

August 2020

Weathering the storm: PBE Covid Charity Tracker

In partnership with the Charity Finance
Group and the Institute of Fundraising



About

Pro Bono Economics helps charities and social enterprises understand and improve the impact and value of their work, matching professional economists who want to use their skills to volunteer with charities. Set up in 2009, PBE has helped more than 500 charities large and small, covering a wide range of issues including mental health, education, employment and complex needs.

Charity Finance Group is the charity that inspires a financially confident, dynamic and trustworthy charity sector. We do this by championing best practice, nurturing leadership and influencing policy makers.

The Chartered Institute of Fundraising is the professional membership body for UK fundraising. We support fundraisers through leadership and representation; best practice and compliance; education and networking; and we champion and promote fundraising as a career choice. We have over 6,000 individual members and over 600 organisational members who raise more than £10 billion in income for good causes every year.

Methodology

This Covid Charity Tracker Survey ran from 3 August to 7 August and drew 455 responses from charities working across the UK and beyond. The survey was open to all and the responses have not been weighted in any way.

Key findings

As a result of Covid:

- 85%** of charities expect a negative financial impact
- 70%** think it will take more than a year for pre-Covid income levels to be restored
- 68%** expect demand for their services to increase
- 58%** of charities expect to scale back their provision

In response to Covid:

- 77%** have made greater use of digital and tech, 67 per cent have innovated to deliver their services remotely and 31 per cent have collaborated more with charity sector partners
- 44%** have applied for government's emergency financial support, but only 20 per cent have the money in the bank
- 65%** have furloughed staff
- 19%** of all respondents have made redundancies, rising to 24 per cent among mid-sized and larger organisations
- 24%** of all respondents expect to let more staff go once the Job Retention Scheme ends, rising to 30 per cent among mid-sized and larger organisations.

Summary

While life in the UK is still very far from normal and the threat of a second wave remains material, it is evident that the most immediate aspects of the health crisis associated with coronavirus are starting to fade. In its place, the economic crisis is moving increasingly centre stage. Last week's GDP data showed that the UK has entered the deepest recession since records began: relative to its pre-Covid peak, output per person was down 22.4 per cent in the second quarter of the year.¹ In contrast, the cumulative peak-to-trough contraction in GDP per capita recorded in the wake of the financial crisis – itself a 'once-in-a-generation' shock – amounted to 7 per cent (and took six quarters to accrue). Both the scale and pace of the current downturn truly are unprecedented.

While the hope is that the easing of lockdown restrictions will prompt a recovery in GDP that will also be sharp (and is likely already underway), the expectation is that the economic hangover will take some time to clear. For example, the projections contained in this month's Monetary Policy Report from the Bank of England suggest we won't see the restoration of the pre-crisis level of GDP per capita until the second half of 2022.² The Office for Budget Responsibility (OBR) has projected that the UK's unemployment rate will peak at 11.9 per cent at the end of this year – roughly three times its pre-crisis rate – and that it will fail to fall back to prevailing levels before the end of the OBR's forecast horizon in 2025.³

As the health crisis lingers and the economic crisis tightens its grip, so too can we expect the country's social crisis to build. Millions of people are already, or soon will be, contending with challenges in relation to their jobs, their incomes, their ability to maintain credit repayments, their housing situation, their personal relationships, their caring responsibilities, and their physical and mental health and wellbeing. And such challenges are likely to fall unevenly, with the risk that they widen pre-existing inequalities in relation to race, gender, age, income and health. Many of our country's most vulnerable residents will once again find themselves disproportionately exposed.

In the face of this triple crisis, civil society has played a crucial role – continuing to provide vital services up and down the country, and rapidly developing new ways of working in order to deal with the changed circumstances of lockdown and physical distancing requirements. And, as so often in times of national need, the country's social capital has become fortified. Volunteers have stepped forward in record numbers, neighbours have reached out to each other and communities have formed new coping mechanisms and support structures.⁴

But charities and civil society organisation have had to operate under extraordinary pressures of their own. Weekly surveys run by Pro Bono Economics (PBE) throughout May and June highlighted the difficulties charities were facing in meeting growing demand for their help while contending with serious constraints on their resources. They showed too that many organisations feared the worst was still to come. Their responses pointed to the possibility of a £10.1 billion funding gap opening up in the sector over the second half of 2020, comprising a £6.4 billion drop in income relative to pre-crisis expectations and a rise in demand for support amounting to £3.4 billion.⁵ Survey data from the

¹ J Scruton, [GDP first quarterly estimate, UK: April to June 2020](#), ONS

² Bank of England, [Monetary Policy Report](#), August 2020

³ OBR, [Fiscal Sustainability Report](#), July 2020

⁴ For more on the social impacts of, and responses to, coronavirus, see ONS, [Coronavirus and the social impacts on Great Britain](#), various.

⁵ Pro Bono Economics press notice, ["Charities facing £10.1 billion funding gap over the next six months"](#), 9 June 2020

Chartered Institute of Fundraising (IoF) and the Charity Finance Group (CFG) supported a very similar conclusion, with a projected 12-month drop in income of £12.4 billion – almost precisely double the six-month figure estimated by PBE.⁶

The three organisations have now come together to launch a new monthly Covid Charity Tracker, run in conjunction with Civil Society Media. This briefing note presents the findings from the first wave, which ran from 3 August to 7 August and drew 455 responses from charities working across the UK and beyond.

The survey was open to all and the responses have not been weighted in any way, meaning caution must be taken when drawing sector-level conclusions: the country's numerous micro-sized charities are almost certainly under-represented for instance.⁷ Nevertheless, we are confident that the results provide a good indication of confidence across the charity sector in the UK. Tellingly, where questions from the earlier PBE weekly survey – a questionnaire that was filled in by well over 1,000 organisations over the course of its existence – have been repeated, we have uncovered very consistent responses.

It is of course in the DNA of charities to deal with difficult circumstances, and the Tracker identifies numerous examples of innovation and dedication. Around one-in-three respondents told us they had collaborated more with charity sector partners as a result of Covid-19, and one-in-ten said they had collaborated more with businesses. Three-in-four said they had made greater use of digital or tech.

There is evidence too of flexibility and support from funders and from government. Two-in-three have made use of the Job Retention Scheme, and two-in-five plan to make use of the Job Retention Bonus. Many have also applied for support from the government's emergency funding for frontline charities – though fewer than half of those charities that have applied have the money in the bank.

