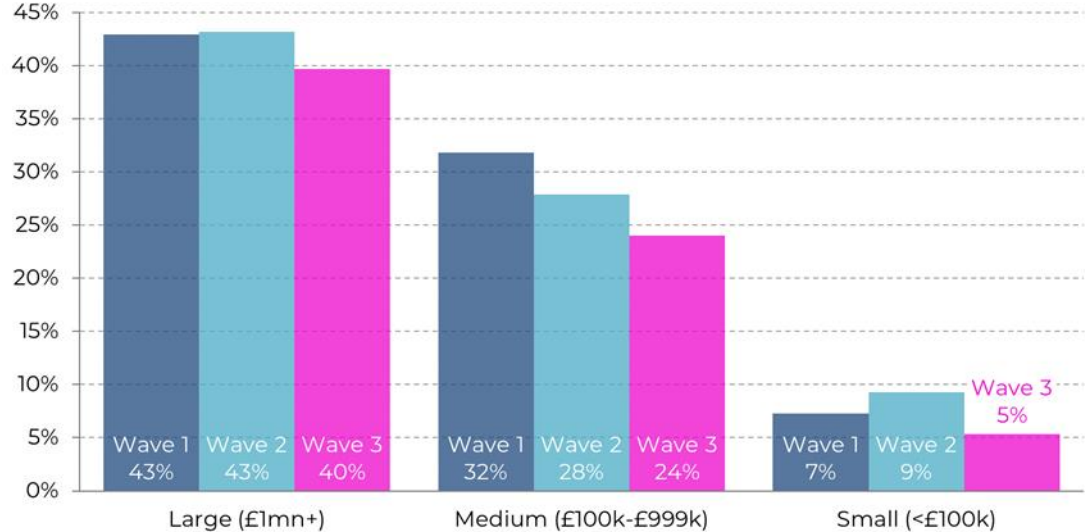


unemployment<sup>9</sup>, there has been more positive news this year - with the employment rate climbing as levels of economic inactivity continue to fall.

The charity sector is a sizeable employer, accounting for around 1 million employees and making up around 3% of the UK workforce<sup>10</sup>. As noted in PBE’s analysis of the last Barometer, conditions in the labour market in 2022 had a significant impact on charities and have been a major concern for larger charities in particular. But the recent easing of labour market conditions in the economy more generally is feeding through to the charity sector. This is reflected in Figure 4, as concerns about the recruitment of paid staff have taken a downward trajectory for charities of all sizes.

Figure 4. Concern about the recruitment of paid staff is receding

Proportion of organisations saying that recruitment of paid staff is a main organisational concern, by organisation size (income)



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small.

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

Developments in the wider economy are impacting larger charities especially. The proportion of large charities that say recruitment is hard is now at just under six in ten (57%), a fall of 15ppts from November last year, while the proportion of small charities saying they are finding recruitment a challenge has risen, albeit very slowly, from just over one in three (35%) to just under four in ten (39%).

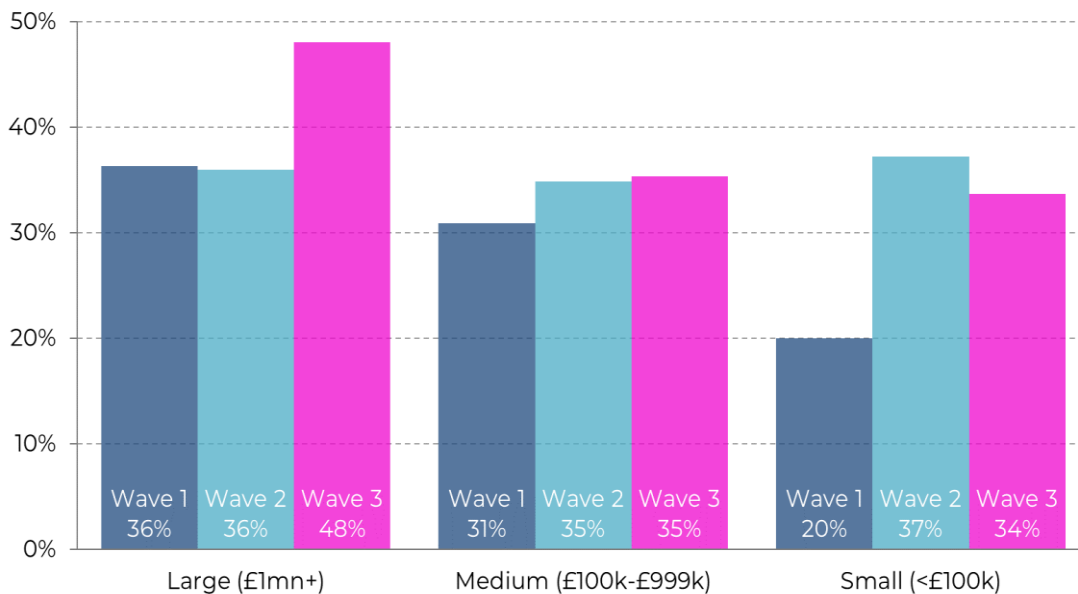
Undoubtedly, it is this experience, coupled with the more optimistic financial outlook for larger charities, that informs the level of confidence around short-term workforce growth. As Figure 5 demonstrates,

