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**Prince's Trust**

## Rethinking recession – needs and opportunities for sector change

### Report to The Prince's Trust

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Over £6 billion a year is given to charities at the front-line of supporting people in need. Any fall in donations could have an effect on services to millions of vulnerable people. Research on previous economic downturns shows that when incomes fall, donations fall in line<sup>1</sup>. As charities face a time of huge uncertainty, surveys are reporting wide anxiety. Many individual charities are reporting stresses, but the general picture will become clearer over the next few months, as annual reports for 2008 and 2009 become available.

Every pound invested by Government in community support for the most vulnerable groups to stay independent is estimated to save a net £1.80 in residential and other care costs<sup>2</sup>. The voluntary sector provides many of the key front-line community services, which bring huge additional personal benefits as well as social return. The recession means that service-providing charities and their funders are facing hard choices.

### **The youth sector's contribution**

Youth causes play a vital role in delivering basic services for young people, but estimating any charity's total contribution is difficult. Youth services can be either dedicated or included within many other different areas - education, arts and culture, family and other welfare, employment, health, criminal justice and others, and often refer to different age groups.

Based on existing data sources, it can be estimated that the income of the youth sub-sector is likely to lie between £470 - £580 million (excluding children where possible). This means it represents just 1% of the voluntary sector's total income of £48 billion<sup>3</sup>.

Around 6% of all registered charities include 'young people' in their mission or activities (almost 11,000)<sup>4</sup>, but these are almost entirely small or local, dependent on local or small member communities for their funding support. Only 3% (10) of the largest 300 fundraising charities are dedicated to young people's causes.

### **Potential impact of recession**

The income of the voluntary youth sector is derived from several sources:

- about two-fifths is earned from statutory agencies, for youth services;

- some income is earned from recreation/ accommodation facilities to members and others;
- about two-fifths is derived through voluntary donations.

The voluntary sector is making a vital contribution to helping young people achieve their potential and meeting their needs when they fall through the net. Any loss of investment in these areas is likely to be at a high cost to the future of the country.

The recession will hit hardest in deprived areas as unemployment rises and local youth services become vulnerable to cuts. Youth programmes are disaggregated across a wide range of services and funders, often a small part of total statutory or charitable funding budgets. It would be all too easy for this to lead to thousands of funding cuts.

It is services for young people in the most deprived areas where resources are scarce, where need is greatest and where there is the greatest dependence on external sources of voluntary funding, who will be most at risk unless steps are taken to protect them.

For many funders investment in the growth and development of youth is of immeasurable future value and returns whose withdrawal would only be at huge social cost.

But youth charities and causes are less popular with the general public, capturing just 1.5% of private voluntary donations<sup>5</sup>. Animal welfare charities receive five times more donations than charities helping young people<sup>6</sup>. Unlike children's charities, youth charities get little of the legacy income which is left by individuals to the major charities each year, and depend heavily on charitable trusts and corporate donors<sup>7</sup>.

These results provide evidence of how young people's causes find it more difficult to attract the attention of the general public. But the voluntary sector plays a key role in ensuring the specific needs of young people get recognised within mainstream activities, contributing importantly to their wellbeing and potential.

The most vulnerable areas for youth funding are charitable trust and corporate donations.

Previous research has shown that around a quarter (23%) of charitable trust grants, by number, are targeted specifically at young people. The value of trust grants for young people's social welfare alone is close to the £125 million which government spends directly on young people at risk through its 'Supporting People' programme.

So any fall in Trust's grant-making capacity because of the recession could have a particularly strong impact on the youth sector.

Charitable trust grant-making tends to fall in line with income. Total trust donations to youth charities would fall by nearly £8 million if they were to drop by just 3.8% in 2009, as predicted by the International Monetary Fund (IMF) for the UK economy in 2009.

Corporate donations, which also tend to decline when profits are down,<sup>8</sup> are also vitally important to youth causes. Nearly a third (30%) of companies expect corporate giving to fall in the recession, putting further pressure on services for disadvantaged young people.

A minimum of £153 million can be identified as going to the 33 top youth charities from statutory funding sources. Amidst warnings of public expenditure constraints<sup>9</sup>, it can be estimated that any contraction at the IMF 3.8% UK projection, could represent a loss of almost £6 million.

## Recession rethink

The uncertainties of the recession threaten funding and raise difficult options.

### *Challenges for service-providing charities*

- to cut back on services or invest in fundraising, when both are most needed;
- to reduce reserves in the current crisis, or preserve savings in case of worse;
- to focus on existing or major donors at the expense of new support;
- to compete more aggressively for public support, or look for mergers.

### *Challenges for trust and foundation funders*

- to prioritise recession needs, or maintain existing grants;
- to focus on immediate needs or maintain long-term social investments;
- to draw down capital, at the possible expense of the future.

### *Challenges for corporate donors*

- to review corporate philanthropy strategy in the context of business expectations;
- to evaluate the relative contributions of giving, pro bono work and employee volunteering at a time of recession.

To meet such challenges responsively and responsibly, charities and their funders will need to become more 'recession-minded'. This could mean:

- reviewing opportunities for new collaborations and partnerships;
- ensuring that the views and experiences of users, donors and employees are taken into account in decision-making and priority-setting;
- carefully balancing immediate need against long-term investment.

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## References

<sup>1</sup> Micklewright, J. Evidence to House of Commons Parliamentary Select Committee on International Development Aid. Presented by Cathy Pharoah, 31.03.09.

<sup>2</sup> DCLG, 2008, Research into the financial benefits of the Supporting People programme.

<sup>3</sup> This estimate is based on the largest organisations with incomes well over £1million, and is not a complete estimate of all spending which benefits youth, because it leaves out additional funding contained within charities not specifically dedicated to young people (such as Crisis and Shelter), and the major Scottish youth charities (less published information is available). Sources of data include Pharoah, C. (2008) Charity Market Monitor Volume 1 Fundraisers, Volume 2 Grantmakers and Corporate Donors. CaritasData. London, and Charity Commission, ([www.search.charitycommission.gov.uk/search?q= Facts+and+Figures&site=default\\_collection&client=my\\_frontend&proxystylesheet=my\\_frontend&output=xml\\_no\\_dtd&btnG=Search](http://www.search.charitycommission.gov.uk/search?q= Facts+and+Figures&site=default_collection&client=my_frontend&proxystylesheet=my_frontend&output=xml_no_dtd&btnG=Search))

<sup>4</sup> Charity Commission. *ibid*

<sup>5</sup> Calculated based on the UK's top 300 charities. Professor Cathy Pharoah, *Charity Market Monitor 2008, Volume One Top Fundraising Charities*

<sup>6</sup> Calculated based on the UK's top 300 charities. Professor Cathy Pharoah, *Charity Market Monitor 2008, Volume One Top Fundraising Charities*

<sup>7</sup> Vincent, J and Pharoah, C. *Patterns of Grantmaking in the UK*. Dimensions of the Voluntary Sector. CAF. 2000

<sup>8</sup> Pharoah C et al. *Trends in Company giving*, in 'Charity Trends 2006'. CAF. 2006

<sup>9</sup> [www.cipfa.org/publicfinance/news\\_details.cfm?News\\_id=59857](http://www.cipfa.org/publicfinance/news_details.cfm?News_id=59857)