But the August Tracker points also to a widening gap between need and what charities are able to provide. Approaching nine-in-ten are expecting a decline in income this financial year, and one-in-four think it will take more than two years to return to pre-crisis income levels. Crucially, the sector looks set to lose a significant proportion of its staff. Based on the survey responses, we estimate that around 26,000 jobs (or 2.8 per cent of the pre-Covid charity sector workforce) have already disappeared. Once furlough ends, survey responses indicate that number might approach 60,000 (or 6.6 per cent of the workforce). Staff cuts may already be biting in the sector, but it would appear that we are yet to reach the halfway point.

That is bad news for many thousands of individuals, but it is of course terrible news for the UK more generally. Three-in-five charities told us they expect to scale back their activity in the coming six months, yet two-in-three expect demand for their help to rise. All this points to significant unmet need.

⁶ Chartered Institute of Fundraising press notice, "[Charities are facing a £12.4 billion shortfall in income for the year due to impact of coronavirus](#)", 19 June 2020

⁷ Of the 455 responses: 58 came from charities with (pre-Covid) incomes of less than £100k a year; 101 came from those with incomes of £100k to £500k; 58 came from organisations with incomes of £500k to £1 million; 172 came from those between £1 million and £10 million; and 66 came from charities with annual incomes of £10 million plus. Respondents were also asked if they worked primarily with BAME communities: 46 of the 455 total said that they did.

The survey also highlights how the crisis is provoking different challenges across different parts of the sector. Smaller charities expect to face the largest declines in income, while larger charities are more likely to be gearing up for redundancies. Worryingly, there is some indication too that charities working primarily with black, Asian and minority ethnic (BAME) communities are disproportionately likely to be expecting increased demand, yet are also disproportionately likely to expect to have to scale back their activity.

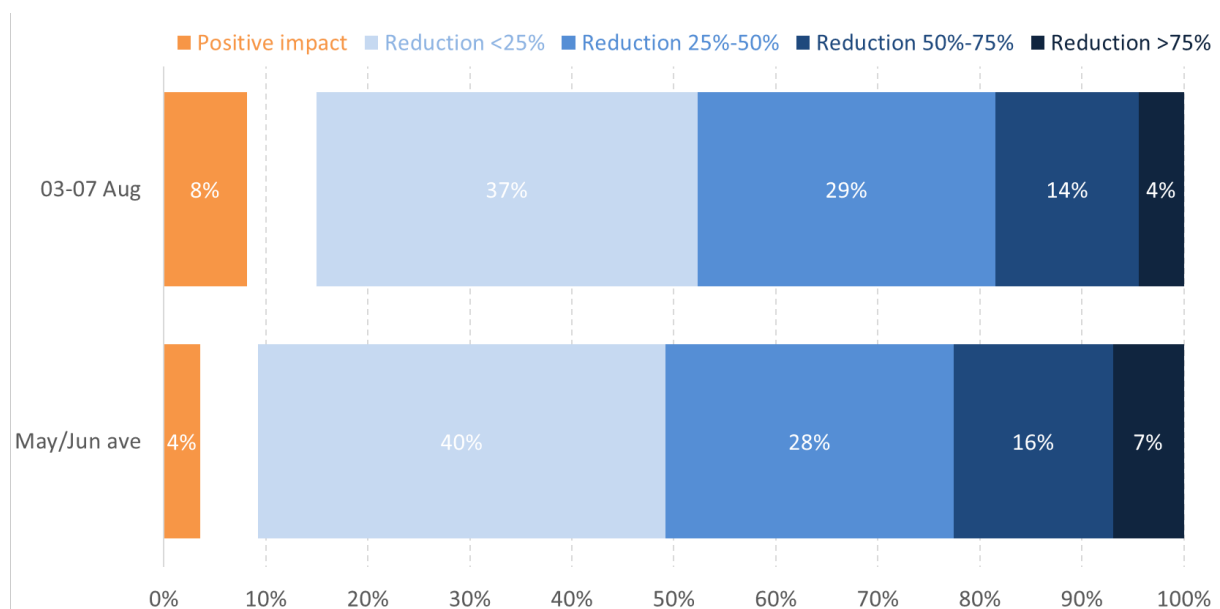
Overall, it's very clear that the challenges faced by the charity sector in recent months are far from over – indeed, the situation is very likely to get worse before it gets better. Weathering the storm and continuing to play a vital role in helping the country cope with its three-fold health, economic and social crises, will almost certainly require more financial support from government. But it will also be aided by building on some of the positive trends the Tracker has identified around innovation and collaboration and, ultimately, by involving charities and civil society more closely in the policy making process in order to move them to the centre of the country's Covid-19 recovery plan.

Like so many others, charities are under a lot of strain right now...

The first wave of the new Covid Charity Tracker suggests that the outlook for charities remains as bleak in August as it did across May and June. Figure 1 shows that, when asked about the impact of Covid-19 on their income this financial year, well over four-in-five charities (85 per cent) say they expect a negative impact, broadly consistent with the findings of the previous PBE weekly surveys (91 per cent average across May and June, when asked about the next six months). Roughly one-in-five (18 per cent) expect an income drop of more than half.

Figure 1: Covid is impacting negatively on nearly all charities

What impact do you expect Covid-19 to have on your organisation's income this financial year relative to your pre-crisis expectations?



Notes: 3-7 August, 455 responses; May/June, 1,727 responses (cumulative). The May/June figures relate to a question that asked about “the next six months”, rather than “this financial year”. Residual is ‘zero impact’.

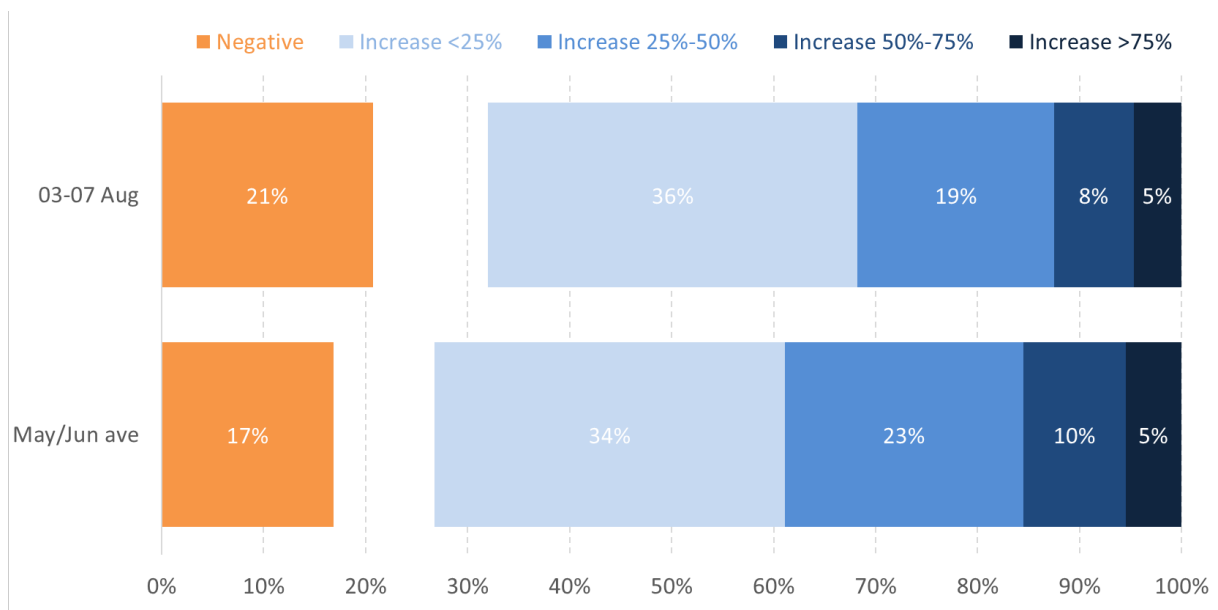
Sources: Covid Charity Tracker, 3-7 August & PBE weekly charity survey, May-June & PBE weekly charity survey, May-June

