

Third Sector Research Centre

Working Paper 80

The regional distribution of employees in the third sector in England: estimates from the National Survey of Third Sector Organisations (NSTSO)

Frida Geyne-Rajme and John Mohan

May 2012

Abstract

In this paper we present estimates of the number and distribution of employees in third sector organisations in England. We do this because there is considerable policy and academic interest in the contribution made by the third sector to paid work, and in the distribution of third sector employment across geographical areas. Previous studies have focused on estimating the workforce in the voluntary sector using information at the individual level, but this paper is the first to use reliable survey data on organisations. Data are drawn from the National Survey of Third Sector Organisations (NSTSO 2008) which provides an opportunity to estimate the total numbers of employees. Regional estimates of employment can also be derived, permitting us to estimate regional shares of third sector employment, and the contribution of the third sector to total employment in each region. This allows us to raise questions for debate concerning whether or not there is scope for a redistribution of third sector employment between regions. The estimates appear to be larger than those derived from other sources such as the Labour Force Survey (LFS) and consideration is given to why this might be the case.

Keywords

Third sector, employment, voluntary sector workforce, England, spatial division of labour, National Survey of Third Sector Organisations (NSTSO).

Acknowledgements

Many thanks to Peter Smith, for advice on statistical methods, and to David Clifford and Stephen McKay, for thoughtful comments on a draft of the paper. We also acknowledge funding from the TSRC and from Skills – Third Sector as part of a programme of work on the third sector workforce. An earlier version was presented at the NCVO-VSSN Researching the Voluntary Sector Conference, London, September 2011, and we acknowledge the comments of participants in that session.

The analysis in this paper is based on the National Survey of Third sector Organisations (NSTSO). We acknowledge the data collectors and principal investigators: the Cabinet Office, Office of the Third sector, who also sponsored the survey, Ipsos MORI Social Research Institute, and GuideStar UK. The data are deposited at the UK Data Archive. The original data creators, depositors or copyright holders, the funders of the Data Collections and the UK Data Archive bear no responsibility for their further analysis or interpretation. Crown copyright material is reproduced with the permission of the Controller of HMSO and the Queen's Printer for Scotland.

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Introduction

In this paper we present estimates of the numbers and distribution of employees in third sector organisations (TSOs) in England, drawing on the 2008 National Survey of Third Sector Organisations (NSTSO). Note that there is no equivalent source for Northern Ireland, Scotland or Wales. As its title suggests, this survey is confined to organisations taking a nonprofit legal form such as registered charities, Companies Limited by Guarantee (CLG) or Industrial and Provident Societies (IPS). We compare our results with estimates derived from other sources, such as surveys of individuals, surveys of employers (including not just nonprofits but also public and private employers) and the annual reports of third sector organisations. We provide a discussion of the reasons why these estimates vary. We also examine the regional distribution of paid employment.

All major political parties now agree on the important role that the third sector can play in delivering public services and promoting social cohesion. In this regard the present coalition government is pursuing policies which are supportive of the third sector organisations, such as supporting public sector employees who wish to transfer their activities to the non-profit sector by establishing mutuals and co-operatives. There is also government support through the general ‘big society’ policies advocated by the Prime Minister; the combination of support for voluntary effort, public service reform initiatives and proposals for a new ‘localism’ in public policy seem likely to lead to the formation of new third sector entities. For example, some local authorities are now in the process of divesting themselves of many of their responsibilities, and proposing the wholesale transfer of public services to the local voluntary and community sector. Our work can therefore provide a baseline for future estimates of employment growth in the sector.

There is also policy and academic interest in the *distribution* of third sector employment. For example, does employment in this sector simply follow the pattern of the private sector of the economy, characterised by the dominance of London with its concentration of corporate headquarters? If so, would such a distribution be appropriate for employment in a sector where many large organisations receive donations from the whole country? To what extent can the third sector help to relieve unemployment in the more disadvantaged areas of the country? We know that under the New Labour government there were initiatives – exemplified by the Regional Development Agencies (RDAs) – to stimulate growth in the less prosperous parts of the UK. At least some of these, with the encouragement of regional infrastructure bodies in the voluntary and community sector, pressed the case that what was then known as the ‘third sector’ should be regarded as a significant part of regional economic strategies. The RDAs no longer exist but the newly established Local Economic Partnerships (LEPs) will no doubt have an interest in the scale and character of employment opportunities in the third sector. However, the principal national survey dataset on employment – the Labour Force Survey (LFS) does not provide a reliable basis for estimates of third sector employment at the regional level (notwithstanding Kane (2010): there are too few respondents in each region for reliable estimation. There have been estimates based on surveys of organisations in particular regions but these have produced exaggerated and inconsistent results, principally because they do not correct

for variations in response rates between organisations of different size (e.g. Research Solutions, 2000; IPPR, 2011).