<sup>9</sup> Pro Bono Economics, [PBE Reacts: ONS labour market statistics, May 2023](#), 16 May 2023  
<sup>10</sup> National Council of Voluntary Organisations (NCVO), [UK Civil Society Almanac 2022](#), 18 October 2022

improvement from the November 2022 survey is felt across the board. Larger charities are noticeably more confident, with almost half (48%) expecting their workforce to grow in the next three months.

Figure 5. Almost half of large charities expect their paid workforce to grow over the next three months

Proportion of charity employers expecting the size of their paid workforce to increase in the next three months, by organisation size (income)



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small.

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

## Worries about energy prices are waning, but concerns around volunteers continue to surge

The change of season, developments in market conditions and policy interventions at the March Budget have all combined to drive energy prices down the list of main concerns for charities.

The price of gas, electricity<sup>11</sup> and fuel<sup>12</sup> continue to fall, while additional funding support for charities, including money to help them become more energy efficient, was announced by the Chancellor<sup>13</sup>. All of this has contributed to easing the pressure on charity running costs. Figure 6 captures this changing sentiment, as charities of all sizes are less likely to be concerned about energy prices than they were six months ago.

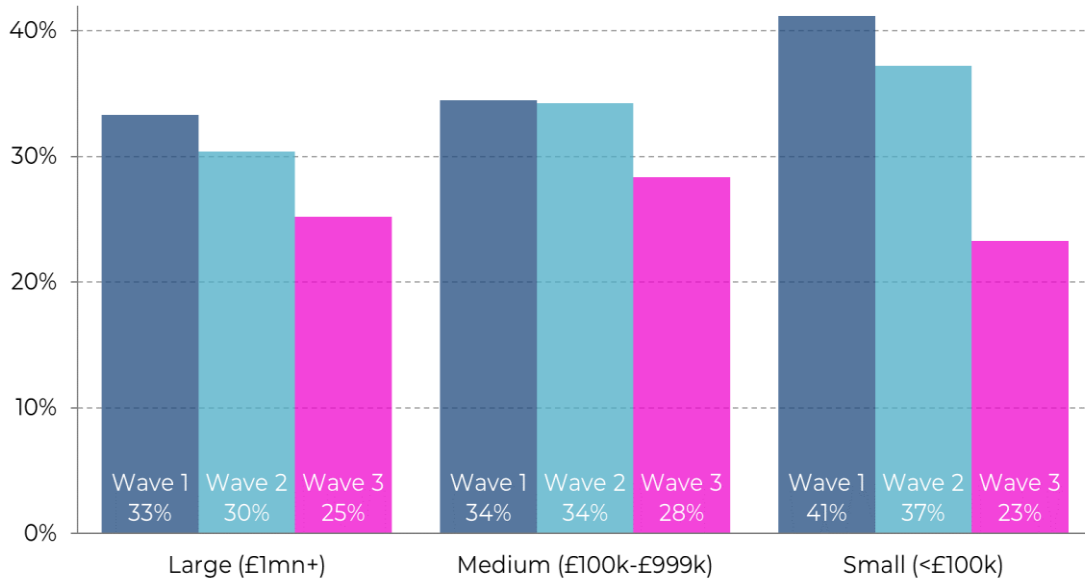
<sup>11</sup> ONS, [Cost of living insights: Energy](#), 2 June 2023