“As a charity working with older people, the demand for help has increased due to Covid-19 while our income, mostly from our shops has reduced substantially.”

At the same time, charities are forecasting a growth in demand for their services. Figure 2 shows that two-in-three (68 per cent) expect demand to increase due to Covid-19, with more than one-in-ten (12 per cent) expecting more than a 50 per cent increase in demand.⁸

Figure 2: Two-in-three charities expect demand for their help to rise

Roughly what impact do you expect Covid-19 to have on demand for your organisation's services in the next six months relative to your pre-crisis expectations?



Notes: 3-7 August, 425 responses; May/June, 676 responses (cumulative). Residual is 'zero impact'.
Sources: Covid Charity Tracker, 3-7 August & PBE weekly charity survey, May-June

“The closure of schools and social distancing measures mean that we are unable to work with as many young people face to face. We have adapted our delivery but are concerned about the reduction in the numbers of vulnerable young people we will be able to engage with.”

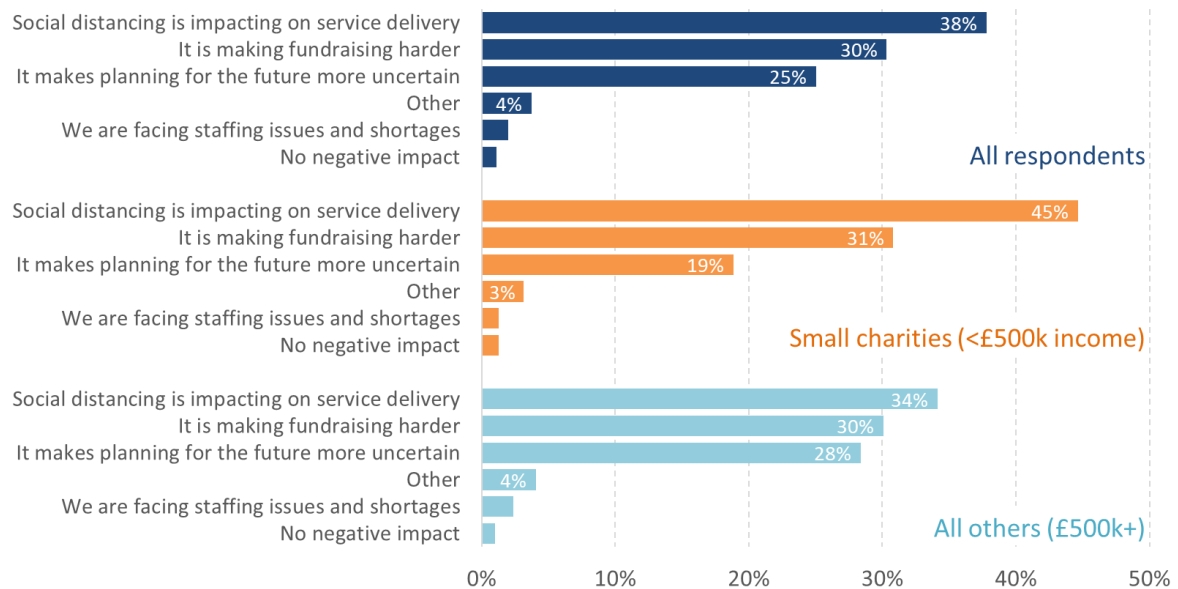
Despite the obvious challenges raised by this perfect storm of heightened demand and constrained resource, the biggest single negative impact of Covid-19 recorded by charities in the August Tracker – as in all iterations of PBE’s previous weekly survey – relates to the effect social distancing is having on their ability to deliver their activities. Almost two-in-five charities (38 per cent) place such effects at the top of their list, followed by fundraising being made harder (30 per cent) and planning for the future being made more uncertain (25 per cent).

Figure 3 shows that concerns about the constraints imposed by physical distancing dominate even more among small charities, where 45 per cent cite it as the single biggest negative impact of Covid-19. Among larger organisations the split between the top three answers is much more even. Indeed for those charities with incomes of more than £10 million (though not shown on the chart) difficulties associated with

⁸ Numbers in the chart don’t sum due to rounding.

fundraising comes out as the top answer (cited by 45 per cent), with the impact of physical distancing cited as the greatest challenge by just 17 per cent.

Figure 3: Physical distancing requirements have proved especially problematic for charities
 What is the current single biggest negative impact of Covid-19 on your charity’s ability to deliver on its objectives? By size of charity, 3-7 August



Notes: 455 responses, comprising 159 ‘small’ and 296 ‘all others’.