A challenge with which we also seek to engage here is that existing estimates of employment in the third sector vary substantially, depending on the sources used and also the definition of the third sector. The most widely-cited estimate is that derived from the quarterly Labour Force Survey (LFS), a household survey which asks individuals about the sector in which they work. Third sector workers are those who state that they work in a 'charity, voluntary organisation or trust'. The great advantage of this survey is that it has been carried out on a consistent basis for nearly 20 years and therefore provides a reliable indicator of growth in sector employment, as well as in the characteristics of those employed in the sector (McKay and Moro, 2010). In recent years this survey has estimated employment in the third sector at somewhere around 750,000. However, note that Kendall (2003) reports an estimate of employment in the 'broad non-profit sector' in the mid-1990s to be around 1.5 million – that is, nearly twice the figure estimated from the LFS at the end of a long period of growth in the sector. Similar differences have been recorded in the annual Almanacs published by NCVO (for example Clark et al, 2012).

These inconsistencies arise for two reasons. The first relates to the criteria used to include or exclude organisations from sampling frames for surveys. Legal form alone is not sufficient as a definition of the third sector. For example, many organisations operating in the retail and financial services sectors take a non-profit legal form. These will include major employers such as retail co-operatives (the Co-operative Group, with around 100 000 staff) or substantial institutions working in insurance or banking (e.g. Lloyds of London, or large building societies). However, while these differ from their commercial counterparts in terms of governance structures (e.g. worker ownership or internal democracy) not all would pass tests of public purpose associated with, for example, the previous government's values-based definition of the third sector. So surveys which are based on company databases such as the Interdepartmental Business Register (used as the sampling frame for the National Employers Skills Survey (NESS)) identify a broad non-profit sector on the basis of legal form alone. This generates a relatively high estimate of employment. The second problem relates to how respondents interpret questions about the legal status of organisations for whom they work. For instance, when surveying individuals, it is possible that they may not identify the organisation for whom they work as a voluntary organisation even when it is; alternatively they could falsely identify the organisation as a third sector entity. It is also possible that people have second jobs in the third sector, which might account for the difference; the LFS records whether or not people have a second job, but not the sector of the economy in which they hold it. The message is that we can obtain a range of estimates depending on the definition of the third sector and on the research methodology we use.

The source we use, the 2008 National Survey of Third Sector Organisations (NSTSO), has advantages for the present purpose. It is the largest survey of its kind which asks detailed questions of third sector organisations about their resources, finances and activities; responses were received from nearly 49,000 organisations. The nearest comparator might be the Canadian National Survey of Nonprofit and Voluntary Organisations (Imagine Canada, 2004) which had around 13,000 responses.

For reasons explained below, the NSTSO also permits analysis at the level of region and even local authority, and it permits disaggregation by legal form and by other characteristics of organisations. It should be noted that the survey was carried out only in England; similar data are therefore not available for Wales, Northern Ireland and Scotland. At the time of writing the data from the 2010 survey (renamed the National Survey of Charities and Social Enterprises (NSCSE)) were not available for analysis. We first outline the data sources we have used and compare them with other possibilities. We then discuss our estimates of the paid workforce, considering total employment, the regional distribution of third sector employment, and the contribution of the third sector to employment in each region. The final section raises some policy implications. In a related paper (Geyne Rajme and Mohan, 2012), we look at the utility of this survey for estimating numbers of volunteers and for analysing variations in the mix of paid staff and volunteers in organisations.

Data and methods

There are a number of different definitions of what is variously described as the voluntary, non-profit, or third sector, which are based on combinations of legal form, independence, voluntarism, and public purpose (Salamon and Anheier, 1997; Kendall and Knapp, 1996). Broad definitions of civil society organisations include almost any organisation which is in neither the public nor the for-profit sector, so that very large entities such as universities and non-departmental public bodies (NDPBs) would be considered. Narrow definitions might focus only on organisations which are charitable, have a purpose not restricted to a particular class of individuals, and clearly independent. Such a definition would have the effect of excluding – for instance – charities ultimately controlled by or financially dependent on the state, public schools, and universities (Clark et al, 2012). This elasticity of definition is carried into estimates of employment.

