

Undervalued & overlooked?

The need for better understanding civil society's contribution to the economy

Intergroup on the welfare & conservation of animals, European Parliament

Matt Whittaker
14 July 2020

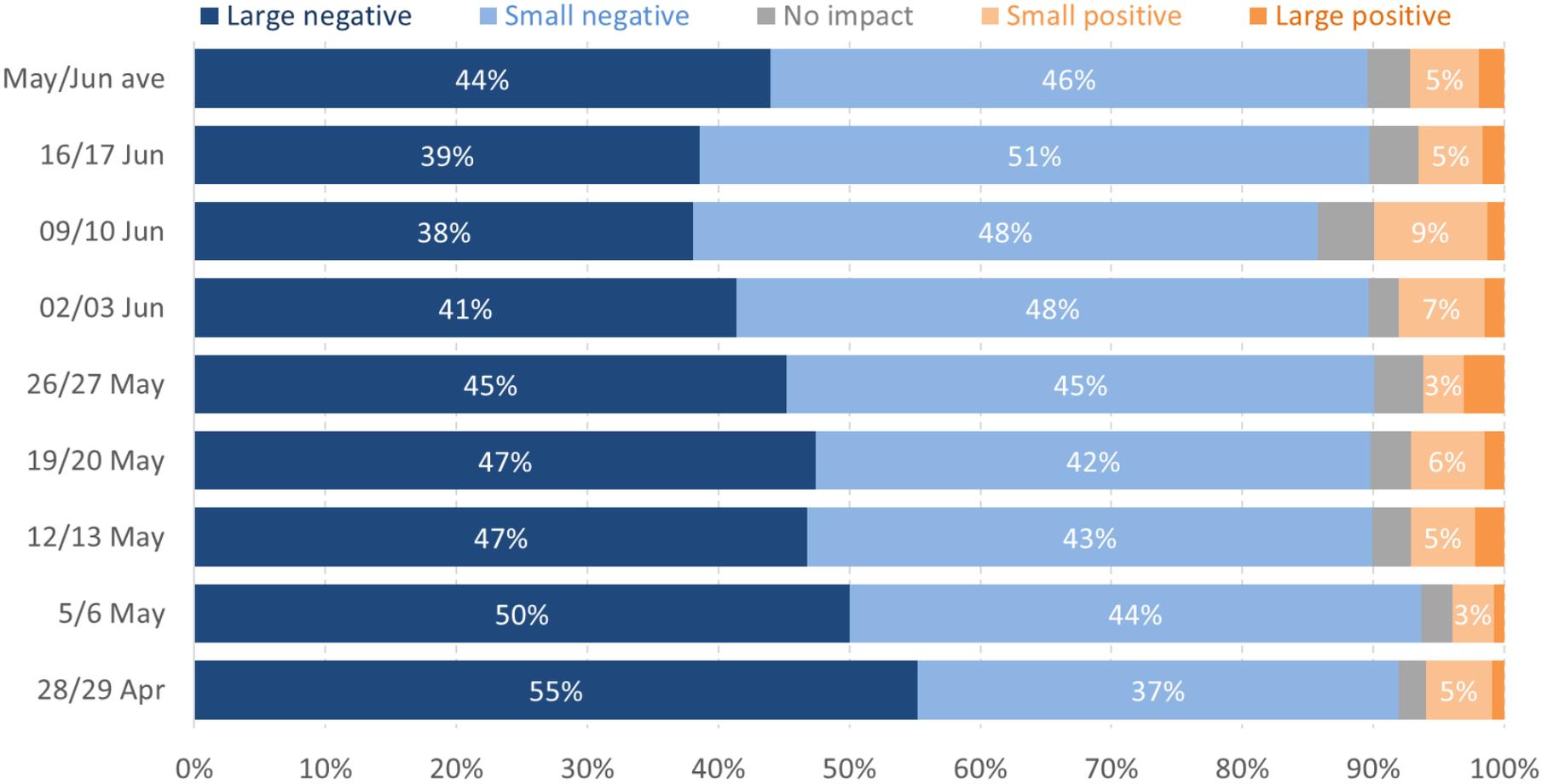
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UK charities are under a lot of pressure right now



How do you expect Covid-19 to affect your charity's ability to deliver on its objectives in the next six months?



72% of charities say demand for their help is up relative to pre-crisis expectations

88% say income is down on previous plans

Together, it adds up to a £10bn funding gap over the next six months

Notes: Average responses = 247 a week.
Source: Charity responses to PBE & Civil Society Media survey.

The govt response is too little, too late and too narrow

- Faced with a £10bn funding gap in the sector, the government has pledged just under £1bn of dedicated support:
 - Large but insufficient
 - The announcement was slow to come
 - Very little of the money has arrived to date
 - Many organisations are ineligible and feel overlooked

→ *policy neglect driven by a systematic undervaluation of what the sector does*

Officially, charities account for less than 1 per cent of GDP

- Civil society's output isn't separately identified in the UK national accounts
- 'Official' figures are instead derived from estimates of charity activity:
 - Roughly 170,000 registered charities
 - Around 870,000 employees (or 3% of the UK workforce)
 - An estimated £17bn gross value added

→ a rescue package of ~£1bn sounds reasonable in this context

But this approach to valuation is incomplete

- No consideration of institutions outside the registered charity pool
- No material value attached to volunteer activity
- Imperfect consideration of the 'value' added by such activity

Even the 'official' value added figure is hard to establish

Estimated value added

'Official' estimate reflects staff costs & net spend



Notes: All figures are approximations rather than estimates. Source: PBE modelling.

It omits the 11.9m of us who regularly volunteer formally

Estimated value added



Notes: All figures are approximations rather than estimates. Source: PBE modelling.