Sources: Covid Charity Tracker, 3-7 August

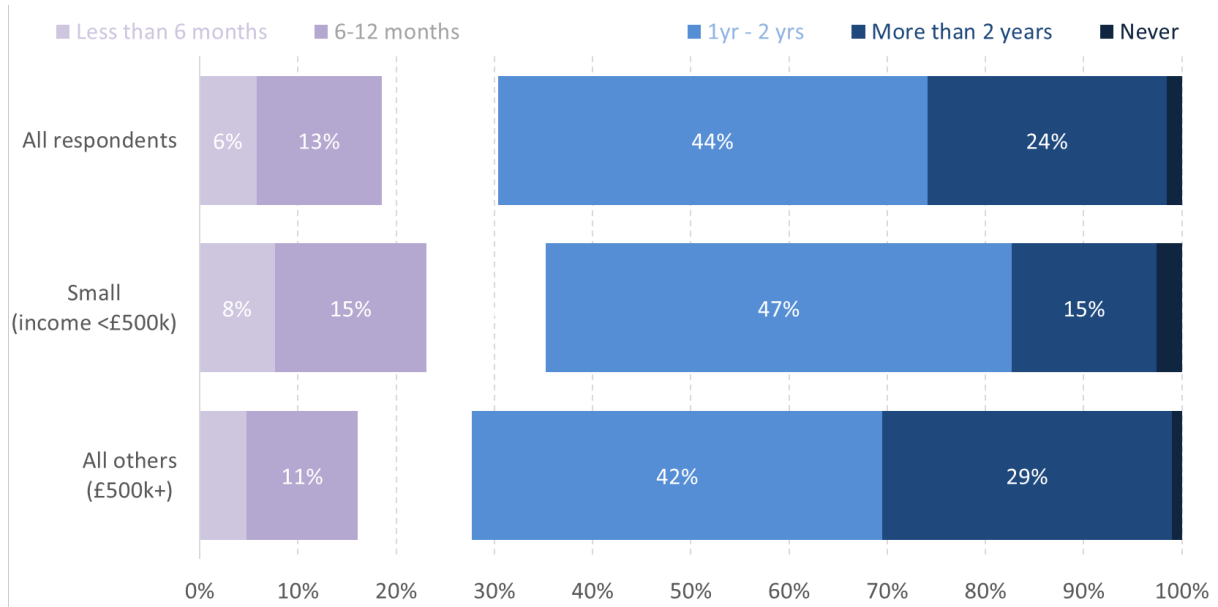
And that strain is likely to remain in place for some considerable time...

The fact that charity incomes have been hit is perhaps unsurprising given all that has happened in recent months. But a significant number of organisations expect the damage to persist for some time. Overall, more than two-in-three (70 per cent) think it will take more than a year for pre-Covid incomes to be restored, with one-in-four (26 per cent) expecting it to take more than two years.

Figure 4 shows that there are again differences by size of charity, with larger organisations more pessimistic than smaller ones. Overall, 72 per cent of charities with pre-crisis income of more than £500k a year think it will take longer than a year to return to such levels, compared with 65 per cent of organisations with incomes of less than £500k. And the proportion of mid-sized and larger organisations who think it will take more than *two* years to restore past levels (30 per cent) is almost twice that recorded in smaller organisations (17 per cent).

Figure 4: Three-in-ten mid-sized and larger charities think it will take more than two years to restore pre-Covid income levels

How long do you expect it will take your organisation to return to pre-crisis income levels? By size of charity, 3-7 August



Notes: 448 responses, comprising 156 'small' and 292 'all others'. Residual is 'don't know'.

Sources: Covid Charity Tracker, 3-7 August

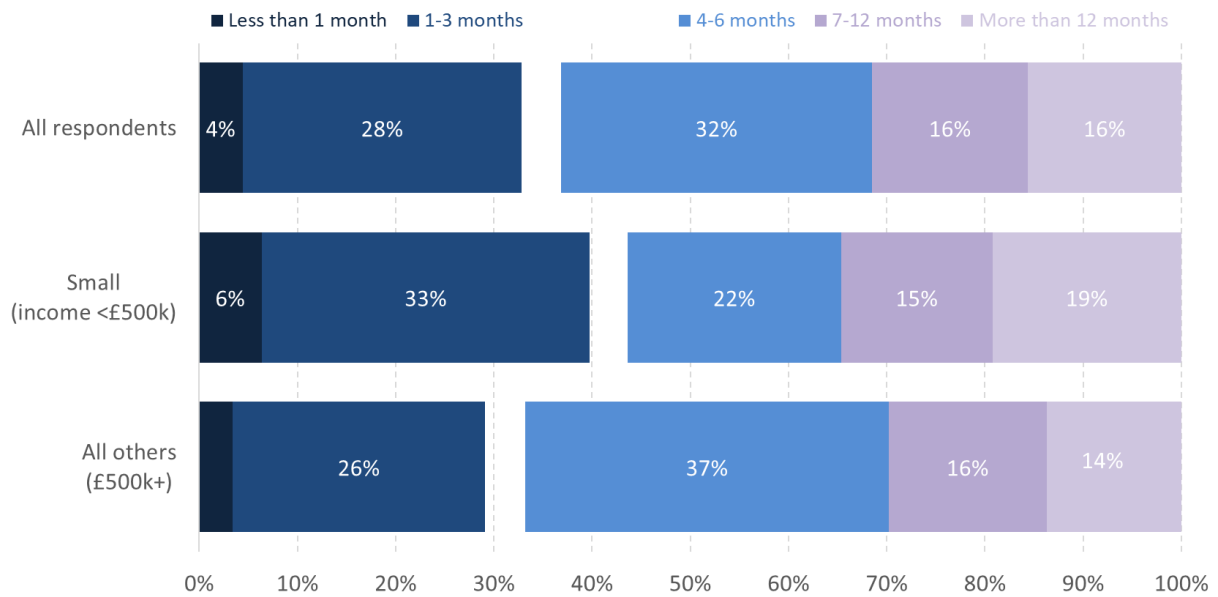
“Our reserves will run out unless we get vital funding - much of which we are not eligible for.”

Given expectations of income constraint, it is worth considering the level of reserves held by respondents to the Tracker. Figure 5 shows that one-in-three charities (33 per cent) told us they currently have three months' or less held in reserve, suggesting a sizeable number will find it very difficult to cope with a prolonged drop in income.

That proportion jumps to 40 per cent⁹ when focusing on those charities with pre-Covid incomes of less than £500k a year, but it remains sizeable (at 29 per cent) for mid-sized and larger organisations too.

⁹ Chart numbers don't sum due to rounding.

Figure 5: One-in-three charities have three months' or less of reserves
 How many months' reserves do you currently hold? By size of charity, 3-7 August



Notes: 448 responses, comprising 156 'small' and 292 'all others'. Residual is 'don't know'.

