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Background and key findings

The analysis reported here, undertaken collaboratively between the Third Sector Research Centre (TSRC) and the University of Kent (SSPSSR and PSSRU), builds upon the ‘barriers to impact’ component of the EU Third Sector Impact (TSI) study led by the University of Kent. It summarises supplementary work undertaken at our own initiative. By combining results from the TSI online survey of social policy charities with data holdings at TSRC, we seek to move towards a more nuanced account of the barriers to achieving impact these organisations face, paying particular attention to diversity and difference within the sector. We found:

- A substantial proportion of organisations expressed concerns, sometimes strongly, about the negative impact of reductions in public expenditure, particularly from local government sources. This was particularly so for organisations of a larger size, while differences of view were less evident according to policy subfield (ICNPO).
- Concerns about resource constraints, ability to balance functions (service provision, community development and campaigning), and marketization tended to be expressed most strongly by organisations situated geographically in disadvantaged areas. These tend to be places where public funding streams, developed under the previous New Labour government, had played an especially significant role in the establishment of new entities.
- Related to this, we also found a tendency for organisations of recent origin to express greatest concerns about their position. In contrast long-established organisations – those that had been on the Register of Charities since before the 1980s – were much less likely to report experiencing ‘barriers’ so extensively.
- Regression analyses was undertaken to control for multiple factors simultaneously. This confirmed that the strongest predictors of concerns about resource shortages and the future financial environment were most likely to be expressed, other things being equal, by organisations in disadvantaged areas; and organisations which had been established relatively recently.

One potential policy message is that charities require a relatively long period of time to develop positions allowing them to weather periods of severe economic strain, such as those encountered since the end of the last decade. Policy makers interested in fostering third sector impact should therefore focus upon issues of sustainability in the long run. ‘Taking the long view’ will require investing in organisations in the initial, early years of their development in a way which seeks to build in resilience from the onset; but also suggests a need for measures to support agencies as they ‘mature’ over a decade or more. Without such support, under conditions of austerity, the supplementary research reported in this Briefing implies that many organisations will simply not realise their perceived impact potential, and remain preoccupied with a struggle to secure the resources required to function at even a rudimentary level.
INTRODUCTION

The first TSI UK Briefing included a generalised overview of the English third sector’s situation in relation perceived barriers to impact, supported by key overall findings from the TSI online survey of charities operating in key social policy fields. That survey asked a number of questions about organisations perceptions of their ability to access resources obstacles to their development, relationships with external bodies, and views about the external policy and regulatory environment. This second Briefing takes the analysis a step further. It concentrates first on general patterns revealed by bivariate analyses (that is, cross tabulated responses to questions against organisational characteristics, including size, policy subfield and age). Second, since various characteristics of organisations are interrelated (for example, large organisations are more likely to have employees than small ones), we also performed basic multivariate (regression) analyses to tease out these interrelationships.

Size of organisation - financial scale measure

Resources: comparing the three size bands for which we had the largest numbers of responses, it appeared that the greatest funding challenges were being experienced by organisations in the £100,000-£1 million bracket, especially for public sector funding (local government, central government, and other statutory funding). We did not find substantial differences in relation to the recruitment and training of staff and volunteers.

Funding environment: respondents were asked about their own responses to the changed funding situation in recent years. There was a consistent message: organisations were devoting more resources to fundraising, and processes of commercialisation and marketization, including interest in social investment, were more evident for larger organisations. This should not surprise us: larger organisations being more exposed to public funding streams, they are also those most likely to have to explore alternative funding routes. The larger organisations were also significantly more likely to agree that the need to raise revenues from business activities was putting their mission “under more strain”, and that a “management or business background” was becoming more important to senior staff.