<sup>12</sup> Department for Energy Security and Net Zero, [Weekly road fuel prices](#), 6 June 2023

<sup>13</sup> Pro Bono Economics, [Budget 2023: Charity Sector Spotlight](#), 16 March 2023

Figure 6. Concerns about energy prices have steadily declined over the past six months

Proportion of organisations stating energy prices are a main organisational concern, by organisation size (income)



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small.

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

But as energy prices have moved from red to amber on charity risk registers, the recruitment and retention of volunteers is increasingly causing alarm across the sector.

Since the start of the pandemic, many charities have tried to address growing demand for their support and increasing pressure on their finances through growing their pool of volunteers. As Figure 7 shows, marginally more charities responding to this survey have been able to increase their volunteer pool over the past year than those who have recorded a decrease. However, the latest results from the Community Life Survey<sup>14</sup> show that volunteering rates in England have been trending downward for the best part of a decade and the pandemic accelerated that decline. The number of people undertaking the kind of regular formal volunteering that charities most rely on held steady at around 7 million in 2021/22 compared to 2020/21, but this is significantly lower than the 11 million people who regularly volunteered in 2019/20.

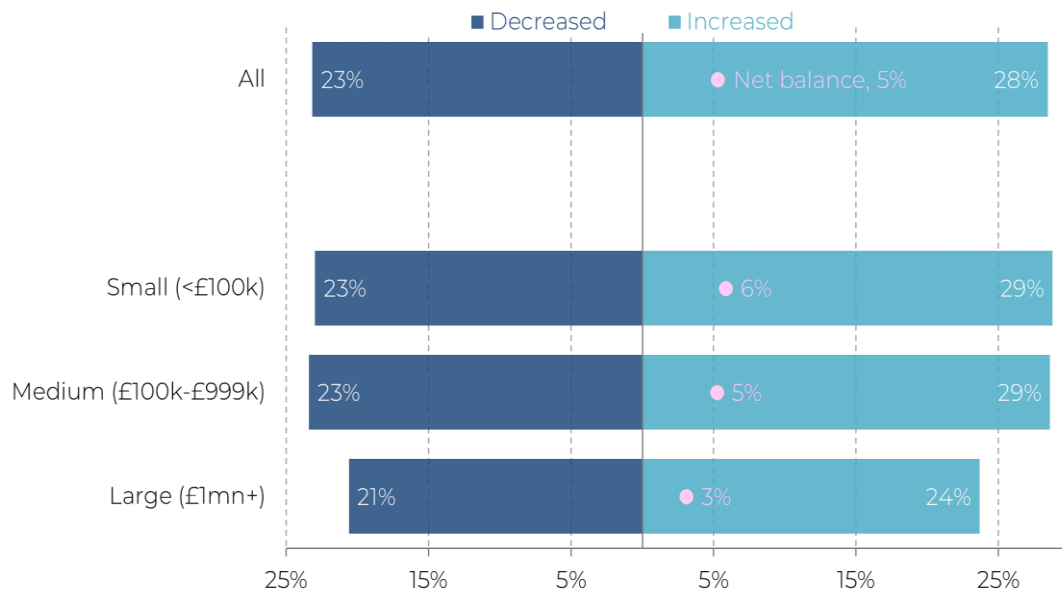
*“Following the pandemic, [people’s] priorities have changed, and we are losing volunteers to travelling,*

<sup>14</sup> Department for Culture, Media and Sport, [Community Life Survey 2021/22: Volunteering and charitable giving](#), 3 May 2023

*“spending time with family, etc.”* – Respondent, medium-sized charity

Figure 7. More charities have grown their volunteer pool than not over the past year, but the difference is small

Proportion of charities reporting that their volunteer numbers had decreased/increased in the past 12 months, by organisation size (income)



Notes: Online survey conducted 9-23 May 2023, N=1157 All, 131 large, 346 medium, 618 small. Residuals are 'Stayed the same' and 'NA/Don't know'

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

Many charities do not have enough volunteers to meet their objectives, and are worried about being able to recruit the numbers they need

Volunteers are the backbone of most charities and very often make or break an effective charity. Yet four in ten (40%) charities in this survey said that they did not have enough volunteers to meet their objectives over the last 12 months.

