




Running hot, burning out

An analysis of the VCSE Sector Barometer, in partnership with Nottingham Trent University National VCSE Data and Insights Observatory

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Summary

2022's economic turmoil, cost of living crisis and record-breaking hits to living standards have affected millions of households up and down the UK. With many turning to charities for support, the sector has been trying to address rapidly growing levels of need, while simultaneously attempting to navigate an increasingly perilous financial landscape.

With inflation and energy costs both consuming sector resources and negatively impacting public giving, charities are facing an almost impossible balancing act. Despite this, charities are doing what they always do – stepping up and doing their best to deliver their charitable objectives and meet the needs of their beneficiaries.

For many, this has meant trying to bring in additional staff and volunteers to help tackle the increasing levels of demand. But attempts to grow, far from being the answer to the problem, are proving to be yet another difficulty that charities are having to overcome.

Results from the second wave of the PBE and Nottingham Trent University National VCSE Data and Insights Observatory quarterly VCSE Sector Barometer reveal the extent of the sector's recruitment and retention challenges. The survey finds that over eight in ten (82%) charity employers have tried to recruit paid staff in the past year, with over seven in ten (71%) saying that recruitment has been difficult. More than half of charity employers (54%) reported that they currently have vacancies, with over eight in ten (83%) saying those vacancies are proving hard to fill.

Many cited a tight and competitive labour supply as the primary cause of their recruitment woes. Respondents identified insufficient numbers of suitably skilled applicants, a low number of applications in general, increased competition from other employers, and poor terms and conditions as the key barriers to growing their workforce.

For the charity sector, heightened competition amid a cost of living crisis is an especially difficult bind. Previous analysis has shown that people working for charities earn on average 7% less per hour than their counterparts in the rest of the economy. And with evidence that private sector pay growth has been outstripping charity pay growth over the last two years, it is likely that charities are becoming increasingly less competitive in terms of remuneration.

To make things worse, the long-term downward trend in volunteering participation has continued. Volunteering rates have fallen to record lows,

as the sharp decline in volunteering witnessed during the pandemic is proving difficult to reverse.

As a consequence, the sector's existing workforce is shouldering much of the burden, with seven in ten employers with hard-to-fill vacancies (70%) saying that current staff were facing increased workloads as a result. Retention is proving to be a smaller but nonetheless important problem for many employers, with three in ten (30%) describing their experience of retention over the past 12 months as difficult. Recruitment problems are further exacerbating issues of retention for some charity employers, with almost one quarter (24%) citing stress, burnout, and large workloads as a main cause of their retention issues.

Beneficiaries are also being impacted, with some charities having to pause or scale back their operations in the face of worker shortages, while others say they are struggling to maintain current quality standards and meet existing contractual or project objectives.

Longer-term improvement within the charity sector is also being hindered, as innovation and organisational development are being hampered by workforce gaps. More than half (52%) of employers with hard-to-fill vacancies said they have had to delay the introduction of new services, while almost three in ten (29%) said they have been unable to introduce new working practices.

But as the economic outlook in early 2023 begins to show gradual signs of improvement, so too has the outlook brightened for some within the sector. The proportion of charities reporting high levels of uncertainty has fallen slightly, while a growing minority of organisations are becoming more optimistic about their short-term prospects in a range of areas, from recruitment to finances.

It remains too early to say whether the dampening of pessimism observed in early 2023 will be the start of a sustained and expanded period of optimism within the sector, but with organisations already running so hot, and at risk of burning out - change cannot come too soon.

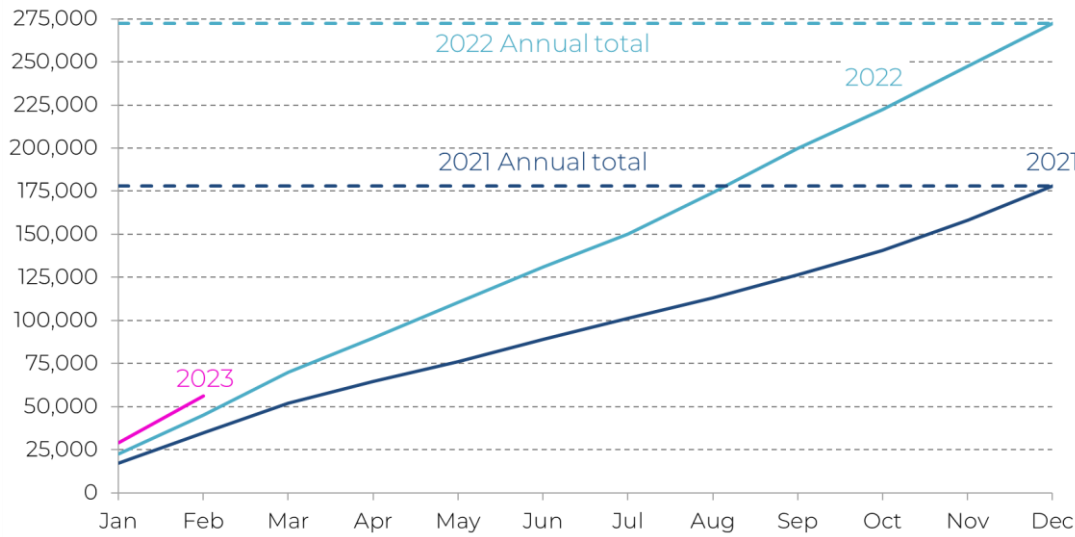
Demand continues to grow with little expectation of respite, and charities are desperately trying to scale up in order to keep up

Inflation north of 10%, GDP growth at a standstill, unemployment ticking upwards and real term wages down have left the UK in poor economic health at the end of 2022. There are marginal improvements in the economic outlook expected throughout 2023, but the impact on the charity sector has already been significant.

