

Institute for Public Policy Research



A THIRD SECTOR TRENDS BRIEFING >>

THE VALUE OF BUSINESS TO THE THIRD SECTOR IN THE NORTH

Tony Chapman and Jack Hunter

March 2018

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THE FUTURE OF CIVIL SOCIETY IN THE NORTH

This report is part of a three-year programme of work by IPPR North on the state of civil society and the voluntary sector in the North of England.



ABOUT THE THIRD SECTOR TRENDS STUDY

The Third Sector Trends study is the only large-scale longitudinal survey of the Third Sector running in the UK. It covers third sector organisations across the north of England comprising the North East, Yorkshire and the Humber and the North West regions. The study was conceived and originally commissioned by Northern Rock Foundation with research conducted by the universities of Southampton, Teesside and Durham. The Community Foundation Tyne & Wear and Northumberland was a co-funder of the research, and is now responsible for its legacy. The Community Foundation is now collaborating with partners including St Chad's College at Durham University, the Joseph Rowntree Foundation and IPPR North to expand and continue the research across the whole of the North. Funding from the Community Foundation was in partnership with Esmée Fairbairn and Garfield Weston Foundations.

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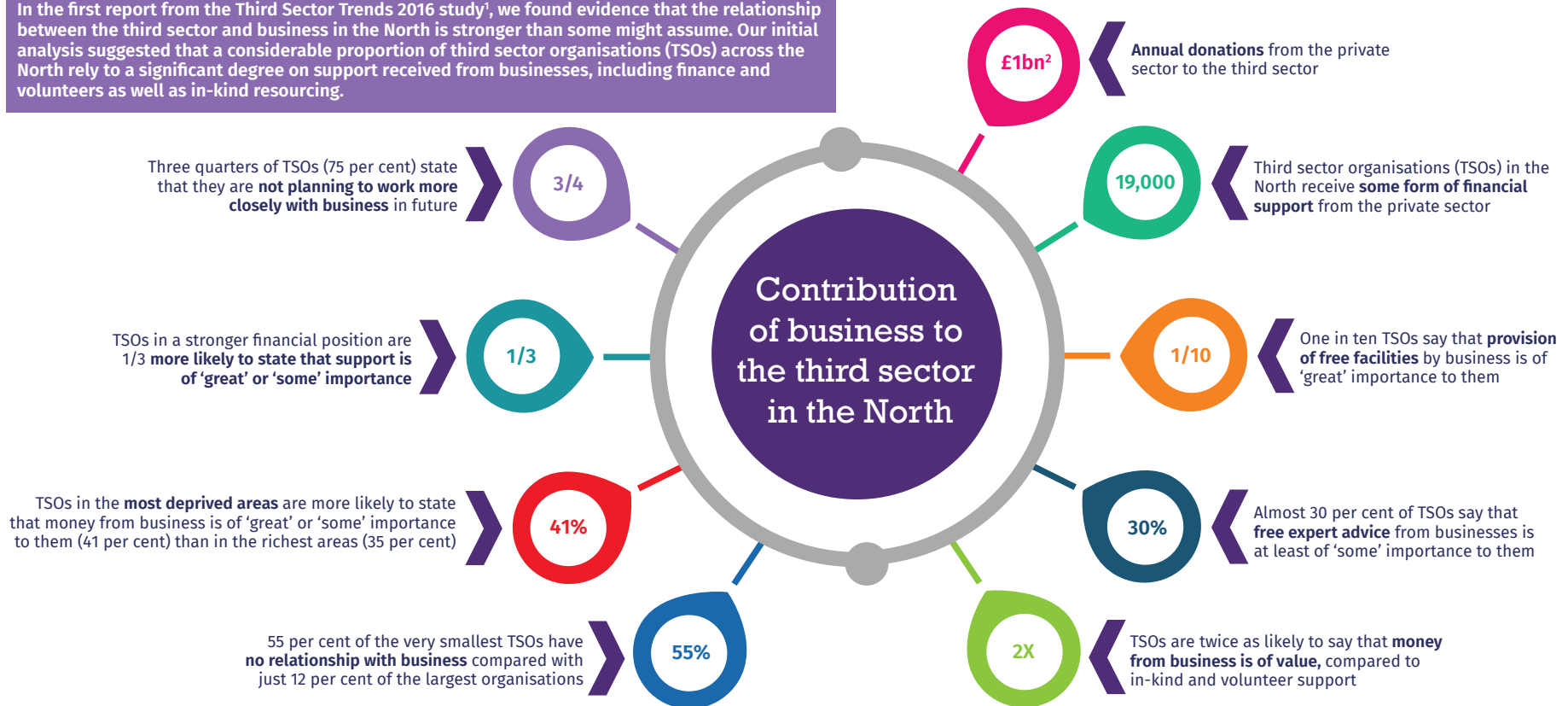
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INTRODUCTION