*“Recruitment of volunteers is decreasing, resulting in clients who need our service being turned away.”* –

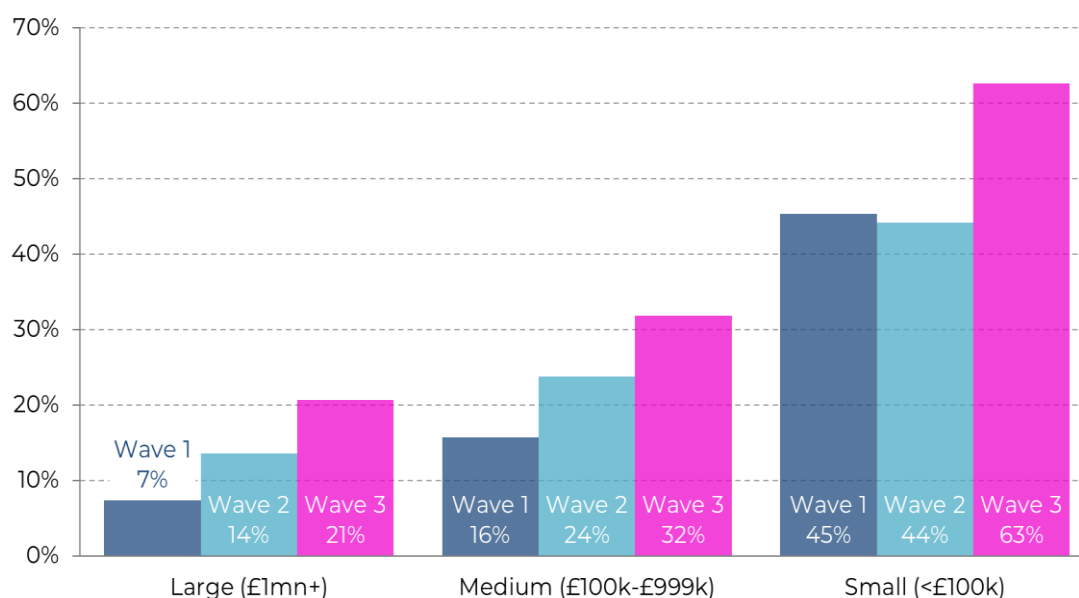
Respondent from large charity

Figure 8 shows in stark terms the growth in concern about volunteer recruitment among charities. The proportion of large charities concerned has tripled since the November 2022 survey, while around one in three (32%) medium charities and almost two-thirds (63%) of smaller charities have said volunteer recruitment is a major worry for them. That this is a significant concern for smaller charities is not surprising – Third Sector

Trends reports that 91% of charities with incomes under £50,000 (and 95% of charities with incomes under £10,000) depend on volunteers to keep going, falling to 57% of charities with incomes over £1 million<sup>15</sup>.

Figure 8. Volunteer recruitment is a growing worry for charities of all sizes, but small charities are hardest hit

Proportion of organisations stating volunteer recruitment is a main organisational concern, by organisation size (income)



Notes: Wave 1 conducted 7-21 November 2022, N=177 large, 267 medium, 192 small. Wave 2 conducted 6-20 February 2023, N=125 large, 219 medium, 129 small. Wave 3 conducted 9-23 May 2023, N=131 large, 346 medium, 618 small

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Waves 1-3

The challenge of volunteer recruitment and retention is driven in part by the wider economic environment. Almost one in five charities (19%) say that the cost of living crisis has made volunteer recruitment more difficult and over a third (34%) report that it has affected retention.