Sources: Covid Charity Tracker, 3-7 August

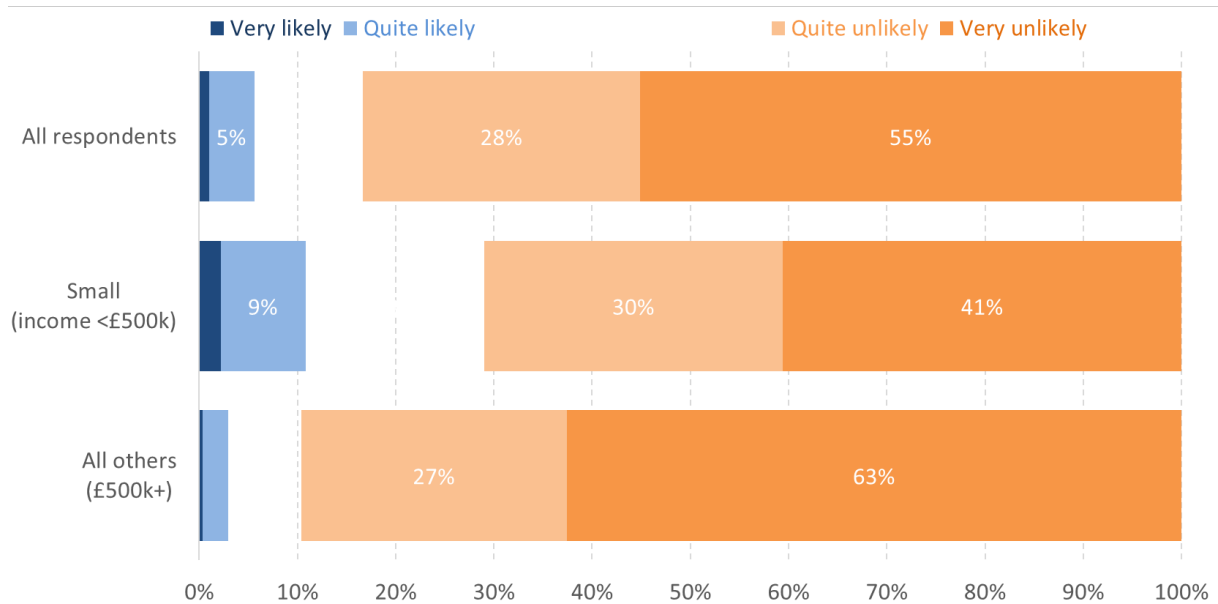
With serious implications for the survival of some charities, and for the provision of vital services more generally

Given the findings above, it is perhaps surprising to see that the proportion of charities saying they think it is “quite” or “very” likely that they will cease to exist within the next six months dropped from one-in-ten (11 per cent) in PBE’s earlier weekly survey to one-in-twenty (6 per cent) in the August Tracker.

As Figure 6 shows, however, the figure is once again more elevated for smaller organisations. Among those charities with pre-crisis incomes of less than £500k a year, 9 per cent believe it is “quite” likely they’ll cease to operate and 2 per cent think it is “very likely”. Similarly, just 71 per cent of organisations in this category actively think it is “very” or “quite” *unlikely* that they’ll go out of business, compared with 90 per cent among mid-sized and larger charities. Clearly many organisations face a very uncertain future.

Figure 6: One-in-ten small charities expect to cease operating within six months

How likely is it that the financial challenges raised by Covid-19 will mean your organisation will no longer be operating in six months' time? By size of charity, 3-7 August



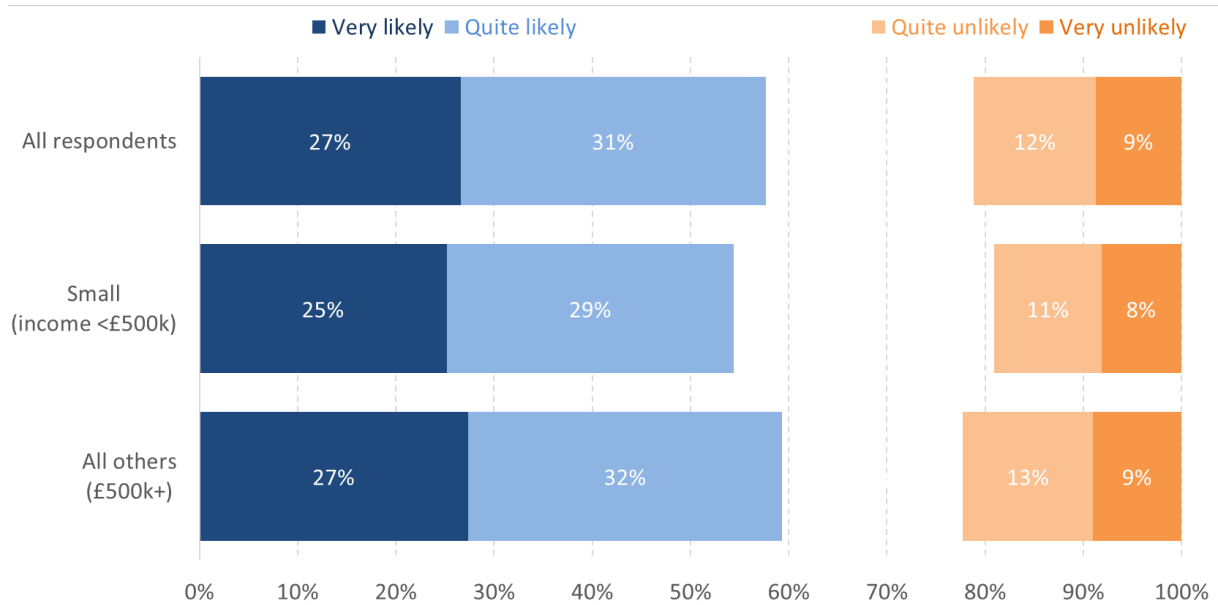
Notes: 408 responses, comprising 138 'small' and 270 'all others'. Residual is 'neither likely nor unlikely'.
Sources: Covid Charity Tracker, 3-7 August

“Whilst it is unlikely the charity will not be operating in six months’ time, it is likely that it will be operating at a much smaller scale with significantly less impact.”

The disappearance of charities should of course be a significant cause for concern, but so too should be the scaling back of operations among those organisations that *do* survive. Figure 7 shows that a clear majority (58 per cent) say they are “quite” or “very” likely to cut back relative to pre-crisis plans over the next six months as a result of the financial challenges associated with Covid-19, with serious implications for the people and communities who rely on the support charities provide. In this instance, the result varies little by organisational size.

Figure 7: Well over half of charities expect to scale back their services in the next six months

How likely is it that your organisation will need to scale back its service delivery over the next six months, compared to pre-crisis plans, as a result of financial pressures created by Covid-19? By size of charity, 3-7 August



Notes: 425 responses, comprising 147 'small' and 278 'all others'. Residual is 'neither likely nor unlikely'.