While large numbers of people turn to charities for support when crises begin, charities also pick up additional demand when people run out of means to manage hardship and recover from its long-term impacts, such as lasting debt and poor mental health. Figure 1 provides an indication of the scale of the increase experienced to date. Citizens Advice referrals to charities and food banks increased by 53% in 2022, compared to the previous year, and with January 2023 breaking the record for monthly referrals, there has been no sign of let up so far this year.

Figure 1. Citizens Advice continues to refer people to charities in record numbers

Cumulative number of individuals referred for charitable support or to foodbanks by Citizens Advice each month, 2021 to 2023



Source: Citizens Advice, [Advice Trends](#), February 2023

The latest results from February's VCSE Sector Barometer Survey give further weight to these observations. Almost four in every five charities (79%) responding to the latest survey reported an increase in demand for their services over the previous three months (November 2022 to January 2023), with more than four in ten (43%) saying that demand had increased a lot.

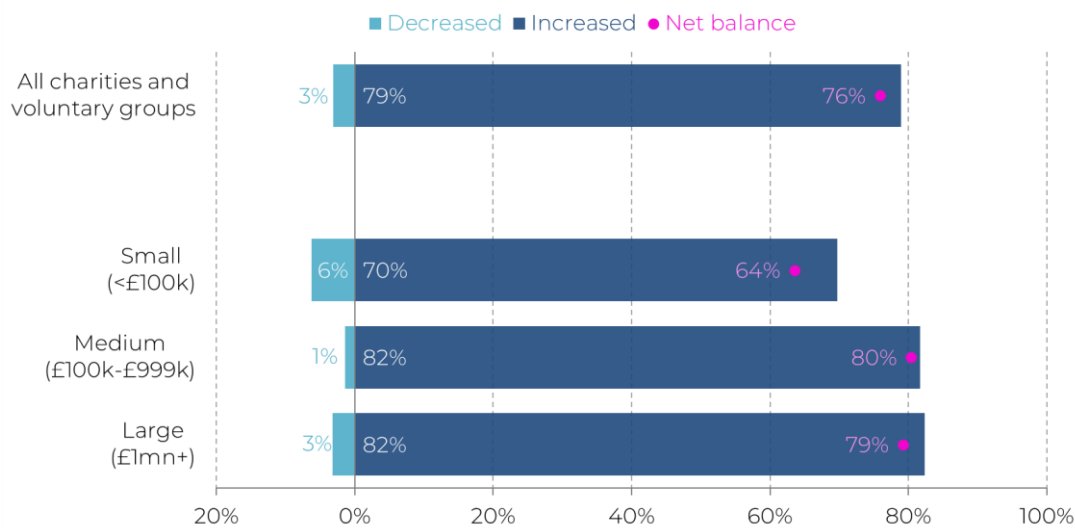
“We are overwhelmed with the need, which has increased three-fold in a short space of time and still growing. This is not sustainable. Staff and volunteers are great, but burnout is affecting us.”

- Respondent, small charity

These pressures are not entirely evenly distributed across the charity sector. As Figure 2 demonstrates, larger charities in particular have been experiencing growing need – though with a net balance of almost two-thirds (64%) of small charities also experiencing growing demand, these organisations are still under notable pressure.

Figure 2. All parts of the sector are experiencing growing demand for their services

Proportion of charities and voluntary groups reporting increased or decreased demand over the past 3 months (November 2022 to January 2023), by size



Notes: Online survey undertaken 6-20 February 2023. For 'All charities and voluntary groups' n=489, for 'Small (<£100k)' n=129, for 'Medium (£100k-£999k)' n=219, for 'Large (£1mn+)' n=125. Residuals are 'Stayed the same' and 'NA/Don't know'
 Source: Pro Bono Economics and Nottingham Trent University VCSE Data and National Insights Observatory, Quarterly VCSE Sector Barometer, Wave 2

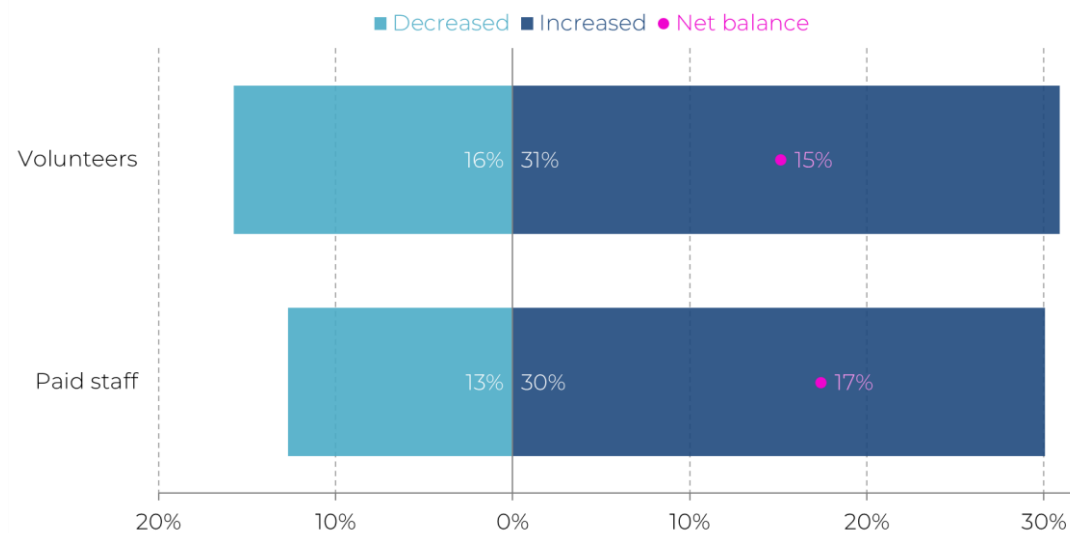
The general consensus among the charities that responded to the survey is that elevated levels of demand are unlikely to let up in the short term, with almost four in five (78%) expecting demand to grow over the next three months (Feb-April), with nearly a third (31%) expect it to grow by a lot