*“The cost of living crisis has limited the ability of volunteers to free up their time... Some of them are now doing at least two jobs to [earn] a living.” - Respondent from small charity*

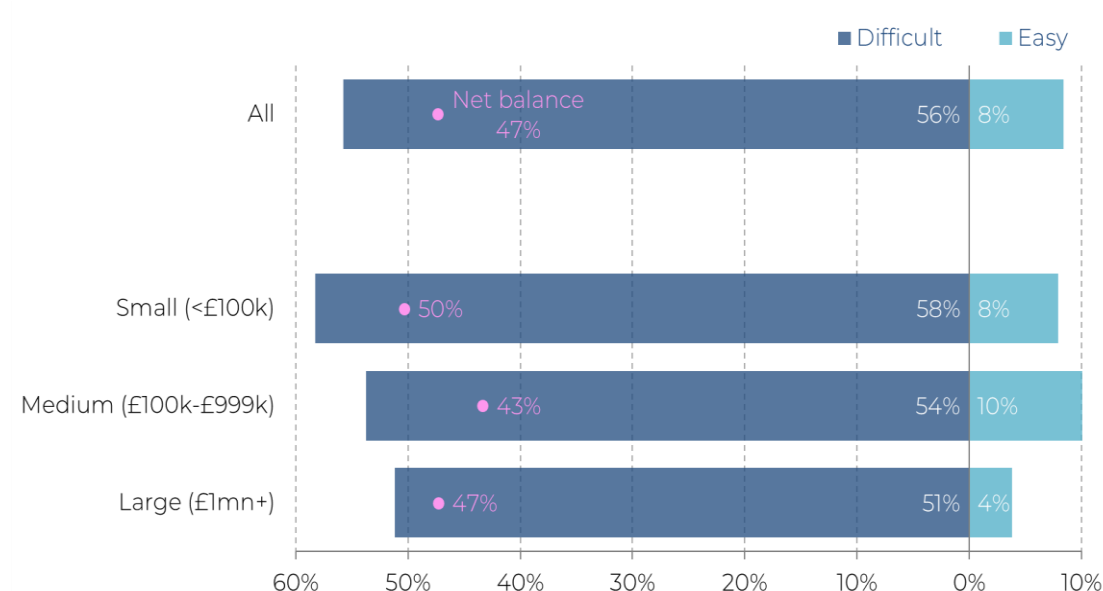
The challenge of volunteer recruitment is compounded by the fact that many charities, often under the dual pressure of increased demand and tighter finances, lack the resources to invest sufficiently in building their volunteer pools. Over a quarter of charities (27%) say they lack the organisational capacity to recruit volunteers and around one in six (17%) say they lack the resources to retain them.

*"We do not have the paid staff capacity to train and develop volunteers and this limits how many new people we can take on."* – Respondent from medium sized charity

As a result, as Figure 9 shows, almost six in ten (56%) charities have described their experience of volunteer recruitment over the past year as 'difficult', with fewer than one in ten (8%) saying it has been 'easy'. Small charities have been particularly affected, which is even more concerning given their tendency to be more reliant on unpaid support.

Figure 9. The majority of charities are finding volunteer recruitment difficult

Experience of volunteer recruitment over the past 12 month, by organisation size (income)



Notes: Online survey conducted 9-23 May 2023, N=1157 All, 131 large, 346 medium, 618 small. Residuals are 'Neither easy nor difficult'