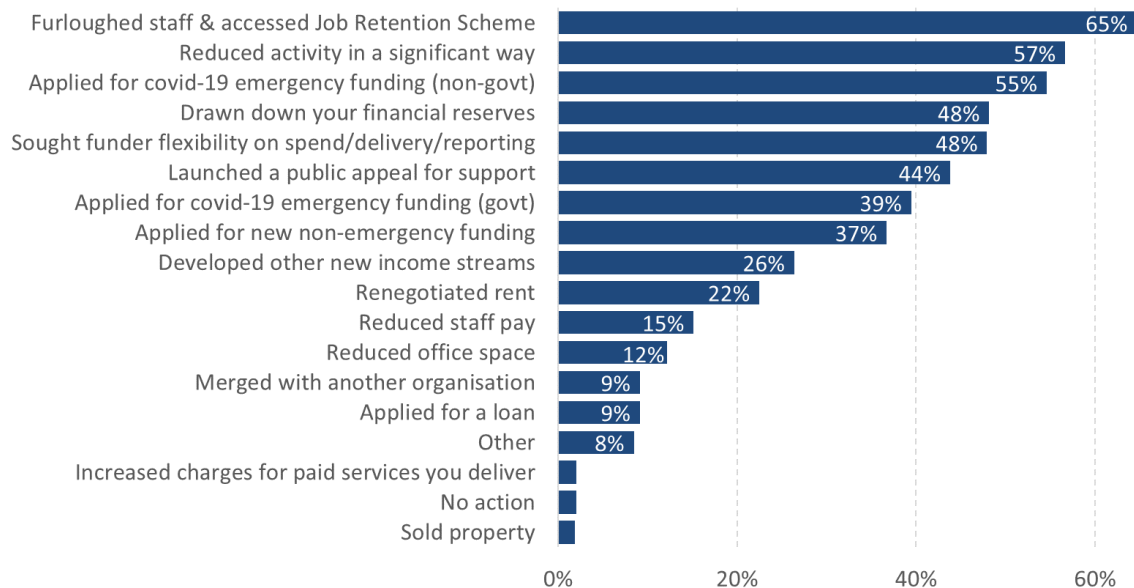
Sources: Covid Charity Tracker, 3-7 August

Organisations have reacted in a number of ways, some taking innovative approaches to addressing the challenges of Covid-19...

Almost all charities have taken action in response to the challenges of Covid-19. Figure 8 shows that the two most popular options relate to measures designed to cut costs, with two-in-three (65 per cent) furloughing staff and more than half (57 per cent) reducing their activity in a “significant” way. Other cost cutting approaches include renegotiating rent (22 per cent), reducing staff pay (15 per cent) and reducing office space (12 per cent).

Figure 8: Charities have responded to Covid in numerous ways, with just 2 per cent taking no action

What actions have you taken in response to any financial challenges that Covid-19 have presented to your organisation (tick all that apply)? 3-7 August



Notes: 436 responses.

Sources: Covid Charity Tracker, 3-7 August

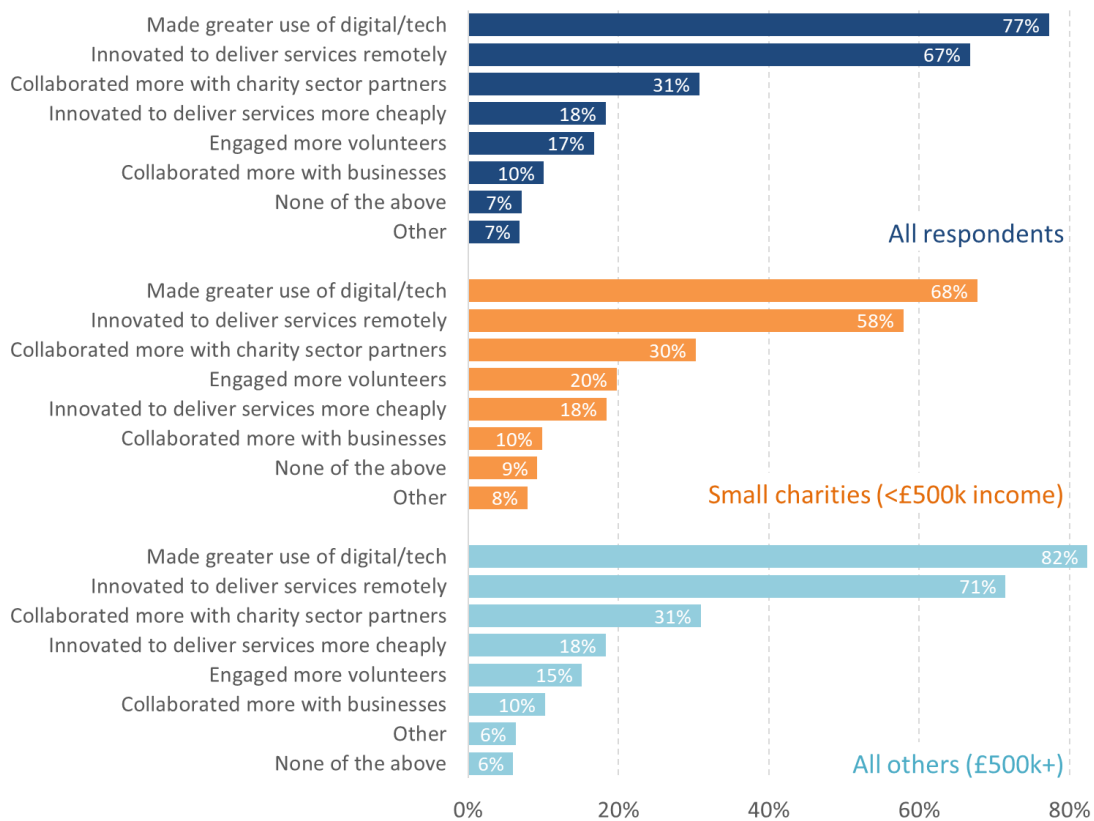
“We’re trying to rethink how we work and experimenting with methods of being in touch with people. Lots of local collaboration.”

“We’ve expanded our service offer through greater use of technology, which at the same time has opened up opportunities to reach more people needing our services.”

Figure 8 also details various responses designed to boost incomes, with 55 per cent applying for non-government emergency funding, 44 per cent launching a public appeal for support, 26 per cent developing new income streams and 9 per cent applying for a loan. Other measures focus on flexibility, with around half (48 per cent) drawing down on financial reserves and the same share (48 per cent) seeking flexibility from their existing funders in relation to spend, delivery and reporting.

One-in-ten (9 per cent) say they have merged with another organisation, hinting at a marked consolidation within the sector. As Figure 9 highlights, there is evidence that the pandemic has more generally prompted something of a wave of innovation. It shows that three-in-four charities (77 per cent) say they have made greater use of digital and tech solutions, and that two-in-three (67 per cent) have innovated to deliver their services or activities remotely – with mid-sized and larger charities more likely to have undertaken such actions. One-in-three (31 per cent) say they have collaborated more with charity sector partners, and one-in-ten (10 per cent) have collaborated more with business – this time with no difference by size of organisation. Given the resource constraints and headcount reductions discussed above, it is interesting to note that 17 per cent of charities say they have engaged more volunteers.