Formal volunteering reflects equivalent wages

'Official' estimate reflects staff costs & net spend

With informal volunteering even less visible

Estimated value added



Notes: All figures are approximations rather than estimates. Source: PBE modelling.

Informal volunteering is valued only slightly lower

Formal volunteering reflects equivalent wages

'Official' estimate reflects staff costs & net spend

Crucially, civil society can deliver big savings to govt

Estimated value added



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PBE work with UK charities suggests a 2:1 fiscal benefit:cost ratio is common

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The final value added could be as high as £200bn

PBE work suggests other spillovers (wage & employment effects for example) are also significant

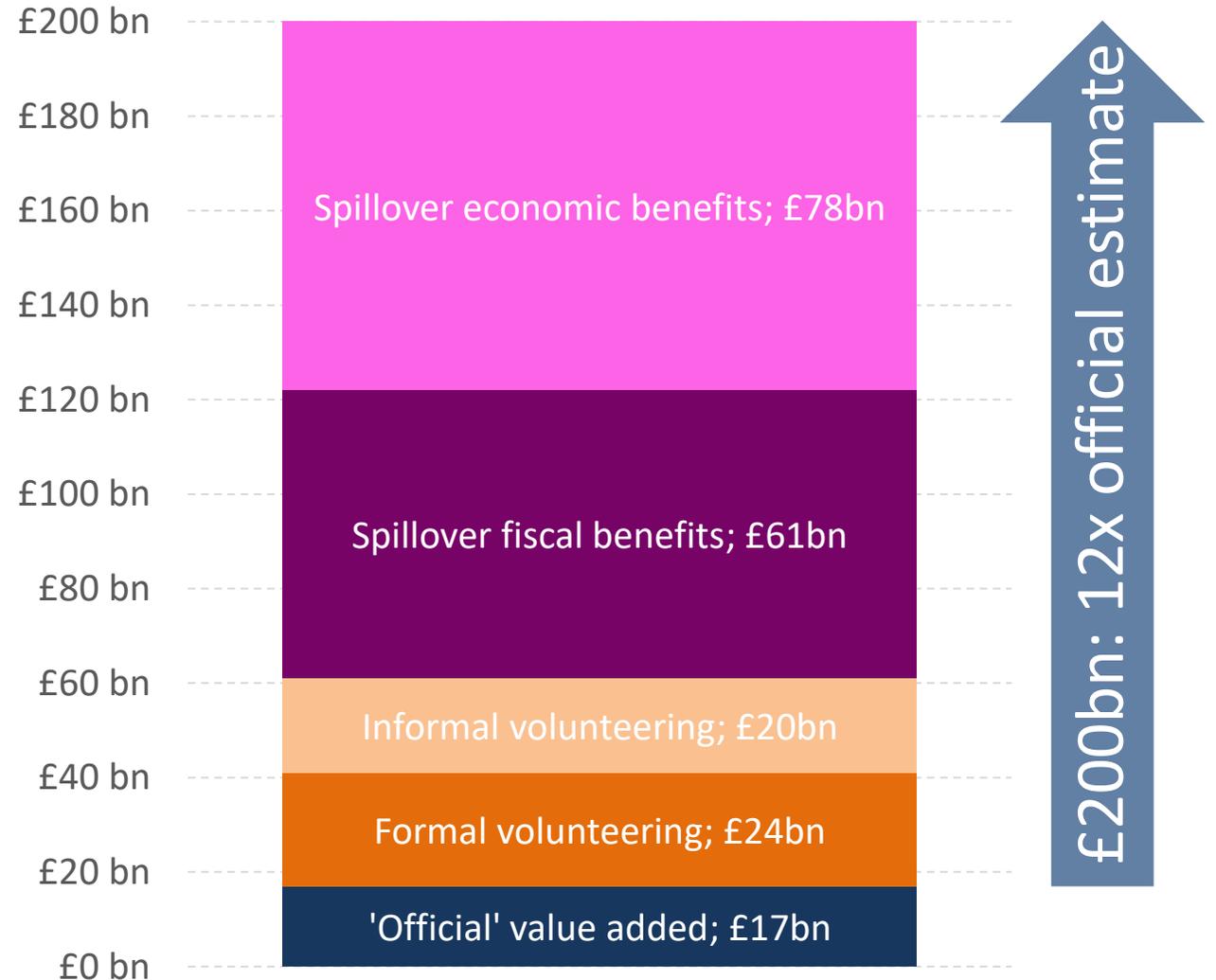
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Better valuation methods *do* exist...

- UN TSE Sector Handbook project (led by John Hopkins Center for Civil Society Studies) <http://ccss.jhu.edu/research-projects/un-tse-sector-handbook/>
- Methodology for production of satellite accounts that separate out civil society institutions
- Establishes theoretical framework for estimating wider social benefits associated with civil society activity

..but adoption has varied across countries

- 27 countries have completed or started work on satellite accounts of this type
 - In Europe, they include Belgium, Canada, the Czech Republic, Denmark, France, Germany, Italy, Norway, Portugal, Slovakia & Sweden
 - Eurostat and the European Commission's Directorate for Enterprise have also provided technical assistance
- But many countries, including the UK, have not gone down this route

Conclusion

- Civil society organisations are facing a perfect storm: increased demand for their help just as their resources are being constrained
- Government has been quick to praise the efforts of the sector and applaud collective efforts to help each other
- But the vital role the sector plays is under threat from a major funding gap that is likely to persist for some time
- Getting government recognition of that – and therefore an appropriate level of support – starts with correcting the chronic undervaluation of the sector that currently exists

PRO BONO ECONOMICS

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