

## Charities' economic value is bigger than you think – but its true value runs far, far deeper

Sarah Vibert, Chief Executive, NCVO

There has arguably never been a harder time to run a charity. The economic climate has seen demand for support rise sharply, and the impact of systemic inequality is resulting in more complex and challenging caseloads. While public donations have fallen, inflation is driving up operating costs and devaluing income and reserves. This past winter (2023/24), 85% of charities predicted it would be as tough, or even tougher, than the previous one, according to NCVO [research](#), and 27% reported they wouldn't be able to meet the increasing demand for their services.

While this paints a grim picture, the value civil society brings cannot be understated. It also creates a compelling argument for putting the voluntary sector at the heart of how the country is run in an election year, when politicians need to garner trust and gain community backing. Civil society is increasingly caught in the crossfire of the media and political debate but is highly trusted. In a climate where there is distrust of each other, of our public institutions, and of information, the trust charities hold is extremely valuable.

The past few years have been undoubtedly difficult on the frontline. However, charities have demonstrated how they can quickly adapt to fix problems when public services are tied by bureaucracy, and businesses beholden to profit margins rather than people. Often first on the scene in an emergency, the sector has shown huge agility, resilience, efficiency, and innovation in times of crisis and pressure.

Now, in the spring of 2024, what is the state of the sector following austerity, political upheaval, war, pandemics, and economic crisis?

### A sector like no other

According to the [NCVO Civil Society Almanac](#), there are 163,959 voluntary organisations operating in the UK. From institutes with long, historic pasts and generous benefactors, to charities founded specifically to address urgent or specific need, gaps in public services, or in response to personal tragedy, all voluntary organisations play a vital role in communities, balancing three key roles:

1. **Service delivery:** Many charities deliver services in partnership with the state – £16.8 billion of charity income (roughly 30%) [comes from government](#). These services are valued for their quality, accessibility, value for money, and specialist nature. Crucially, any surplus is invested in service development and innovation. In parallel, some voluntary organisations deliver services that complement publicly funded services. Historically, these were often additional or preventative services. Increasingly, as the line between the state and community has shifted over ten years of austerity, with four in five charities now subsidising public sector contracts, others are picking up the pieces where the state has failed.
2. **Advocacy:** Driven by a mix of passion and lived experience, the voice and advocacy role of voluntary organisations is a defining characteristic of civil society. Charities play

an important role in raising the voices of those not often heard. This is a vital pillar of democracy; indeed, many charities have larger memberships than political parties.

3. **Community building:** Civil society creates relationships that foster trust and reciprocity, which are essential for community building and economic growth. Civil society is the place where people come together to express and share their interests, values, and identities. Powered by volunteers, the voluntary sector provides a vehicle for people to get involved in their local community, to learn new skills, improve their wellbeing, and reduce isolation.

The majority of voluntary organisations are micro (annual income less than £10,000) and small (annual income less than £100,000). The pandemic appears to have encouraged the growth of micro organisations in 2020/21, but with a decline in the number of small and medium-sized organisations.

The value of smaller organisations is often overlooked but, as identified in research by [Lloyds Bank Foundation](#), they hold a unique position, often being hyper-local, promoting inclusion, community belonging, and a safe space for communities. They play a critical stabilising role for the people they support.

### **Force for good, force for growth**

If fully harnessed, the social capital created by civil society could be a significant driver of economic growth and regeneration. Often deemed amateur or inefficient, it is easy to paint charities as money takers, instead of money makers. But this is to misunderstand the nature of the voluntary sector.

Civil society significantly contributes both directly and indirectly to the UK economy. Measured in purely financial terms, the voluntary sector in the [UK is worth around £18.2 billion](#). If its social impact is included, the sector's contribution to the economy is 10 times as much. This means it is worth an estimated £200 billion.

Charities also make a positive impact on a local economic level, circulating capital through local supply chains generating local wealth in a variety of ways, such as through social enterprise, bringing in money from trusts and foundations, and working with local businesses. [Research by Locality](#) found that every £1 of income generated by the Halifax Opportunities Trust contract for the Jubilee Children's Centre creates £2.43 for the local economy. Similarly, Bradford Trident creates £2.52 for the local economy for every £1 it receives.

The social capital civil society generates cannot be underestimated. It does this through connections, resources, relationships, services, community facilities, while growing the capacity, agency, and resilience of people and communities. Social infrastructure also holds economic value, with [research showing](#) that for every £1m invested, there are likely to be economic and fiscal returns worth £3.2m, including a £0.7m boost in employment, training, and skills opportunities for local residents.

Underestimate this value and government programmes could fail. As [The Law Family Commission on Civil Society](#) identified, levelling up won't succeed without civil society as charities, community groups and volunteers are essential to successful, sustained local regeneration.

## People make places

While the potential economic value is important to demonstrate, what sets civil society apart from other sectors is the people. The tenacity, dedication, skill, and ingenuity of the voluntary sector workforce and its volunteers.

According to the [Civil Society Almanac](#), a little under one million people worked in the voluntary sector in 2023, which is about 3% of the UK workforce. The sector doesn't just employ people, charities create, and often campaign for, inclusive employment. While there are multiple benefits to volunteering, one of the most common motivations for the youngest age group (18- to 24-year-olds) to volunteer is to help them progress in their career or gain a recognised qualification. [A quarter \(25%\) cite this.](#)

Around 12.4 million adults volunteered during the pandemic. NCVO's [Time Well Spent research](#) shows that volunteering offers much more than just the chance to give something back. Volunteers report positive impacts on their lives such as enjoyment, a sense of achievement, and increased social connection. Three-quarters of volunteers say volunteering improves their mental health and wellbeing.

## To thrive, not survive.

There is no argument that charities are needed now more than ever. However, the sector is under threat. There has been a spike in calls to the NCVO helpdesk asking how to close a charity responsibly, and while the pandemic appears to have encouraged the growth of micro organisations in 2020/21, there has been a [decline in the number of small and medium-sized organisations](#). For every charity that closes, a lifeline in a community is cut, and this is particularly worrying when public sector services are being stripped bare.

To shift from surviving to thriving, the sector must:

1. **Collaborate:** For too long, grant funding and contracts have seen organisations compete with each other. There is a need to work better with each other and across sectors. Where small and large charities work together as part of a system, people and communities can benefit from the combined strengths of both.
2. **Work with flexibility and agility, while keeping a long-term vision in sight:** Leaders will need to be creative in terms of how they make a difference and how they operate. Change is constant, and the ability to adapt to emerging challenges is essential. This short-term adaptiveness must, however, be balanced with staying true to a longer term 'north star' vision.
3. **Speak up:** Charities must continue to campaign to address the root causes of societal inequalities. This might not look like a big campaign, it might be writing to your councillor or sharing stories. For many charities, campaigning is the best way of achieving their mission. Proximity to communities through service delivery also provides valuable insight to support policymaking.
4. **Utilise infrastructure organisations:** These organisations exist for the voluntary sector, playing a convening role, offering practical support, insight and voice, and supporting collaboration and partnerships.

NOT FOR FURTHER CIRCULATION

There will never come a time when charities aren't needed. Some charities, like foodbanks, willfully don't want to exist. However, it's easy to forget in times of crisis that charities exist not only to help people survive, but to help people thrive. To add joy, build places of connection, instill hope. While economic contribution is important, it is this motivation, and the intrinsic need for society to hope and believe that things can be better, that makes civil society so invaluable.

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