Figure 9: One-in-three charities say they are collaborating more with charity sector partners
 Some charities have reported a change in the way they are operating in order to achieve efficiencies. Which, if any, of the following actions have you taken as a result of Covid-19 (tick all that apply)? By size of charity, 3-7 August



Notes: 436 responses, comprising 152 'small' and 284 'all others'.
 Sources: Covid Charity Tracker, 3-7 August

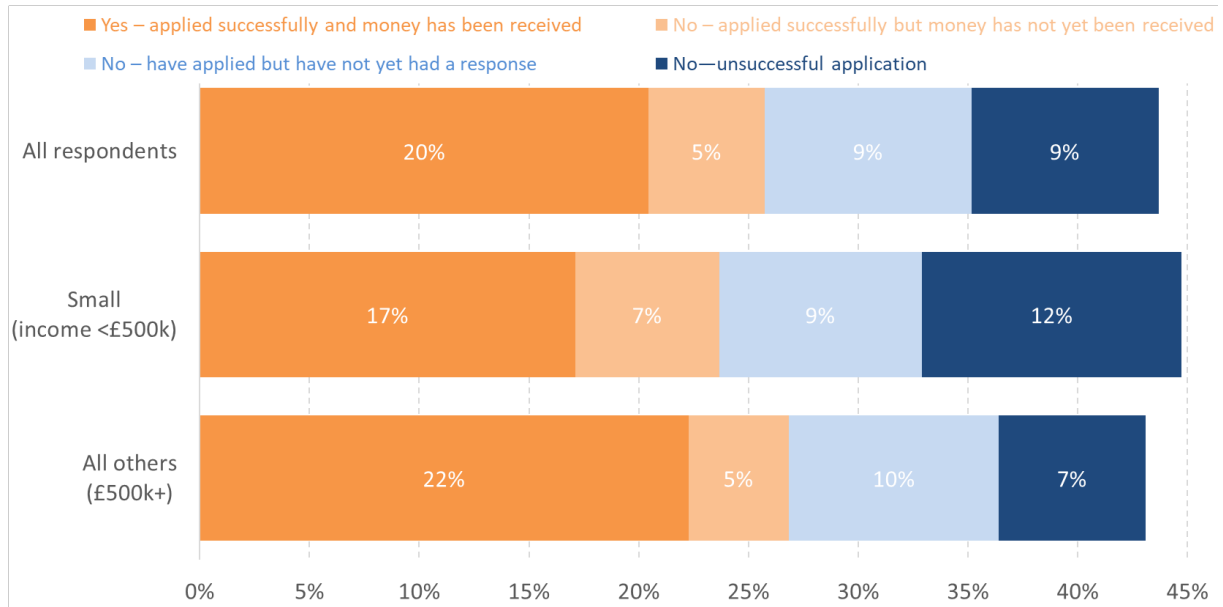
And many have accessed support from the government and elsewhere...

As noted above, when asked to list all of their responses to Covid-19, two-in-three charities say they've made use of the government's Job Retention Scheme and two-in-five say they've applied for emergency financial support from the government.

Figure 10 provides more detail in relation to a specific follow up question on respondents' engagement with government support. It shows that 44 per cent of charities say they've applied for support, but that only 20 per cent have the money in the bank. Of the rest, 5 per cent say they have successfully applied but are still awaiting the funds, 9 per cent say they have not had a response to their application, and 9 per cent say their application was unsuccessful. Smaller charities have applied in broadly the same proportion as mid-sized and larger charities, but they appear to be less likely to have accessed any funds yet (just 17 per cent) and more likely to have had their application rejected (12 per cent).

Figure 10: To date, one-in-five charities report having received money from the government’s Covid-19 emergency funds

Have you been able to access the government’s Covid-19 emergency funding for frontline charities?
By size of charity, 3-7 August



Notes: 435 responses, comprising 152 ‘small’ and 283 ‘all others’. Residual is ‘have not applied’.

Sources: Covid Charity Tracker, 3-7 August

“The government support we have accessed has been through the National Lottery Coronavirus Support fund and frankly this is taken too long, almost 3 months from application to decision, with funding still not received.”

The Job Retention Scheme is of course now subject to a gradual withdrawal. From the start of this month, the government has continued to pay 80 per cent of wages (up to a cap of £2,500) for the hours an employee is on furlough, but employers have been required to cover the costs of employer National Insurance Contributions and pension contributions. From September, the government’s contribution will drop to 70 per cent (up to a cap of £2,187.50) and employers will have to top the value up to at least 80 per cent (or £2,500). From October, the government contribution will drop to 60 per cent (up to a cap of £1,875), with employers again topping up at least to 80 per cent. The scheme is due to close altogether at the end of October.

When announcing the latest changes in his summer economic update, the Chancellor also set out details of the Job Retention Bonus – whereby employers can access a one-off payment of £1,000 for every previously furloughed employee still employed (on a continuous basis) at the end of January 2021.¹⁰

¹⁰ Eligible employees must earn at least £520 a month on average between the start of November 2020 and the end of January 2021.

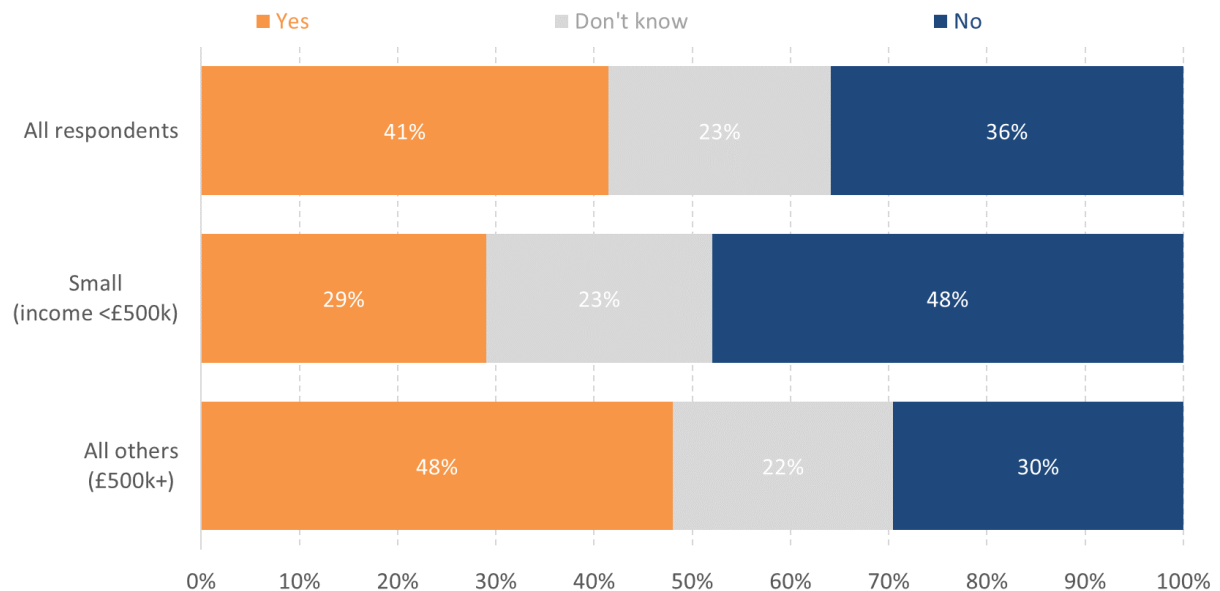
“The furlough scheme and Business Support Grants have been very helpful to get us through the most difficult time, but planning is extremely difficult.”