In the first report from the Third Sector Trends 2016 study¹, we found evidence that the relationship between the third sector and business in the North is stronger than some might assume. Our initial analysis suggested that a considerable proportion of third sector organisations (TSOs) across the North rely to a significant degree on support received from businesses, including finance and volunteers as well as in-kind resourcing.



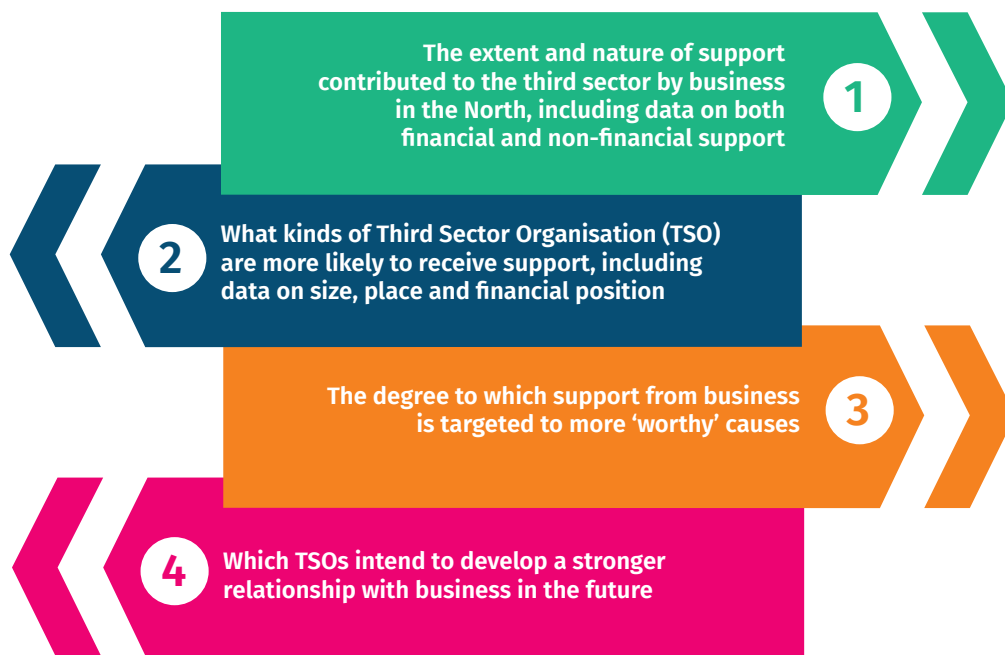
1. <https://www.ippr.org/research/publications/third-sector-trends-in-the-north-of-england-a-summary-of-key-findings>
2. NCVO

This short briefing paper will use data from the Third Sector Trends study to explore the nature of the relationship between the private sector and TSOs in greater depth. It uses data from the perspective of the third sector itself – providing insights into the extent and depth of support received from business, as well as the value of support provided. In addition to data on the degree to which the sector relies upon money received from businesses, this paper will consider other kinds of business support offered to TSOs. Such support can include, for example, offering the free use of facilities or equipment, the provision of pro bono expert advice or volunteering opportunities arranged through business schemes.

The Third Sector Trends Survey

The Third Sector Trends survey draws on data from a total of 3,594 TSOs in the North, including 1,462 from the North West, 1,083 from Yorkshire and the Humber and 1,012 from the North East. This represents a response rate of 12.7 per cent across the North. Full details of the methodological approach and assessment of the representativeness of the survey sample are detailed in previous reports².

The evidence that this paper draws on will offer new insights about:



This briefing paper is not intended to be definitive – in fact it provides more questions than it answers. It is put forward in the spirit of provoking debate and encouraging further research regarding the different roles that business plays in relation to, and as part of, civil society in the North. This is a theme that IPPR North will continue to explore in further publications.