Policy and external environment: despite concerns about resources, larger organisations felt more included in processes of political decision making and policy formulation. At the same time, larger organisations were more likely to respond negatively to questions about their ability to “balance service delivery, campaigning and community development activities”, and about whether the climate was “conducive to needs-based planning”. Across all size bands, the “Big Society” policy preference of the government was perceived as not having helped organisations develop and there was very little optimism expressed that the next five years would be easier than the past five had been.
Policy subfields (ICNPO classification)

We found that differences between ICNPO subfields were less noticeable than those between size bands. This may be linked to the fact that ICNPO groups, while providing a workable middle range way of differentiating between rather broad classes of organisations, nevertheless group together agencies which might often regard themselves as of different types. For example, ICNPO Group 4, Social Services, includes adult social care as well as care for looked after children, youth services, and specialist services relating to a wide range of other client groups; or, Group 3, Health, includes acute physical health services as well as mental health activities and palliative care. In addition, the simplifying one-dimension approach of the ICNPO system necessitates allocating organisations to a single primary field, when in reality, may agencies function simultaneously across subfields and client groups.

While admittedly not fine grained in policy terms, the system nevertheless does provide at least a starting point for distinguishing between service fields and areas of work, and for this reason has also become established as the ‘standard’ for comparative non-profit research. Accordingly, we use it her as an indicative point of departure. In relation to financial resources we found that the organisations experiencing the greatest financial shortfalls on funding streams were those in Group 7 - Civic & Advocacy (including law & legal services and criminal justice) and in Group 3, Health - although it should be emphasised that Groups reported significant problems with public funding streams. Around a half of organisations reported difficulties in recruiting volunteers (see Briefing One) but this did mask some variation: Group 8 (Philanthropic intermediaries, including foundations and infrastructure) at around 25 per cent, and also Group 3, Health (around 40 per cent). We found that Group 7 respondents were also more likely to disagree than other respondents that volunteers were less involved in frontline services than they had been in the past.

The impacts of processes of marketization over the past five years was identified as relevant to a marked extent across all categories (again, see Briefing One), but we found slightly elevated tendencies, once again, in the Group 3 (Health) and Group 7 (Civic & advocacy) policy subfields. However, we found no clear differences with respect to responses to other questions about the general policy and political environment. Significantly perhaps, there were no differences in attitudes to the idea of the “Big Society” as it had unfolded as a framework in 2010-2015: and all ICNPO categories were also equally gloomy about prospects for the next five years. The only area of significant variation was that, once again, organisations in Groups 3 and 7 appeared to be in a more challenging situation. Respondents in these categories were rather more likely to be experiencing the current climate as less conducive to needs-based planning than other ICNPO Groups.
**Size – paid employment scale measure**

Unlike charity income, where we are able to strengthen the results of our TSI online survey by drawing on financial reporting to the Charity Commission, for this measure of scale we had to rely purely on the former. To simplify our analysis, we grouped responses into three categories: no paid employees; 1-10 paid employees; and more than 10 paid employees.

We found a small number of responses which implied the organisations had mistakenly counted unpaid volunteers in responding to this question (financially small organisations claiming infeasibly large paid workforces). But overall the patterns seemed sensible, with strong associations, for obvious reasons, between financial size and employment. Our results showed that concerns about statutory (public sector) funding were articulated more forcefully by organisations with larger numbers of employees, but there are no obvious associations between increased marketization or market orientation and employment. As was evident when stratifying the data by income band, larger organisations expressed more widespread concerns about the strains imposed by business practices; felt it was difficult to balance service delivery and other functions; and argued that the climate was less conducive than previously to needs-based planning. But there were no differences as regards views on the “Big Society”, or concerning optimism about prospects in the coming five years, which were uniformly gloomy across all paid employment size categories.

**Deprivation**

We use the Index of Material Deprivation to examine the link between problem perceptions and geographical base. We found very strong gradients between areas in terms of reporting funding difficulties, which were particularly pronounced for local and central government funding. But we also found clear majorities of organisations in the most disadvantaged quintile (20 per cent) of areas stating that obtaining foundation and company support was a serious problem. The significance of these funding difficulties is not surprising in relation to public funding streams, as some of these had been targeted at the most disadvantaged areas as a matter of policy priority, but the prevalence of higher perceived shortfalls in relation to foundation and company support was a less well anticipated result. Findings concerning perceived volunteer shortfalls were also interesting, because our expectations were mixed: on one hand, the need for volunteers to help in such contexts is clearly high, yet at the same time formal volunteering rates are known to tend to be lower in areas of disadvantage. In this context, it was interesting to observe that gradients were less pronounced, as measured by organisations’ perceived ability to recruit and train volunteers.
We also found gradients in relation to the importance of commercial sources of funding and of market relationships: organisations in disadvantaged areas claimed that that they were more likely to seek such sources of income, and also increase the attention they give to fundraising. They were also substantially more likely to agree that business orientations are placing greater strain on their organisation; that they were struggling to balance service delivery and campaigning activities; and to agree that the recent policy climate has been less conducive to needs-based planning. Finally, high IMD located organisations were also even more likely to reject the statement that the “Big Society” had fostered development than low IMD located organisations, and tended to be more pessimistic about the next five years’ prospects too.