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 3

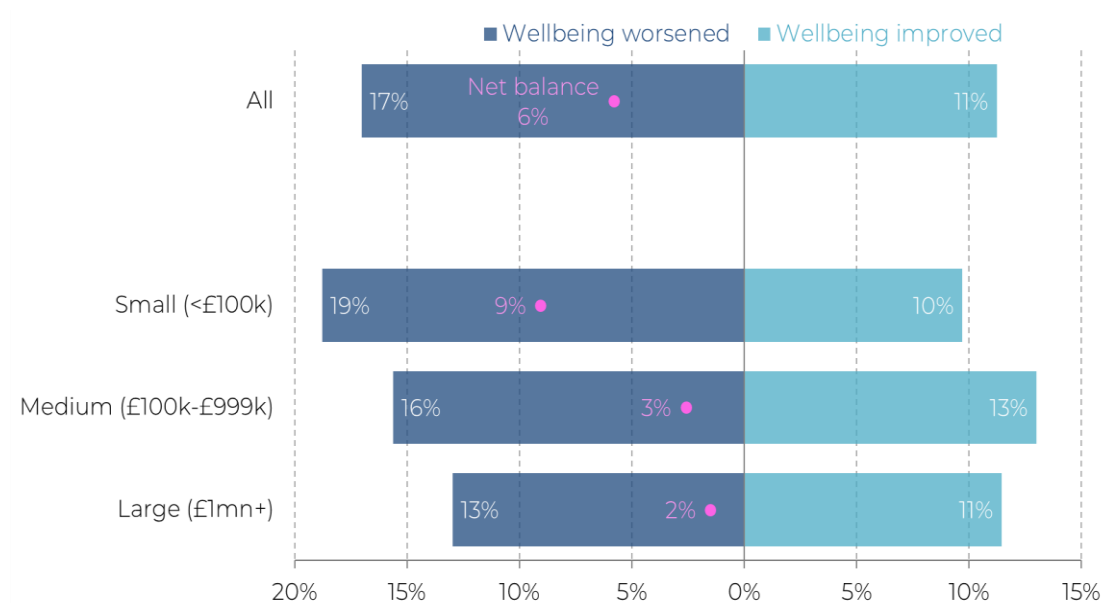
Meanwhile, concerns around volunteer retention are also escalating - with one in ten (11%) large charities, one in five (19%) medium charities and over four in ten (42%) small charities saying it is a main concern for them, up from 1%, 5% and 27% respectively. This is perhaps unsurprising given that more charities believe their volunteers' wellbeing has declined over the past 12 months than increased, as can be seen in Figure 10.

While this will be driven by a range of factors, including wider social and economic pressures like the cost of living crisis, there is also evidence that volunteers are feeling increasingly pressured to help charities keep

delivering. NCVO's latest Time Well Spent<sup>16</sup> research finds that a growing proportion of volunteers feel charities have an unreasonable expectation of how much they do.

Figure 10. A number of charities believe the wellbeing of their volunteers is deteriorating

Proportion of organisations stating that volunteer wellbeing has worsened/improved over the past 12 months, by organisation size (income)



Notes: Online survey conducted 9-23 May 2023, N=1157 All, 131 large, 346 medium, 618 small. Residuals are 'Stayed the same' and 'NA/Don't know'

Source: Pro Bono Economics and Nottingham Trent University National VCSE Data and Insights Observatory, Quarterly VCSE Sector Barometer, Wave 3

<sup>16</sup> NCVO, [Key findings from Time Well Spent 2023](#), 1 May 2023

## Conclusion

Heading into the summer, there are more reasons than sunny weather for charities to feel optimistic. Overall, the financial pressures of the past two years appear to be easing and many charities are hopeful that this upwards trajectory will continue. The energy price crisis is abating, while recruitment difficulties that have plagued the whole economy are easing for charities, just as they are for businesses. Overall, more charities expect they will be able to meet demand over the coming months than those that do not – a considerable improvement from the situation in November 2022.

Yet arguably a more fundamental risk, one that reaches the core of what it means to be a charity, is materialising. Volunteerism is a defining feature of the charity sector and most charities, small charities in particular, depend on volunteers to keep going. When the ONS last calculated the economic contribution of volunteering back in 2018<sup>17</sup>, it estimated that volunteers contributed the equivalent of a 1.3 million person workforce – significantly larger than the sector's 1 million paid employees today. This means that the very significant drop from pre-pandemic levels of regular volunteering from 11 million people in 2019/20 to 7 million in 2021/22 is translating into serious capacity issues that will have to be filled by growing paid staff, if the trend cannot be reversed.

That might prove impossible for many charities running on tight budgets, particularly the smallest organisations that are very – often wholly – dependent on volunteers to keep going. It is not surprising therefore that, now the immediate financial threats of the pandemic and the energy price crisis are subsiding, the proportion of charities who are concerned about retaining and recruiting volunteers has increased more than any other issues between November 2022 and May 2023.

---

<sup>17</sup> ONS, [Household satellite account, UK: 2015 and 2016](#), 2 October 2018





@ProBonoEcon



[www.probonoeconomics.com](http://www.probonoeconomics.com)



020 3632 2668