The estimates of the workforce in the third sector vary according to different definitions used to select organisations (what counts as a third sector organisation?), differences in question methodology, and definitions of an employee (e.g. whether questions are posed in terms of numbers of staff, or full-time equivalents (FTE)). For example, Kendall (2003) presented two estimates of the number of full time equivalents (FTE)¹ in 1995 for different definitions of the voluntary sector, ranging from 1,473,000 FTE in the ‘broad non-profit sector’ in comparison to 503,000 in the ‘narrow voluntary sector’. To a degree it is possible to estimate employment through reports by organisations to regulators, such as the annual reports and the Summary Information Returns (SIRs) provided to the Charity Commission by registered charities in England and Wales. The disadvantages of using this source are that it includes only charities with a turnover greater than £500,000 and that by no means all charities above that size threshold provide reports of employment in the returns they make to the Commission. Third sector organisations taking a non-charitable legal form (such as a Company Limited by Guarantee or Community Interest Company) do not have the same public reporting requirements as charities and as a consequence employment data in their annual reports or in

¹ Full-time equivalents (FTE) are used for comparative and managerial purposes. It is defined in terms of hours worked; a full-time worker is one FTE.

business databases such as FAME² is limited. As an aside, reporting of data on the numbers of volunteers associated with organisations is also very limited; very few registered charities include this in their returns to the Charity Commission and figures have to be extracted from their annual reports. This might be thought surprising, given that one of the main benefits which charities might be expected to publicise is that they provide opportunities to volunteer.

The National Survey of Third Sector Organisations (NSTSO) provides a methodology for estimating the size of the workforce from survey responses by organisations. The survey was designed to capture information about organisations' perceptions of the environment for a 'thriving third sector', and because indicators for the 149 upper-tier local authorities in England were required, the sample size was very large. Over 100,000 questionnaires were distributed and 48,939 were returned; a notable feature is that a great deal of information was provided about small organisations which tend to be underrepresented in surveys of the voluntary sector. Such information is not available from any other source. Among an extensive range of questions about their characteristics and sources of funding, sector organisations were asked to report how many FTE staff they had. Those responses can be used for national and regional estimates. Response rates were broadly comparable for organisations of similar size, legal form, and geographical location.

Organisations included in the NSTSO were those which could be 'seen to serve social, cultural and environmental objectives' in England. Charities based outside England, moribund/inactive organisations, small grant-making charities, and organisations classed as non-departmental public bodies were excluded from the sampling frame. In constructing the sampling frame, there was some discussion about entities such as independent and other non-state schools, universities and higher education colleges, political parties and trade unions, and branches and subsidiaries unless they were separately incorporated. The decision taken was to include these where they were registered TSOs using one of the usual forms (including charities, companies limited by guarantee (CLGs), community interest companies (CICs), or industrial and provident societies (IPs)) (Clifford, Geyne-Rajme and Mohan, 2010). Further details of the survey are available at www.nscse.com.

Organisations were asked: 'Please tell us the approximate number of full-time equivalent employees currently in your organisation.' There is no additional information that explains the definition of the terms full-time equivalent employees. The survey data, to protect anonymity of organisations, provides only banded information. This raises the question of how we would estimate total employment in the sector from these responses. Particular challenges are posed at the upper end of the distribution. One way to estimate the total from banded data (in this case, 3-5 employees, 6-10, 11-30 etc) is to determine a representative point for each band. The most common approach is to select the middle point of the band assuming that the data is uniformly distributed in the band. This approach is not adequate as the distribution of numbers of FTE is skewed, that is, more organisations tend to have smaller numbers of employees within a band, so using the midpoint would overestimate the total. It would be better to use a representative value smaller than the middle point for each band, but the problem is how to select it.

² Financial Analysis Made Easy (FAME) is a business database on c. 1.3Mn UK and Irish companies, produced by Bureau Van Dijk (www.bvdinfo.com)

Two different approaches were considered: using data from annual reports and assuming a skewed distribution for the underlying data. We had information from charity annual reports, supplied by GuideStar Data Services and the Charity Commission, from which we were able to obtain the median point of each band for reported FTE in 2008 for charities. Table 1 includes the number of charities with valid reports of FTE from annual reports. We considered that using information from the annual reports was more defensible than using the middle point of each band as it will reflect the main characteristics of the data.³

Table 1: Number of charities with valid reports of staff numbers in their annual reports

Number of FTE	Number of charities
0	0
1	194
2	216
3 to 5	644
6 to 10	728
11 to 30	913
31 to 100	630
101 or more	375

The second method involves assuming that the underlying data follows a certain distribution. In this case the 3-parameter Singh-Maddala distribution was chosen as it is continuous for non-negative values. The skewness depends on the parameters. This distribution is commonly used (Kleiber and Kotz, 2003; McDonald, 1984; Singh and Maddala, 1976) for analysing income distributions, which tend to have similar characteristics to the size distribution of workforces. It is possible to estimate the parameters using banded data and estimate characteristics of the population (such as the total or the mean).