**Age of organisations**

As a proxy for age we use date of registration with the Charity Commission, divided into four periods: 1961-79; 1979 – 1997; 1997 – 2010; and post-2010. (The post-2010 numbers of organisations were relatively small, with 126 responses.) The interest here was in whether recently-established (post 1997) organisations might be more at risk than others from various resource shortfalls and external changes. Our analysis indeed suggested that post-1997 charities, including those established both under New Labour and the Coalition, were more likely than longer-established entities to express concerns about resource issues, and some of the differences were as substantial between those found in relation to deprivation. Newer organisations were less likely to be positive about the “Big Society” and the outlook for the next five years than their older counterparts. However, it is important to note that the differences between charities established 1997-2010 and those established subsequently were less noticeable than differences between those established pre-1997 and those set up after that date. This suggests a problem known as the “liability of newness”: organisations struggle to build up resources and relationships, and in the turbulent climate of the past decade, may have less to fall back on than longer-established entities.
Multivariate analysis

Many of the characteristics used to distinguish between organisations discussed above are clearly interrelated. For example, organisations located in disadvantaged areas share certain characteristics – compared to the charity population as a whole, they are more likely to be larger, to have been formed relatively recently, and to be in receipt of public funding streams. So an aspiration of analysis should be to disentangle the relationships between the relevant variables, and control for these interdependencies. Accordingly, we have used regression analysis to separate out the effects of individual characteristics.

For simplicity, we dichotomised the responses, grouping “not a problem” and “not serious” together, either with or without the “not applicable” category, so that we can compare them with the pattern of “somewhat serious” and “very serious” responses. Logistic regression analyses were then the appropriate approach to take (see “methods”, below).

The models developed showed strong responses in relation to perceived shortages of financial resources from organisations established since 1997, and from organisations operating in disadvantaged areas. Some classes of the ICNPO were also more likely to report shortfalls in obtaining public funds than others: interestingly Group 4, social services, emerged in this way having controlled for other factors, in marked contrast with the situation suggested by the bivariate analysis, wherein we saw about other Groups had initially appeared to be suffering more from perceived under-funding. This was also true for the recruitment of volunteers. But we found that there were no clear signs that organisations based in disadvantaged areas, or more recently-established organisations, were likely to report difficulties in recruitment of volunteers.

Responses to questions about organisations’ ability to balance their functions (service provision, community development and campaigning), carry out needs-based planning, their perceptions of the “Big Society”, and their views of the future, did not reveal such a strong pattern as the responses to questions about finances. At most we can say that, once we control for other characteristics, organisations operating in the most disadvantaged quintile (20%) of communities are more likely than others to express concerns about the impact of recent policies, or about their likely future prospects.
Likewise, when we considered responses to questions about responses to the external climate, such as devoting more resources to fundraising, or the importance of market-based relationships and income sources such as social investment, there was no clear pattern. One reason is the large number of organisations declaring that such options were not applicable to them (at one extreme, as many as half of organisations in the £0 – 10K income band considered that a question about the importance of market sources of income was not relevant to them). This removed large numbers of responses from the statistical models (or would require us to make assumptions about respondents in order to reclassify their responses) and reduced the likelihood of generating statistically-significant findings. The results do show some negative associations between operating in disadvantaged areas and perceptions of the “Big Society” and of the likely future funding environment, however.