2 Chapman T (2017) Third Sector Trends in the North West 2016

ABOUT THIS PAPER

This paper is concerned with support provided to the third sector by businesses. Third sector refers to the voluntary and community sector (including registered charities), social enterprises and mutual/co-operative organisations.

We use the term business to cover a whole range of private sector organisations, from large corporate organisations to SMEs and microbusinesses. The Third Sector Trends survey does not collect data on the type or size of business that provide support to the third sector, meaning that it is not possible to determine the extent to which support provided varies between businesses.

1. THE CONTRIBUTION OF BUSINESS TO THE THIRD SECTOR

The direct contribution of business to the third sector is substantial. Table 1 provides estimates from the National Council for Voluntary Organisation (NCVO)³ on how much money was given or earned from business by TSOs in the UK in 2014–15. While direct income from business constitutes only a small percentage of overall third sector income (4.3 per cent) the value of this income is £1.9 billion, of which over £1 billion constitutes voluntary income from the private sector.

TABLE 1

| NCVO estimates on annual income of UK charities 2014–15 | Total |
|---|----------------------|
| Voluntary income from the private sector | £1.05 billion |
| Earned income from the private sector (charitable activities) | £519 million |
| Earned income from the private sector (generating funds) | £361 million |
| Total private sector income | £1.93 billion |
| Private sector income as a percentage of all income | 4.3 per cent |

Source: NCVO

The Third Sector Trends survey collects data on financial and non-financial contributions of business in the North. Levitt⁴ has devised a useful approach to help disentangle the varied contributions small businesses make to the local third sector.

Cash and Kind: giving money to charities and community groups, or providing free facilities, loans of equipment or services.

Time and Talent: providing hours of work and skills by volunteers in work time, or encouraging out of work volunteering by employees to support charities and community groups.

Head and Heart: engaging in socially beneficial business through fair trade policies or community liaison work.⁵

3 NCVO uses financial data from a sample of 7,500 charities drawn from annual accounts held by the Charity Commission. This work is undertaken on their behalf by the Centre for Data Digitisation and Analysis at Queen's University, Belfast. Supplementary data from the Scottish Council for Voluntary Organisations and Northern Ireland Council for Voluntary Action is used to produce estimates of the UK population. Categorical analysis uses International Classification of Non-profit Organisations (ICNPO) definitions. NCVO classifies TSOs in six income bands which do not align directly with Charity Commission or Third Sector Trends categorisations.

4 Levitt (2013) *The Social SME: a study of small businesses and selected social responsibility issues in Bradford and York*, York, Joseph Rowntree Foundation

5 Third Sector Trends research holds no data on these factors and cannot therefore be explored.

FROM THE DATA, TWO CLEAR MESSAGES EMERGE:

The contribution of business to the third sector in the North is significant

1

Specifically, the Third Sector Trends survey suggests that nearly 70 per cent of TSOs receive some form of financial support from the private sector. Non-financial support is less widespread but still significant: 46 per cent say that they benefit to some degree from the provision of free facilities by business; 42 per cent state that they benefit from the contribution of volunteers who come to them via businesses; the provision of free expert advice from businesses is recognised by 47 per cent of TSOs; and 41 per cent say they receive free media and/or PR support. This indicates that support from business is widespread, although it's also worth noting that there are also a substantial proportion of TSOs who do not appear to benefit from a positive relationship with the private sector.

2

TSOs appear to value financial contributions much more highly than other types of support

Compared to non-financial support, TSOs are twice as likely to say that money from business is of tangible value to them. Two fifths (40 per cent) of TSOs state that money from business is of 'some' or of 'great' importance, including just under a fifth (18 per cent) for whom money from the private sector is considered of 'great' importance. By contrast, roughly a quarter of TSOs (27 per cent) state that the provision of free facilities is of value to them (including 10 per cent for whom it is of 'great' importance), and a similar proportion (28 per cent) value free expert advice from businesses (including 9 per cent for whom it is of 'great' importance). TSOs are comparatively less likely to value the contribution of volunteers from business – just over a fifth of organisations (23 per cent) state that this is of 'some' or of 'great' importance, including just 6 per cent who say that the provision of volunteers is of 'great' importance. Likewise, proportionally fewer organisations receive support for media/PR that they consider to be of value – 20 per cent state that this is of 'some' or of 'great' importance, including 7 per cent who say that the free media/PR support is of 'great' importance.