In some cases banded data have the problem of open bands, that is, the last band (or in some cases the first) is not limited, for example, more than 100 FTE. For these bands it is not possible to obtain the middle point from the data but if we use either approach previously presented we can estimate a representative value. An alternative is to use the threshold value for the band to represent the data. This is likely to produce an underestimate. The decision made regarding the open band has a strong influence on the estimated values.

³ A similar size distribution of employment was also evident for 2007, for which 16,332 observations were available.

Some organisations did not answer one or both of the questions related to the workforce. This can also be a possible source of biased estimates.⁴ Different methods have been developed to deal with missing data, depending on the mechanism underlying the 'missingness'. Assuming the data are missing at random (MAR)⁵ it is appropriate to use multiple imputation⁶ which was first proposed by Rubin in 1978 (Little and Rubin, 2002).

Results and discussion

The estimated totals of FTE in the third sector obtained using representative values for each band from charity annual reports and using the Singh-Maddala distribution are very similar. For this reason only the estimates obtained using the first approach are presented. According to the NSTSO there were 1,179,000⁷ (standard error 24,000) FTE in the third sector in 2008 in 170,000 organisations. This compares with approximately 784,000 if one were to use the threshold values for the size bands in the survey data. The latter figure, which must be an underestimate (it relies on the assumption that every organisation in any given size band has an FTE figure equivalent to the threshold for the band) is comparable with the upper estimates derived from the LFS. Table 2 includes the estimates, standard errors, and 95% confidence intervals (CI) by legal form.

Table 2: Estimated number of FTE by legal form in 2008

Form	Estimate	Std error	95% CI	FTE / org
Incorporated charities	424 000	13 000	(398 000, 450 000)	19.6
Unincorporated charities	351 000	12 000	(328 000, 374 000)	3.2
CLGs	246 000	13 000	(220 000, 272 000)	8.5
CICs	5 000	1 000	(3 000, 7 000)	4.1
IPsS	152 000	10 000	(132 000, 173 000)	14.0
Total	1 179 000	24 000	(1 131 000, 1 227 000)	6.9

⁴ Approximately 4% of respondents did not provide an answer on their paid workforce; slightly less than 4% provided no answer on the number of volunteers. Some 2.5% of organisations answered neither of these questions.

⁵ Missing at random (MAR) is when the missingness depends on the observed values but not on the missing values.

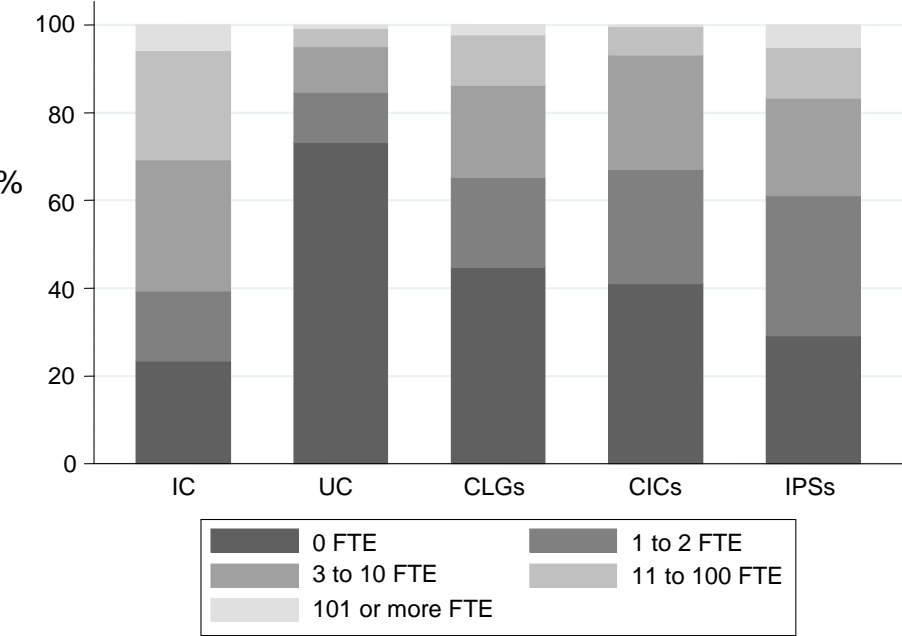
⁶ The idea of multiple imputation is to replace each missing value a certain number of times, say M with M>1, generating M complete datasets. The values imputed are drawn from a distribution so they contain some variation. The M datasets are analyzed using standard methods and the obtained results are combined or pooled together. In this way it is possible to represent the uncertainty of the imputed values. In general only a small number of imputations is required (between 5 and 10).