In response to growing levels of need and despite already running hot, many charities are trying to scale up in order to keep up. More than eight in ten (82%) respondents from organisations with a paid workforce reported that they have tried to recruit in the past 12 months. And as Figure 3 shows, almost a third said the size of their paid workforce grew in the last three

months, while the same proportion reported that their volunteer workforce grew during the period.

Figure 3. In light of escalating demand, the sector is trying to expand its workforce

Proportion of charities and voluntary groups reporting increases or decreases to the size of their paid workforce and number of volunteers in the past three months (November 2022 to January 2023)



Notes: Online survey undertaken 6-20 February 2023. N=489. Residuals are 'Stayed the same' and 'Don't know/Not applicable'

Source: Pro Bono Economics and Nottingham Trent University VCSE Data and National Insights Observatory, Quarterly VCSE Sector Barometer, Wave 2

Financial conditions are undermining charities' ability to respond to rising demand

The dual threats of rising costs and a decline in individual giving are chipping away at the financial foundations that charities need to sustainably grow in order to meet escalating demand. Income was the most cited concern among respondents to the Barometer, with more than three-quarters (76%) placing it in their top three concerns. Over four in ten (42%) said their financial position had deteriorated over the past three months and around a fifth (22%) said it had improved, with roughly the same proportions expecting the same in the next three months.

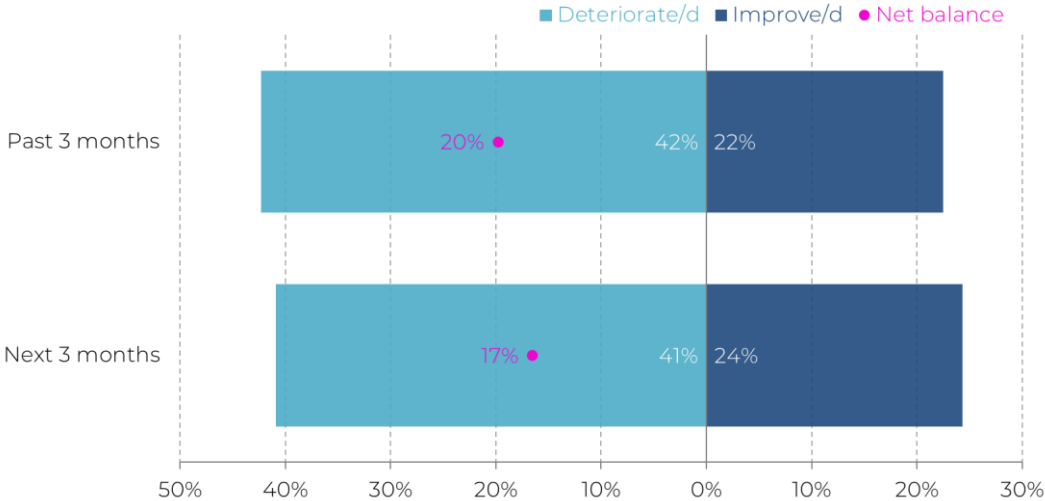
Inflation has undoubtedly been a major factor in this, with almost three-quarters (73%) of charities citing rising costs as a cause of their financial deterioration. Meanwhile, a growing body of evidence highlights how the cost of living crisis has led to a retraction in charitable giving from the public. Recent survey results have shown that 60% of people have cut back on donations in the past six months,¹ almost 4 million fewer gave to charity

¹ [BBC Cost of Living Poll](#), Savanta, 16 Jan 2023

in November 2022, compared with a typical November pre-pandemic², and around 3 million fewer people are giving to charity compared to 2019.³

Figure 4. Finances continue to deteriorate for many charities

Proportion of charities and voluntary groups reporting and expecting improvement or deterioration to their financial position in the past three months (November 2022 to January 2023) and over the next three months (February 2023 to April 2023)



Notes: Online survey undertaken 6-20 February 2023. N=489. Residuals are 'Stayed the same' and 'Don't know/Not applicable'
 Source: Pro Bono Economics and Nottingham Trent University VCSE Data and National Insights Observatory, Quarterly VCSE Sector Barometer, Wave 2

While charities continue to battle on in the face of immediate pressures, for many the situation is clearly unsustainable over the long term. This is most clearly evidenced by the fact that more than half of charities (51%) reported that they are using reserves to cover current running costs, with the average respondent holding around six months' worth of reserves at present.

These financial constraints make it far more challenging for charities to respond to the growing need they are experiencing. In particular, it makes investments in long-term organisational success more challenging, such as plans to upskill existing staff, better volunteer management, technology adoption, or making work more attractive to incoming employees.