TABLE 2: PERCENTAGE OF TSOS RECEIVING MONETARY OR IN-KIND SUPPORT FROM BUSINESS (NORTH OF ENGLAND 2016)

| | | per cent TSOs in receipt of support | per cent stating that support is of 'great' or 'some' importance |
|-----------------|---|-------------------------------------|--|
| CASH AND KIND | They provide us with money to help us do our work | 68.1 | 40 |
| | They provide free facilities to help us do our work | 46.1 | 27.3 |
| TIME AND TALENT | They provide volunteers to help us do our work | 41.6 | 22.8 |
| | They provide free expert advice to help do our work | 46.7 | 28.1 |
| | They provide free media/PR support to help our work | 41 | 20.4 |

Source: Third Sector Trends survey 2016

There is a modest variation in business support between regions. As table 3 shows, there is some evidence to suggest that organisations in Yorkshire and the Humber are slightly more likely to benefit from private sector support (including both financial and non-financial support), although these regional differences are small and difficult to explain.

TABLE 3: REGIONAL VARIATION IN BUSINESS SUPPORT TO THE THIRD SECTOR IN THE NORTH

| per cent stating of 'great' or 'some' importance | Cash and Kind | | Time and Talent | | |
|--|---|---|--|---|--|
| | They provide us with money to help us do our work | They provide free facilities to help us do our work | They provide volunteers to help us do our work | They provide free expert advice to help do our work | They provide free media/ PR support to help our work |
| North West | 37.9 | 28.4 | 21.6 | 27.1 | 21.7 |
| Yorkshire and the Humber | 41.0 | 30.8 | 24.6 | 30.1 | 22.3 |
| North East | 36.7 | 25.7 | 22.7 | 27.5 | 19.7 |

Source: Third Sector Trends survey 2016

2. WHICH TSOs ARE MOST LIKELY TO GET SUPPORT FROM BUSINESS?

Analysis of Third Sector Trends data suggests that there is considerable variation between individual third sector organisations in terms of the likelihood that they benefit from a positive and valued relationship with business.

Firstly, the level of support that TSOs receive from business is shaped to some extent by their size. Using a variable that combines financial and non-financial support from business⁶, 55 per cent of the very smallest TSOs have no relationship with business compared with just 12 per cent of the biggest organisations.

However, larger organisations are more likely to suggest that the support they receive is of limited value to them. Just under half of the biggest TSOs (with annual income above £1 million in the last financial year) stated that money from the private sector was of 'great' or 'some' importance to them – which is a similar proportion to that of smaller organisations (42 per cent of small and 47 per cent of medium sized TSOs) – only the very smallest 'micro' organisations with incomes under £10,000 are significantly less likely to say that support from business is of value (29 per cent).

Secondly, place plays a key role. Table 4 examines the relationship between business support for the Third Sector and rurality. Data suggest that TSOs working mainly in rural areas in the North are the most likely to have no relationship with business (43 per cent). Conversely, those in more urban areas are more likely to judge money from business to be of 'great' importance (25 per cent) than is the case in rural areas (12 per cent). These headline findings may 'ring true' to observers of rural economy and society – because it is often assumed that civil society in rural areas is overlooked in policy terms and faces a kind of 'double jeopardy' of spatial isolation and low levels of investment.

⁶ This variable was constructed by merging data from five variables on the contribution business makes to Third Sector organisations as listed in table 2. Data were re-categorised under four headings to show reliance on financial support in addition to any other source of 'in-kind' or 'time and talent' contributions. The advantage of this variable brings is also to determine which Third Sector organisations have no relationship with business.

TABLE 4: VARIATION IN BUSINESS SUPPORT TO THE THIRD SECTOR BY RURALITY

| | Money from business is of great importance (and may include other valuable relationships with the private sector) | Money from business is of some importance (in addition to other valuable relationships with the private sector) | Money from business is of little or no importance (but have other valuable relationships with the private sector) | No relationship with business | N= |
|--|---|---|---|-------------------------------|-------------|
| Work mainly in rural areas | 12.4 | 20.7 | 23.8 | 43.2 | 623 |
| Work in a mix of urban and rural areas | 20.0 | 23.3 | 28.6 | 28.1 | 1352 |
| Work mainly in urban areas | 16.2 | 23.1 | 29.8 | 30.9 | 1030 |
| Work mainly in inner city areas | 24.5 | 20.3 | 29.4 | 25.8 | 330 |
| Total | 17.8 | 22.5 | 28.2 | 31.5 | 3335 |

Source: Third Sector Trends survey 2016

Similarly, and on a related note, analysis suggests that money is much more likely to be of ‘great’ importance to TSOs in areas with the highest level of business density (24 per cent) compared with areas with the least (13 per cent). Conversely, TSOs are much more likely to have no relationship with local companies when business density is the lowest (40 per cent compared with 28 per cent in the areas of highest density). In simple terms, proximity matters.