⁷ From here onwards the results are expressed to the nearest thousand.

In order to compare the estimated number of FTE by legal form, the number of FTE per organisation was calculated. As we can see from Table 2 incorporated charities have the largest number of FTE per organisation followed by IPSs. Unincorporated charities and CICs have the smallest values. CLGs are in the middle with 8.5 FTE per organisation. There is an important difference between charities: incorporated charities have six times more FTE per organisation than unincorporated charities. We would expect this; charities generally take on an incorporated legal form when their range of responsibilities increases, such as delivering services, or when they acquire substantial assets such as buildings, with associated potential liabilities.

To explain the differences in the number of FTE per organisation we can look at the proportions of organisation in each FTE band by legal form (Figure 1). IPSs have a large number of FTE per organisation; a larger proportion of the IPSs have 101 or more FTE, almost as large as the incorporated charities. This is because the IPS category includes a number of large housing associations, which tend to have significant numbers of employees. Unincorporated charities have the smallest number of FTE per organisations as the great majority of such organisations have no FTE staff. On the contrary, incorporated charities have the largest number of FTE per organisation as almost all have more than one FTE and a larger proportion (compared to the other legal forms) have more than three FTEs.

Figure 1: FTE by legal form



Note: IC stands for incorporated charities and UC for unincorporated charities

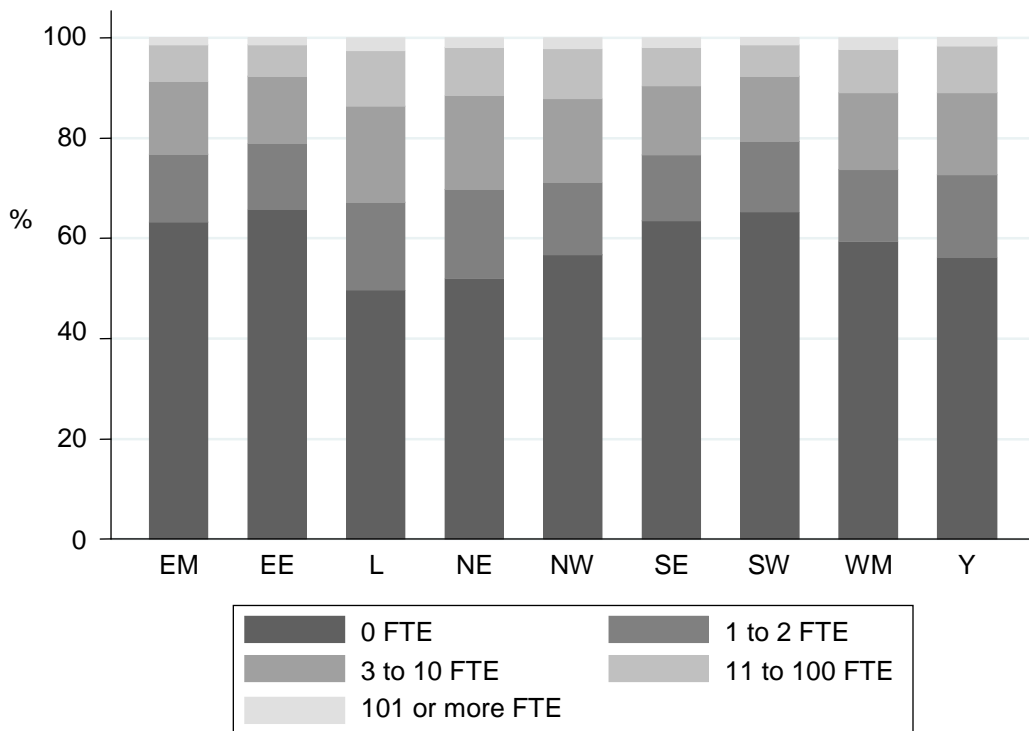
Similarly, the total FTEs in the third sector were calculated by region (Table 3). As expected, London has the largest number of FTE followed by the South East. When comparing the number of FTE per organisation, London has the largest value, reflecting the concentration of large numbers of national HQ organisations there, but the South East is ranked fifth on this indicator. The other two regions with a high number of FTE per organisation are the North West and the West Midlands.