² [Nearly 4 million fewer giving to charity during peak pre-Christmas period](#), Charities Aid Foundation, December 2022

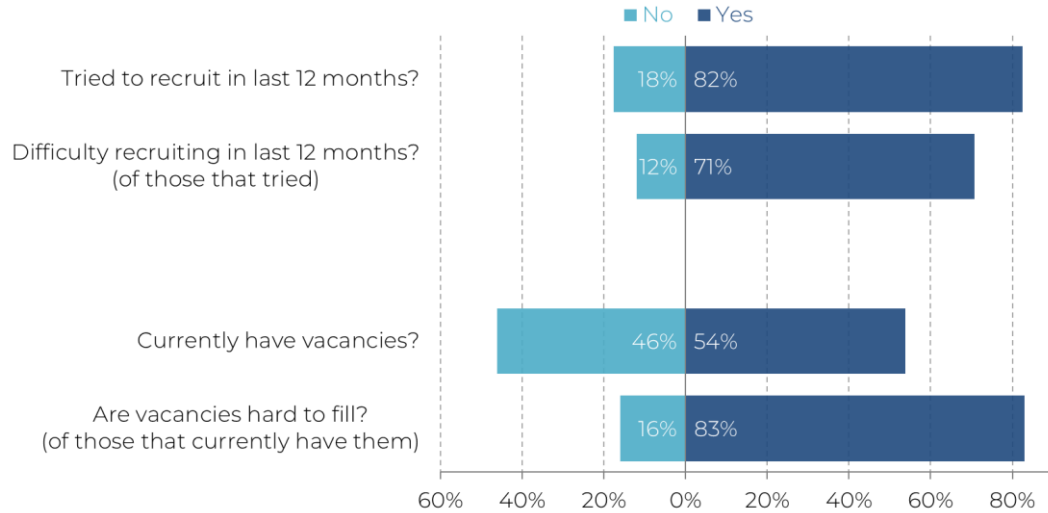
³ [Community Life Survey 2021/22: Volunteering and charitable giving](#), Department for Culture, Media and Sport, February 2023

Charities' ambitions to bring in the people they need are being held back

Despite many organisations being entirely volunteer-run, the sector is still a significant employer. Charities employ almost 1 million people, accounting for around 3% of the UK's workforce.⁴ And as highlighted above, many charities are trying to grow, and more are trying to recruit. However, doing so is not proving easy.

Figure 5 outlines the scale of the recruitment challenges that those charities are facing. More than seven in ten (71%) that have attempted to recruit over the last 12 months reported facing difficulties in finding staff, with three in ten (30%) classifying it as "very difficult." Furthermore, more than half (54%) reported that they had vacancies at the time of the survey - with more than four in five (83%) saying those vacancies were proving hard to fill. Large charities in particular are more effected by recruitment challenges – with over four in 10 (43%) saying it is one of their biggest issues.

Figure 5. Many charities have been struggling to recruit staff
Experiences of recruitment for charities with a paid workforce, current and over the past 12 months



Notes: Online survey undertaken 6-20 February 2023. For 'tried to recruit in last 12 months?' n=405, for 'Difficulty in recruiting in last 12 months? (of those that tried)' n=334, for 'Currently have vacancies?' n=405, for 'Are vacancies hard to fill? (of those that currently have them)' n=218. Residuals for 'Difficulty in recruiting in last 12 months? (of those that tried)' are 'Neither easy nor difficult'

Source: Pro Bono Economics and Nottingham Trent University VCSE Data and National Insights Observatory, Quarterly VCSE Sector Barometer, Wave 2

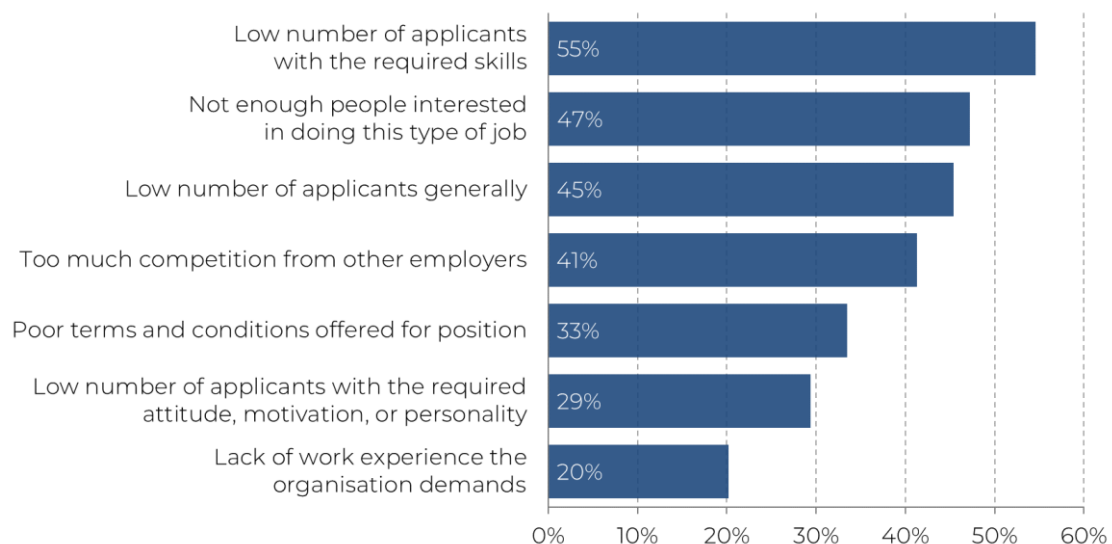
Both the sector's difficult financial straits and the wider state of the jobs market have a role to play here. The labour market has been tight for some