Finally, organisational wellbeing appears to be related to the likelihood of receiving support from business. Specifically, those TSOs in a stronger financial position⁷ appear to be more likely to state that support is of ‘great’ or ‘some’ importance (56 per cent, including 26 per cent who state that it is of ‘great’ importance) than those in a weak position (43 per cent including 19 per cent who state that it is of ‘great’ importance). It is not immediately clear from the data why this might be.

TABLE 5: VARIATION IN BUSINESS SUPPORT TO THE THIRD SECTOR BY FINANCIAL WELLBEING

| | Strong financial position | Stable financial position | Weak financial position | Mixed fortunes |
|---|---------------------------|---------------------------|-------------------------|----------------|
| Money from business is of great importance | 26.4 | 18.8 | 18.7 | 23.3 |
| Money from business is of some importance in addition to other relationships with the private sector | 29.5 | 22.6 | 24.0 | 21.7 |
| Money from business is of little or no importance but has other relationships with the private sector | 32.3 | 28.6 | 32.7 | 34.4 |
| No relationship with business | 11.8 | 30.0 | 24.6 | 20.6 |
| N = | 220 | 1232 | 492 | 253 |

Source: Third Sector Trends survey 2016

⁷ To measure the organisational wellbeing of TSOs, this study links a number of factors together, including: uses of reserves (for investment or to pay vital costs such as salaries and rent), the recruitment or loss of employees, and significant changes to organisational income. This helps to produce a more accurate picture of which TSOs are doing well, are in a stable situation or are struggling, rather than relying on data on income alone. TSOs are only included in this variable if all three elements apply to them – this means that any TSO which has no employees or no income are excluded from the analysis.

3. HOW TARGETED IS BUSINESS SUPPORT FOR THE THIRD SECTOR?

The Third Sector Trends survey provides evidence that businesses are, to some extent, able to target the support that they provide to the third sector, in order to prioritise those in the most deprived areas, those working to tackle poverty and those focused on meeting immediate and fundamental needs. But the differences are marginal, and do not constitute evidence that northern businesses as a whole are working in a targeted manner to ensure the support that they provide benefits those who may need it most.