Table 3: Estimated number of FTE by region in 2008

Region	Estimate (share of national total in brackets)	Std error	95% CI	FTE/org
East Midlands	69 000 (5.9%)	5 000	(59 000, 79 000)	5.4
East of England	99 000 (8.4%)	7 000	(85 000, 114 000)	5.2
London	315 000 (26.7%)	14 000	(286 000, 344 000)	9.0
North East	46 000 (3.9%)	3 000	(40 000, 53 000)	7.1
North West	132 000 (11.2%)	7 000	(118 000, 147 000)	7.8
South East	203 000 (17.2%)	11 000	(181 000, 225 000)	6.7
South West	104 000 (8.8%)	6 000	(92 000, 117 000)	5.0
West Midlands	120 000 (10.2%)	8 000	(104 000, 135 000)	7.8
Yorkshire and the Humber	89 000 (7.6%)	5 000	(79 000, 100 000)	6.6

Figure 2 shows the proportion of organisations in each FTE band by region. The South West, East Midlands and East of England are the regions with a lower average figure of FTEs per organisation because these regions have relatively larger numbers of organisations per head of population but they tend to be smaller organisations. There is a large proportion of organisations with no FTEs and a very small proportion of organisations with more than three FTEs. London has the highest number of FTEs per organisation; it contains relatively fewer TSOs with no employees, and the TSOs that are there tend to employ larger numbers of staff.

Figure 2: FTE by region



Key: EM-East Midlands; EE-East of England; L-London; NE-North East; NW-North West; SE-South East; SW-South West; WM-West Midlands; Y-Yorkshire and the Humber

Clearly, the outstanding feature in Table 3 is the dominance of London and the South East. London has at least a quarter of total third sector employment in England and the South East a further 17%. This is consistent with accounts of the economic geography of the UK which have emphasised the idea of a spatial division of labour (Massey, 1984). This would imply the concentration of ‘control’ functions (corporate headquarters) in London and the South East of England, while routine functions (e.g. assembly lines, in manufacturing; call centres, in the service sector) were located in peripheral regions. To what extent is this also true of the third sector? A partial answer can be obtained from the NSTSO questions on the regional structures of organisations. Respondents were asked if the office in which they were based was part of an organisation working over more than one region, and if so, whether or not they were responding from a ‘head office’. The responses are illuminating. There are an estimated 21,100 charities in the survey which have reported incomes of greater than £100,000. Of these, 10,300 report that they are head offices of organisations with regional structures. Of those 10,300, just over 35% are based in London and 16% in South East England. For charities with incomes greater than £1 million, 41% of those who describe themselves as the headquarters of organisations with multiregional structures are based in London and 15% in the South East. This indicates overrepresentation of headquarters organisations since London and the South East together have 35% of the total number of registered charities in the sample. If we consider employment in charities alone, reported figures in charity accounts suggest that London has around 38% of

employment in charities, but there is substantial missing data in this source so it is possible that the capital's actual share of employment could be lower or higher than this figure.

An alternative approach to investigation of the regional distribution of the workforce is to consider the sector's contribution to total employment by region. An estimate of the total FTEs was obtained by region using the number of full time workers, part time workers and workers with second jobs as well as the weekly hours of work from October 2007 until September 2008 from the Labour Market Statistics (ONS). As we can see in Table 4 there is a difference in the share of the third sector by region. London is the region with the largest third sector share from the total FTEs, followed by the South East. East of England and East Midlands have the smallest share which is less than half that found in London. In total, the third sector accounts for around 5.6% of the FTEs in England.

Table 4: Total FTE by region and the contribution of third sector employment to total employment

Region	Total number of FTE from ONS	Number of FTE in third sector	Proportion working in the Third sector
London	3 301 000 (15.6%)	315 000 (26.7%)	9.5%
South East	3 555 000 (16.8%)	203 000 (17.2%)	5.7%
West Midlands	2 122 000 (10.0%)	120 000 (10.2%)	5.7%
South West	2 141 000 (10.1%)	104 000 (8.8%)	4.9%
North West	2 736 000 (12.9%)	132 000 (11.2%)	4.8%
North East	1 000 000 (4.7%)	46 000 (3.9%)	4.6%
Yorkshire and The Humber	2 102 000 (9.9%)	89 000 (7.6%)	4.2%
East of England	2 393 000 (11.3%)	99 000 (8.4%)	4.2%
East Midlands	1 842 000 (8.7%)	69 000 (5.9%)	3.8%
Total	21 195 000	1 179 000	5.6%