⁴ [UK Civil Society Almanac](#), National Council for Voluntary Organisations, October 2022

time, with the UK having a strong employment rate and an increase in inactivity throughout and since the pandemic. The Barometer makes it possible to identify how the wider challenges of a tight labour market are filtering through to the charity sector. Respondents tended to identify supply side issues as the most common cause of their recruitment challenges. Over half (55%) cited a low number of suitably skilled applicants, just under half (47%) said there was a lack of people interested in the type of work and again just under half (45%) blamed a low number of applicants generally. Competition from other employers was also a significant factor, with just over four in ten (41%) identifying it as a cause of their recruitment difficulties, with a further one-third (33%) pointing to relatively poor terms and conditions as a barrier to recruitment.

Figure 6. Labour supply and competition are the main barriers to charity recruitment

Proportion of charity employers with hard to fill vacancies citing selected causes of vacancies



Notes: Online survey undertaken 6-20 February 2023. N=218.

Source: Pro Bono Economics and Nottingham Trent University VCSE Data and National Insights Observatory, Quarterly VCSE Sector Barometer, Wave 2

Retention continues to be a smaller but nonetheless important issue in the past year, with around a quarter of charity employers (26%) reporting that keeping hold of staff has been difficult, rising to over one in three (36%) for large charities, with poor terms and conditions the most commonly cited cause of retention problems.

To tackle recruitment and retention challenges, and despite the undeniable financial challenges, many charities are taking steps to try to better compete in the labour market. More than half of charity employers

(53%) said that they had raised salaries in response to workforce challenges and one in five (22%) have increased spending on recruitment.

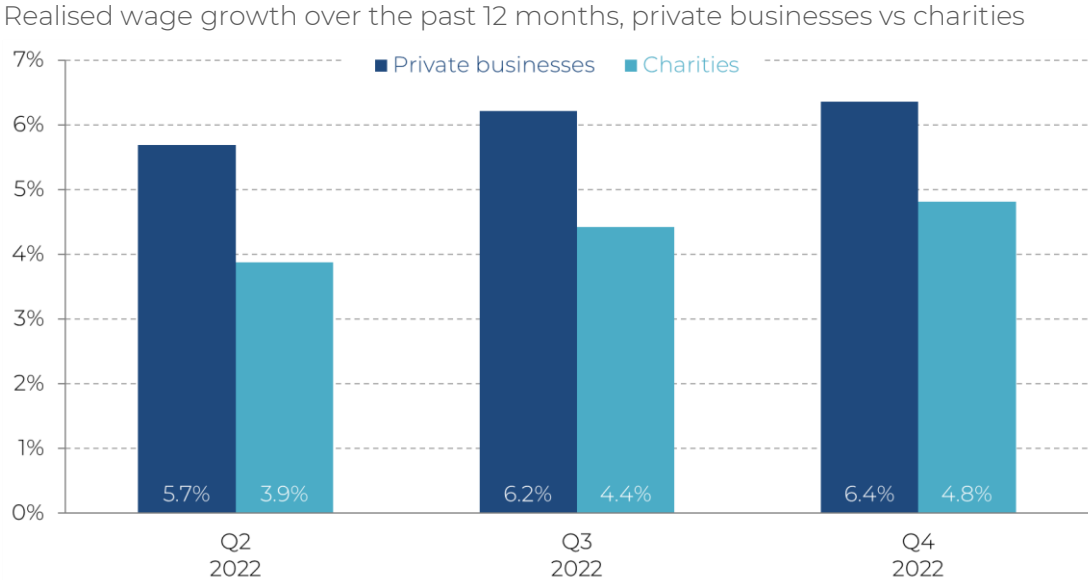
Yet there are indications that these efforts to attract and keep staff are unlikely to be sufficient to overcome the problems. Wages in the sector are already starting from a lower baseline, with analysis showing that on average people working in the charity sector are paid 7% less per hour than similar people working elsewhere in the economy⁵.

In addition, there is evidence to show that wage growth in the charity sector is increasingly being outstripped by the private sector.

“Our salaries are lower than the private and public sectors and we cannot compete. The cost of living crisis has meant potential candidates who would have come to us have had no option but to find work that will pay higher” - Staff member, medium-sized local charity

Figure 7 draws on a unique cut of results from the [Decision Maker Panel survey](#), which enables comparisons between charities and private businesses. It highlights the extent to which charities are struggling to compete, with wage growth in the sector averaging only 4.4% between Q2-4, compared to 6.1% for the private sector.

Figure 7. Private sector wage growth between 2021 and 2022 consistently outstripped the charity sector



Notes: PBE analysis of Decision Maker Panel. Realised wage growth data are based on the question: ‘Looking back, from 12 months ago to now, what was the approximate % change in your average wage per employee?’ therefore the results for each quarter reflect changes to wages

⁵ J O’Halloran, [The price of purpose? Pay gaps in the charity sector](#), the Law Family Commission on Civil Society, August 2022

that have occurred since the equivalent quarter in the previous year. For private businesses n=2350, for charities n=150

Source: Decision Maker Panel, Bank of England, December 2022.