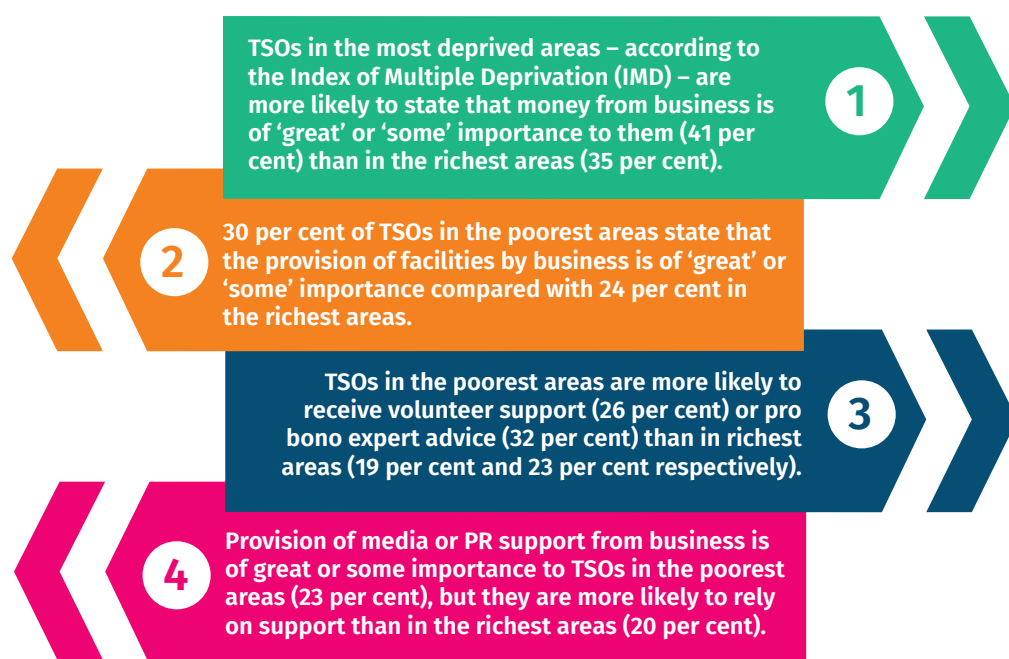


TABLE 6: VARIATION IN BUSINESS SUPPORT BY DEPRIVATION

| per cent stating support received is of ‘great’ or ‘some’ importance | They provide us with money | They provide free facilities | They provide volunteers | They provide free expert advice | They provide free media/ PR support |
|--|----------------------------|------------------------------|-------------------------|---------------------------------|-------------------------------------|
| POOREST AREAS (IMD 1-2) | 40.5 | 29.6 | 26.2 | 32.3 | 23.1 |
| IMD 3-4 | 41.2 | 30.1 | 26.5 | 31.9 | 23.5 |
| IMD 5-6 | 34.7 | 28.9 | 17.9 | 22.9 | 20.2 |
| IMD 7-8 | 38.5 | 26.9 | 19.6 | 23.7 | 18.5 |
| Richest areas (IMD 9-10) | 35.4 | 24.3 | 19.3 | 22.8 | 19.5 |
| N= | 3,272 | 3,249 | 3,240 | 3,242 | 3,237 |

Source: Third Sector Trends survey 2016

In addition, there tends to be a stronger level of investment in tackling immediate social needs, such as poverty, unemployment, homelessness and areas of urban disadvantage than other charitable activities. This holds true regardless of organisation size⁸.

⁸ Background analysis shows that 24 per cent of small TSOs that deal with poverty state that money from business is of great importance compared with 22 per cent of medium sized and 23 per cent of larger TSOs



Among small, less formal TSOs (those with incomes under £50,000), those which focus on fundamental social needs – such as self-help, befriending and community support groups – are more likely to rely on business (21 per cent) for financial support, compared to those TSOs which focus on other activities (such as arts, sports and social groups or societies) (13 per cent).

Taken together, there is some indication from the data that some business support is targeted towards more ‘worthy’ causes. However, the differences identified are small, suggesting that this effect is limited – certainly the Third Sector Trends survey does not provide evidence to suggest that business engagement is anything other than “small scale, ephemeral and unplanned”, as has been suggested elsewhere (Levitt 2013). The fact that smaller third sector organisations are significantly less likely to receive help from business supports this analysis.