Further analyses are under way but our preliminary overall conclusion is that the most important statistically-significant relationships revealed by to date concerns the links between the age of organisations, their location, and the degree to which they express concerns about various resource issues and about the wider funding climate. There are some indications that policy subfields also experienced particular concerns. However, organisational size (proxy by income), legal form (whether or not they are a charitable company or not), whether or not they have employees, and resource growth or decline do not seem to be associated, once we controlled for other organisational characteristics, with responses to these questions.

There are some limitations to this analysis. Most notably that we have no information on the differences between charities in terms of their income sources. Other TSRC research has sown that what appear to be differences between geographical areas could in fact represent variations in the dependence of organisations in those areas on particular funding streams, which are known to be substantial. Furthermore, we cannot be certain that the measures of deprivation used capture exactly where charities work but we have sought to control for that by dividing the deprivation index into quintiles, relatively broad-brush categories. Nevertheless these findings appear to us to be important in pointing to particular subsets of the population of charities, in disadvantaged areas, that appear to be experiencing greater pressures than others.
Methodological note

The analysis reported here, undertaken collaboratively between the Third Sector Research Centre (TSRC) and the University of Kent (SSPSSR and PSSRU), was supplementary work undertaken at our own initiative, building on research led by the University of Kent with the TSI (Third Sector Impact) study. Briefing One provided a highly generalised overview for TSI purposes; whereas this Briefing seeks to exploit the findings from one strand of that work – the online survey, and link them to the TSRC’s existing work on the charity population. Our goal was to look more closely at variation and diversity within this population, to allow a better connection with the policy debate in the UK, which is relatively sensitive to differences between organisational types compared to debates in other countries.

We concentrated attention on the broad social policy subset of English charity population, as defined by the International Classification of Non-profit Organisations (ICNPO): Health (Group 3); Social care and allied services (Group 4); Economic, social and community development (Group 6); Civic, advocacy and legal services (Group 7); and philanthropic intermediaries and voluntarism promotion (referred to as “infrastructure”, Group 8). We knew from existing research that there were approximately 55,000 charities in England and Wales operating in these fields, and we issued an invitation to them to complete a password-protected online survey, concerning barriers to third sector organisational development, in July 2015, focussing on those based in England. We received 1182 useable replies. The distribution of responses corresponding reasonably closely to the national pattern of organisations in this field, but we constructed survey weights for responses to correct for over- and underrepresentation by size and ICNPO class. Responses were predominantly from smaller and medium-sized organisations. Although arbitrarily-defined income bands are mainly useful as a descriptive shorthand, they are widely used by sector researchers and so we classify our respondents into size bands according to income (£0 – 10000; £10 – 100K; £100K – 1Mn). Insufficient numbers of responses were received from larger organisations, and most of our analyses focus on these three categories. As well as ICNPO and income, we were able to classify organisations according to other criteria: whether or not they had employees, and if so how many; an approximation to their age, measured by how long they had been on the Charity Commission register; the index of deprivation for the locality in which the charity was based; the actual expenditure of the organisation, and also real terms growth in expenditure by the organisations in the last five years. We do not have information on the sources of income of organisations.
Respondents were asked to give their views on the significance or otherwise of issues in relation to a 5- or 6-point scale, depending on the question being asked. As an example, the five point scale included the categories “not a problem at all”, “not serious”, “somewhat serious”, “very serious”, and “not applicable”. Most of the discussion here focuses on cross tabulations of responses by characteristics of organisation, but we also conducted logistic regressions, in which we estimated the odds of reporting a particular response, controlling for multiple characteristics of respondents. For example the models assess the likelihood of changes in responses between different categories of the ICNPO (e.g. is a social services charity more or less likely to give a particular response compared to a health charity) controlling for other characteristics (age, size, legal form). In the discussion, when a particular characteristic is identified, that means that our models suggest it is having an effect on the odds of an organisation giving a particular response to a question, after allowing for the influence of other characteristics of that organisation. Income bands are fairly meaningless for such exercises\(^1\) so we used the log of expenditure and we also calculate real-terms growth rates in expenditure for individual organisations.

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\(^{1}\) Consider the effect of moving from the “micro” income band (£0 – 10 000) to the next size band up (£10 000 – 100k). This could be a 99 999% increase in income (from £1 to £99 999) or a 0.01% change (from £9999 to £10 000). Treating this just as a change from one category to another is not informative.