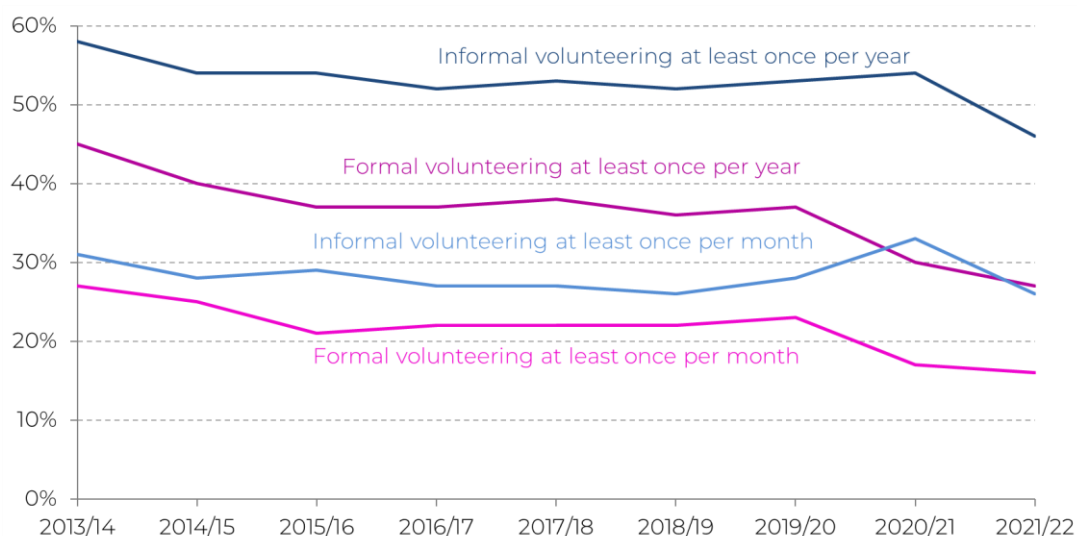
The supply of volunteers is also shrinking, further restricting the sector's ability to respond to demand

Volunteering is the lifeblood of the charity sector and is one of the key differentiators between charities and the rest of the economy. The supply of volunteers is therefore a vital indicator of the health of the sector and its ability to respond to demand.

Yet the latest statistics on volunteering participation make for particularly grim reading, and in turn add another challenge for the sector to overcome. As Figure 8 shows, all types of volunteering participation in the UK have hit record lows, according to the latest Community Life Survey. The magnitude of these drops is considerable, with DCMS estimating that there are 4 million fewer people participating in regular formal volunteering than there were in 2019/20.⁶ This is despite an appetite among much of the population to volunteer.⁷ If charities are struggling to dedicate sufficient resources to bring in and manage volunteers, this impacts the human resources available and the organisations' ability to manage demand.

Figure 8. Volunteering participation has hit an all-time low

Volunteering participation rates across various types of volunteering



Notes: PBE analysis of results from the Community Life Survey. Formal volunteering is defined as giving unpaid help to an organisation, group or club, informal volunteering is defined as giving unpaid help to individuals who are not a relative

Source: Community Life Survey 2021/22

⁶ Department for Culture, Media and Sport, [Community Life Survey 2021/22: Volunteering and charitable giving](#), February 2023

⁷ J. Jemal et al., [Hands in the Air Like You Just Do Care](#), Pro Bono Economics, December 2022

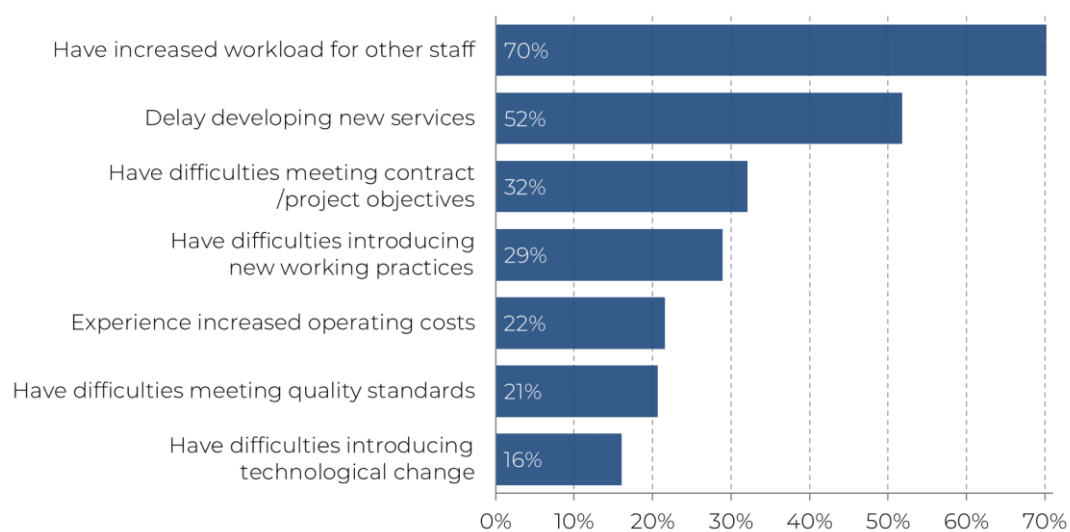
A tightening supply of labour means the current workforce is shouldering more burden, need is increasingly going unmet, and innovation is being stifled

The impact of recruitment difficulties is manifesting in three significant challenges: increasing strain on the workforce, reductions in the quality and quantity of service delivery, and a slowing down of innovation and organisational development.