From Table 4 we can also compare the distribution of total FTEs and third sector's FTEs by region. In London and South East the third sector is over-represented, particularly in London. In the West Midlands the region's share of total employment, and employment in the third sector, are very similar. In the rest of the regions the third sector is under-represented, especially in East Midlands and East of England. Some of the over-representation of the third sector in London is due to the headquarters problem (Kane and Clark, 2009) previously described. It is notable that in areas generally considered to comprise some of the more disadvantaged parts of the country – the North East, Yorkshire and the Humber, and the North West – the region's share of third sector employment is less than its share of total employment. Only in London, the West Midlands, and the south-east does the third sector account for more than 5% of total employment. We have not presented figures for individual local

authorities; these are subject to much wider confidence intervals because of smaller numbers of responses (as few as 100 in some local authorities), but the picture is dominated by a small number of London boroughs where, as might be expected, there are over 20,000 jobs in the third sector.

The regional distribution revealed here may change somewhat if full allowance could be made for the headquarters problem, of course. But this doesn't suggest that the third sector is going to be a major employment generator in the most disadvantaged regions anytime soon. These regions are also characterised by a greater level of dependence on public sector funding than is generally found elsewhere and they are consequently vulnerable to the public funding reductions which are already evident in a drop in headline employment, as reported by the LFS, of some 70,000.

How different are the obtained estimates from the NSTSO to others? Table 5 includes different estimates obtained from different sources and different data. None of these sources present estimates by region and only one by legal form (NCVO's Almanac: Clark et al., 2010) so we will look only at the general estimate. The estimate from the NSTSO is in the middle, but why are the estimates different?

Table 5: Different estimates of the sector workforce

	NSTSO	Almanac 1	Almanac 2	Moro and McKay
Estimated FTE	1 179 000	539 000	1 600 000 employees	749 000 employees
Definition of Sector	<u>Third sector</u> - registered organisations that serve social, cultural and environmental objectives.	<u>Voluntary Sector</u> – general charities excluding those controlled by government, independent schools, faith groups, and others.	<u>Civil Society</u> (pg 9) – ‘people acting together, independent of the state and the market, to make a positive difference ...’	<u>Voluntary and community sector</u> – charities, voluntary organisations, and trusts.
Area considered	England	UK	UK	UK
Source of data	Organisations (NSTSO)	Individuals (LFS)	NCVO, various sources	Individuals, only main jobs. (QLFS)
Number of organisations	170 000	N/A	900 000	N/A
Year	2008	2008	2007/08	2009

First, the other estimates focus on the UK while the NSTSO only included organisations in England. We also need to consider that each estimate is based on a different definition of the sector. The definition of the third sector used in the NSTSO falls somewhere between the broad definition of civil society organisations and the narrow definition of the voluntary and community sector used in the Almanac. We would therefore expect the NSTSO estimate to fall somewhere between the other two. It is possible that estimates obtained from organisations' data are larger than those from individuals as people responding to household surveys may be unsure as to the precise legal form of their organisation. In addition, the LFS only considers the main job held by respondents; individuals who work in the voluntary sector as a secondary activity are not detected. As an illustration of the possible underestimation, we know from the reports of charities alone that at least 630,000 people were employed in the charitable sector in England in 2007 (the sampling frame for the survey was based on organisations on the register of charities in that year). We also have large numbers of charities, whose expenditure totalled some £11 billion, who did not report an employment figure in their annual reports for that year. The implication seems to be that the LFS is undercounting the numbers who work in the third sector, especially when we recall that our estimate of 630,000 is based only on charities and does not include CLGs or IPSs. In fact, the figure of 630,000 could itself be an underestimate because charities do not always report an employment figure every year. Based on reports for the 2002 – 2008 period, the average reported total employment in charities was around 780,000 (note that these figures include Wales).

After considering all these differences between the presented estimates in Table 5 we should ask: is it helpful to compare them? It is useful for policy and practical purposes to have an understanding of the basis of different estimates especially when they diverge as much as is the case here, and in particular to avoid exaggerated claims as to the importance of the third sector as a generator of employment. It is therefore important to be explicit as to which organisations are included, and which are not, in the different estimates.