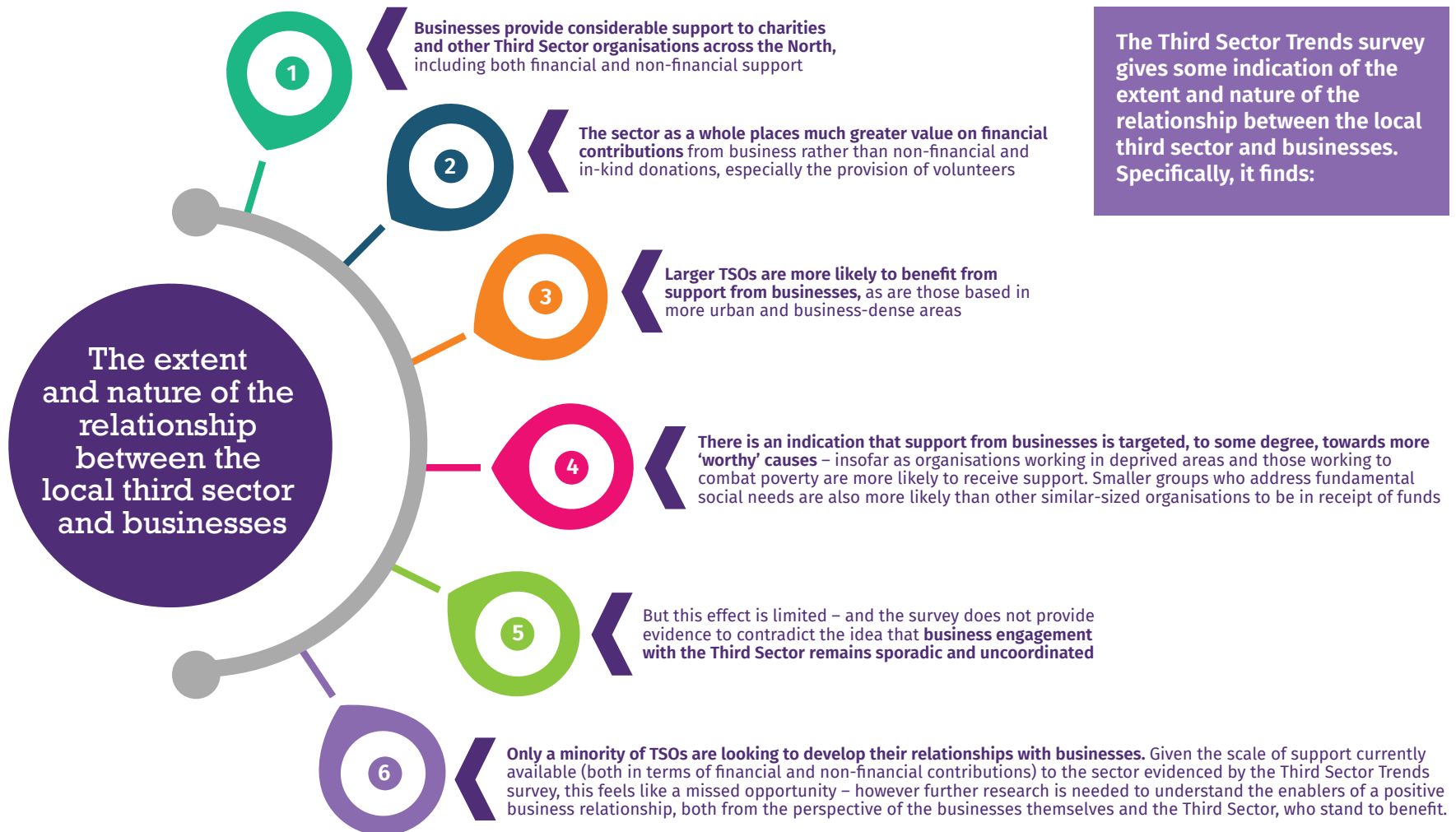
4. FUTURE RELATIONSHIPS WITH THE PRIVATE SECTOR

The Third Sector Trends survey also collects data on the extent to which TSOs intend to develop their relationships with business in the future.

Across the whole of the North, a large majority of responding organisations (75 per cent) state that they are not planning to work more closely with business in future. Of the remainder, 17 per cent say they are planning to work more closely with business and a further 9 per cent say that they are already taking action to develop such a relationship. This is particularly the case for those who do not currently have a relationship with business: nearly 90 per cent of these organisations apparently have no interest developing a relationship with business in future (only 2 per cent taking action and 9 per cent planning to). In contrast, TSOs which report higher levels of support from business are much more likely to be taking action (20 per cent) or planning (24 per cent) to further develop their relationships with business.

This arguably represents a missed opportunity for many TSOs, given the fact that others clearly derive considerable benefit from business support.

> CONCLUSIONS



AN IMPORTANT ROLE IN SUPPORTING AND SUSTAINING LOCAL CIVIL SOCIETY ORGANISATIONS

In contrast to the well-established literature on corporate social responsibility (CSR), there is relatively little evidence on the relationship between businesses and the local third sector from the perspective of the sector itself. The intention of this short briefing paper was to start to address this gap.

Overall, it seems that the private sector in the North can and does play an important role in supporting and sustaining local civil society organisations. The contribution of resources is huge and is obviously and clearly valued by many TSOs across the whole of the North.

As such, large parts of the third sector who have little or no relationship with businesses are perhaps 'missing a trick' by not engaging with businesses – and vice versa. However, further investigation is warranted to explore the barriers to accessing support from business from the perspective of TSOs, and how these might vary according to organisational characteristics, and place.

There is also clear unevenness in the current 'offer', and there are questions about the effectiveness of the way that support is provided, and the extent to which traditional 'in-kind' sources of support are truly valued by the sector as a whole.

This suggests that there is a role for policymakers, and those within private and third sectors to consider how to encourage businesses to think more strategically about their engagement with civil society, the types of organisation they support and the types of support that they prioritise.

This will be explored in greater depth as part of future work on our programme on the Future of Civil Society in the North.



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