The existing paid and voluntary workforce is having to work harder and longer, further creating downward pressure on retention rates. More than half (52%) of charity employers currently experiencing recruitment difficulties said that their employees are working longer hours. And of those with hard-to-fill vacancies, seven in ten (70%) said that the workload of their existing staff had increased as a result. As a consequence, around one in four (24%) said that stress, burnout, and overly large workloads were a cause of retention problems - with this figure rising to over a third (34%) of larger charities.

Figure 9. Recruitment challenges are impacting existing staff, operations, and innovation

Proportion of respondents reporting impacts of hard to fill vacancies



Notes: Online survey undertaken 6-20 February 2023. N=218.

Source: Pro Bono Economics and Nottingham Trent University VCSE Data and National Insights Observatory, Quarterly VCSE Sector Barometer, Wave 2

The operational impact of the workforce squeeze is also significantly affecting the sector, and by extension those it seeks to serve. Need is going increasingly unmet as organisations scale back their operations or struggle to maintain the quality and volume of delivery. Almost half (46%) of charities experiencing recruitment difficulties said they had paused some operations as a result, while almost one in three employers with hard-to-fill

vacancies (32%) said they were having difficulties meeting contract or project objectives and over one in five (21%) said they were struggling to maintain quality standards. Almost half of all charities responding to the survey (46%) do not expect to meet demand for their services in the next three months - with nearly one in five (19%) of those expecting to fall significantly short.

Organisational development is also being impeded, undermining many charities' attempts to implement the kind of changes that would drive improvements to efficiency and effectiveness. Over half of charities (52%) have delayed the development of new services due to a lack of staff. Almost one in three (29%) are struggling to introduce new work practices and almost one in five (16%) are finding it difficult to introduce technological change as a consequence.

Innovation and technological adoption are key drivers of productivity growth.⁸ As workforce challenges undermine their implementation, many charities are increasingly unable to make the improvements in efficiency and effectiveness that would help tackle growing levels of demand for services.

“The impact has been felt across the organisation not just in the service/team with the vacancies... Senior management time is spent supporting managers to cover vacancies and with recruitment, induction, training and replacing lost knowledge. This has impacted speed of work on internal development projects, funding bids, etc., as well as adding increased stress.” - Senior manager, large charity

Shifting short-term expectations indicate a slight drop in levels of pessimism

With the previously forecast recession narrowly avoided,⁹ inflation below its October peak¹⁰ and a significant drop in wholesale energy prices bringing good news for both households and government finances,¹¹ the economic picture in early 2023 is looking slightly less pessimistic than was forecast at the back end of 2022.¹²

⁸ J Larkham, [Productivity of purpose: Bringing charities into the UK's productivity drive](#), the Law Family Commission on Civil Society, January 2023

⁹ [GDP first quarterly estimate, UK: October to December 2022](#), Office for National Statistics, February 2023

¹⁰ [Inflation and price indices](#), ONS, March 2023

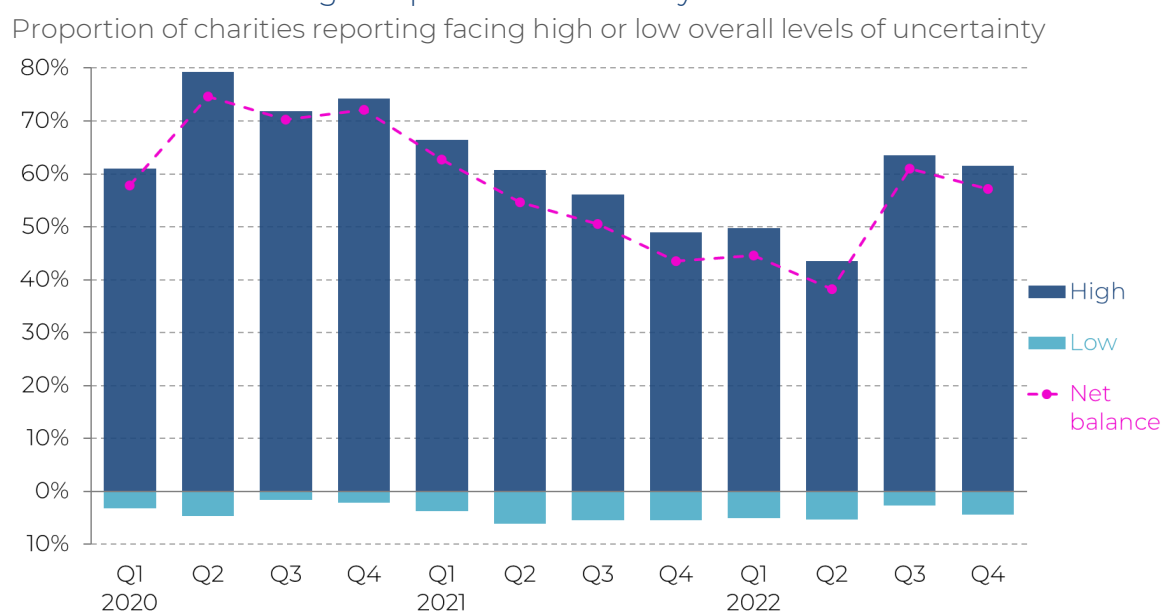
¹¹ E Fry and J Smith, [The only way is down: Assessing the impact of falls in wholesale energy prices on household and public finances](#), Resolution Foundation, February 2023

¹² [Overview of the November 2022 Economic and fiscal outlook](#), Office for Budget Responsibility, November 2022

While there is not yet cause for optimism, there may be early indications that the slightly less pessimistic economic outlook is beginning to filter through to the charity sector.