Conclusions

Using information from responses by organisations to the NSTSO, we estimate that approximately 1,179,000 FTE (95% CI: 1,131,000; 1,227,000) work in the third sector in England. These estimates differ from others previously presented because they were obtained from a survey of organisations instead of from individuals. These estimates are very dependent on the definition of the sector and workforce but it is plain that this figure is higher than previous estimates. How confident can we be in this figure? First, reported figures for charity annual accounts for 2007 indicated a total of some 630,000 employees in that sector alone. Many charities did not report the number of employees they had, so it is quite likely that the true figure for charities would be higher. Estimates produced for other sectors by NCVO (Clark et al, 2010; 2012) also point to substantial employment in other parts of civil society such as housing associations (though many of these are also registered charities). Even the use of the threshold values for the banded survey data give a figure of 780,000, which is close to the maximum ever estimated from the LFS. This suggests that we should accept a higher figure for employment in the sector, of at least 1.1 million people in England.

A second feature of the paper which may stimulate discussion concerns the estimates of regional variations both in the total workforce in the sector, and in the contribution of the sector to total employment. Numerically the third sector is a large employer and employment in it exceeds that of major job generators such as financial services in many communities. The question of the concentration of employment in London and the South East raises some questions for organisations and policy makers. There are no normative grounds for expecting a particular geographical distribution. However, just as commentators on regional policy have queried why there is a substantial concentration of civil service employment in London when the service is resourced from taxes paid from every part of the country (Marshall et al., 2005; Marshall, 2007), an argument could be made that organisations in receipt of funds from donors might consider relocation both to save money and to create employment in areas that need it. This would be consistent with the public purpose of many third sector organisations. Implicit in the idea of a spatial division of labour is the notion that it is the higher-level jobs are concentrated in the South East of England. We do not have data on the distribution of highly paid staff in the third sector from the survey on which this paper is based so it is difficult to comment on precisely which jobs, at present located largely in London and the South East, might conceivably be relocated. This does not mean, however, that third sector organisations could not consider relocation of some of their 'back office' functions, which would also represent attractive employment options in areas in which the private sector is less strong. Skill shortages in the regions are not an argument against this view. Major provincial cities are hosts to large universities generating large numbers of highly qualified graduates every year. As such the estimates in this paper ought to be of interest to those concerned with stimulating local economic development. It is not obvious, for example, that the third sector's contribution to total employment is greatest in the regions most in need of jobs, as the figures in table 4 make clear.

Further developments of the analysis here could involve generation of estimates for local authorities of total third sector employment and also of the size distribution of workplaces, though the relatively small numbers of respondent organisations with employees in some local authorities mean that this should be undertaken with care. The survey also allows exploration of the question of whether or not organisations have experienced recruitment difficulties of any kind – e.g. difficulties in obtaining people with particular skills whether these be volunteers, employees or trustees. Furthermore, although this is a cross-sectional survey, it was repeated in 2010 so there will be at least some scope to look at differences over time in what was a period during which third sector organisations experienced recessionary pressures.⁸ Other analyses will also look at the relationship between funding sources and employment, and at the relationship between numbers of employees and numbers of volunteers.

⁸ At the time this paper was finalised (May 2012), the 2010 survey data were not available for analysis at the level of organisations.

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About the Centre

The third sector provides support and services to millions of people. Whether providing front-line services, making policy or campaigning for change, good quality research is vital for organisations to achieve the best possible impact. The Third Sector Research Centre exists to develop the evidence base on, for and with the third sector in the UK. Working closely with practitioners, policy-makers and other academics, TSRC is undertaking and reviewing research, and making this research widely available. The Centre works in collaboration with the third sector, ensuring its research reflects the realities of those working within it, and helping to build the sector's capacity to use and conduct research.

Third Sector Research Centre, Park House, 40 Edgbaston Park Road,
University of Birmingham, Birmingham, B15 2RT

Tel: 0121 414 3086

Email: info@tsrc.ac.uk

www.tsrc.ac.uk

Quantitative Analysis

This research stream is designed to improve our understanding of the third sector through a large-scale programme of quantitative work. It is designed to help us better explain the distribution of third sector organisations, analyse their contribution to society and the economy and understand their dynamics. We are interested in data not just on third sector organisations and their resources, but also on both financial inputs to the sector (funding flows from various sources) and human inputs (e.g. the paid workforce and volunteers).

Contact the author

John Mohan

j.mohan@tsrc.ac.uk



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The support of the Economic and Social Research Council (ESRC), the Office for Civil Society (OCS) and the Barrow Cadbury UK Trust is gratefully acknowledged. The work was part of the programme of the joint ESRC, OCS Barrow Cadbury Third Sector Research Centre.