Figure 10 shows that levels of uncertainty, according to Decision Maker Panel data, fell slightly in Q4 2022 following a spike in Q3 2022 amid expectations of a leap in retail energy prices, an initial lack of clarity about the government's response, and economic turmoil in the wake of September's mini-budget.

Figure 10. Levels of uncertainty dropped slightly at the end of 2022, following an uptick earlier in the year



Notes: PBE analysis of Decision Maker Panel. Findings are based on responses to the question: "How would you rate the overall level of uncertainty facing your business at the moment. For private businesses n=2350, for charities n=150

Source: Decision Maker Panel, Bank of England, December 2022.

The findings of the Barometer also support this picture, with a number of indicators showing a small reduction in levels of pessimism.

As can be seen in Figure 11, results from the survey show a slight increase in the proportion of respondents reporting positive expectations across a range of operational areas in the next three months, compared with the first wave of the Barometer (November 2022). More than half of respondents (51%) said they expected to be able meet demand in the next three months, up from just under half (48%) in the first wave.

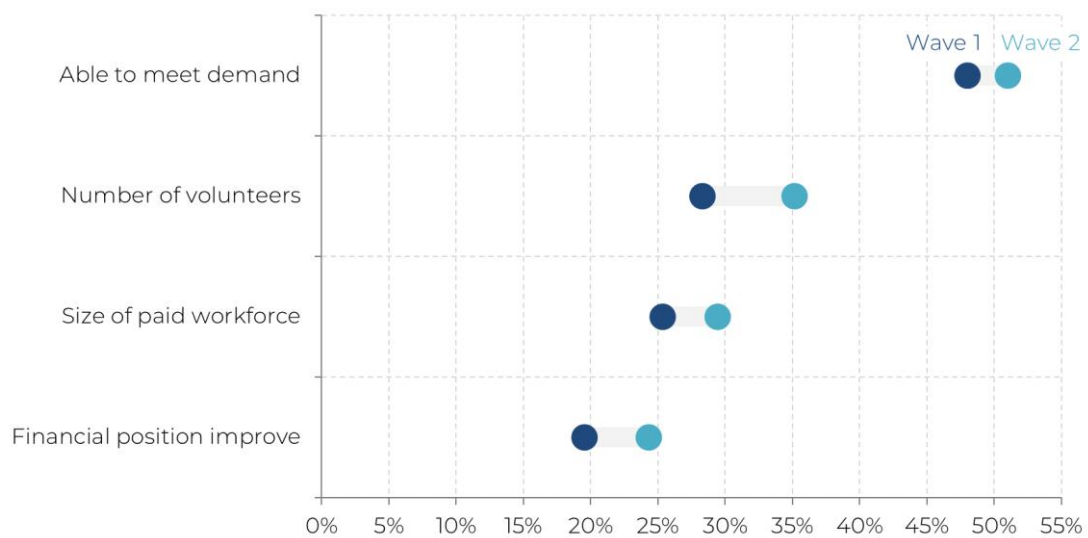
There are also indications that recruitment challenges may be easing. The proportion expecting to increase the size of their volunteer workforce jumped by seven percentage points from just under one in three (28%) to over one third (35%). It is possible this could be marginally or partly

influenced by the announcement of the Big Help Out volunteering initiative to be held on 8 May as part of the King's Coronation celebrations. Furthermore, almost three in ten (29%) said they expect their workforce to grow over the next three months, up from one-quarter (25%) of respondents anticipating this in November's survey.

Finally, the proportion of respondents expecting their financial position to improve in the next three months increased slightly, from one in five (20%) to almost one in four (24%).

Figure 11. There are early indications of slightly less pessimistic short-term outlook coming from the sector

Change between wave 1 and wave 2 in the proportion of charities responding positively to questions on meeting demand, volunteering and workforce growth, and financial position over the next three months



Notes: Online survey undertaken 6-20 February 2023. N=489. For 'Able to meet demand' a positive response is defined as a respondent saying they either expected to meet demand with significant spare capacity or with limited or no spare capacity, for 'Number of volunteers' and 'Size of paid workforce' a positive response is defined as a respondent saying they expected their workforce or number of volunteers to increase a lot or a little, for 'financial position improve' a positive response is defined as a respondent saying they expected their financial position to improve a lot or a little.

Source: Pro Bono Economics and Nottingham Trent University VCSE Data and National Insights Observatory, Quarterly VCSE Sector Barometer, Wave 2

Conclusion

With 2022's economic turmoil eroding living standards for many households up and down the UK, the charity sector - still recovering from the impact of the pandemic - has once again had to go into overdrive.

Responding to growing levels of need driven by inflation, energy price rises and falling real terms wages, while simultaneously struggling themselves with these financial challenges, it is likely that overdrive will eventually result in burnout.

In response to greater need, many organisations in the sector have tried to grow their workforce. But a tight and highly competitive labour market, coupled with the continuing decline in volunteering participation, are seriously restricting their ability to keep up.

As a consequence, the sector's existing workforce are shouldering much of the burden, which is in turn likely to be feeding retention issues and exacerbating the problem further. Operationally, staffing issues are forcing some charities to cut back on the quality and quantity of their activity, while organisationally their attempts to innovate and develop are also being hampered.

However, with economic developments bringing some much-needed light to the general sense of gloom, it seems some charities are also beginning to feel more optimistic about the future. It remains to be seen whether this is the beginning of a sustained trend of growing optimism within the sector.



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