“Whilst we’re going to claim the job retention bonus. It is literally a bonus - it’s not a factor in the decisions to keep people employed.”

Figure 11 shows that four-in-ten charities (41 per cent) told us they expect to make use of the bonus, with a significant split by organisation size: nearly half (48 per cent) of mid-sized and larger charities expect to apply, compared with just 29 per cent of small charities. With two-in-three organisations (65 per cent) telling us they’ve made use of furlough (Figure 8), the figure would appear to imply that a significant number do not anticipate retaining furloughed staff beyond the conclusion of the Job Retention Scheme. It is worth noting, however, that roughly one-in-four charities (23 per cent) say they ‘don’t know’ if they’ll make use of the bonus. Again, the future looks somewhat uncertain.

Figure 11: Two-in-five charities expect to make use of the government’s Job Retention Bonus

Do you plan to make use of the government’s £1,000 “Job Retention Bonus”? By size of charity, 3-7 August



Notes: 429 responses, comprising 148 ‘small’ and 281 ‘all others’.

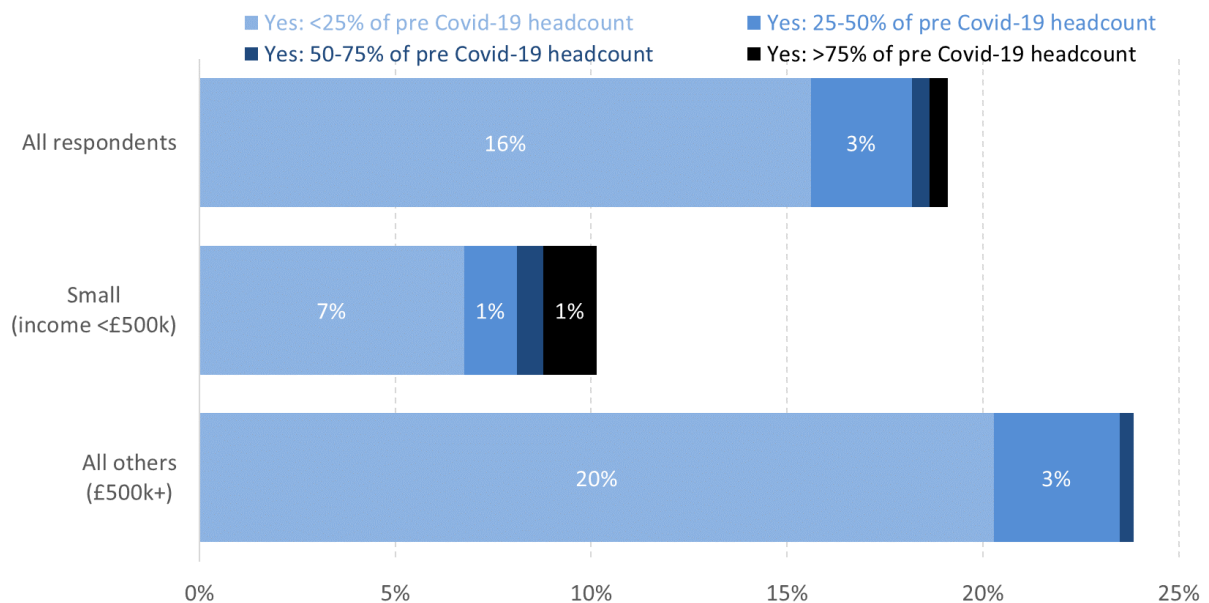
Sources: Covid Charity Tracker, 3-7 August

But the sector is likely to face significant job losses once the furlough scheme ends... Of course, even where charities *do* make use of the Job Retention Bonus it doesn't follow that they have necessarily retained *all* of their furloughed staff – they may simply be claiming the bonus in relation to the portion who do remain with them. The August Tracker finds that one-in-four charities (24 per cent) currently have more than 30 per cent of their staff on furlough, with 13 per cent having more than half of their employees in this position. We might imagine that some organisations will struggle to bring such staff back onto their payroll once the government support is withdrawn.

“We have already cut staff by 40% and furloughed 25% of remaining team.”

Figure 12 suggests that a significant number of charities have already been forced to let staff go. One-in-five (19 per cent) say they have made redundancies as a result of Covid-19, with the proportion rising to one-in-four (24 per cent) among mid-sized and larger organisations.

Figure 12: To date, one-in-five charities report having let staff go in response to Covid-19
Has your organisation made staff redundant as a result of Covid-19? By size of charity, 3-7 August



Notes: 429 responses, comprising 148 'small' and 281 'all others'. Residual is 'no' and 'don't know'.
Sources: Covid Charity Tracker, 3-7 August

To estimate what this might mean for sector-wide job losses, we can apply the proportions captured in the August Tracker to industry-level data taken from NCVO's *Civil Society Almanac*.¹¹ This exercise suggests that 2.8 per cent of the pre-Covid registered charity workforce of 909,088 have lost their

¹¹ NCVO, [UK Civil Society Almanac 2020: data tables](#). Our assumption is that the average headcount reduction among those charities saying they have let less than 25 per cent of their workforce go to date is 5 per cent, reflecting the likely skew to the bottom end of the distribution. For each of the other categories, we apply the mid-point as the average (e.g. for the 25 per cent to 50 per cent group we assume an average of 37.5 per cent). We run the estimate separately for 'micro and small', 'medium', 'large' and 'major and super major' categories of charities, assuming the aggregate charity workforce is spread across these four categories in line with their respective shares of total sector income (e.g. 'micro and small' charities account for just 4 per cent of total charity income, so we assume they similarly account for 4 per cent of the pre-Covid workforce, or 37,342 people).

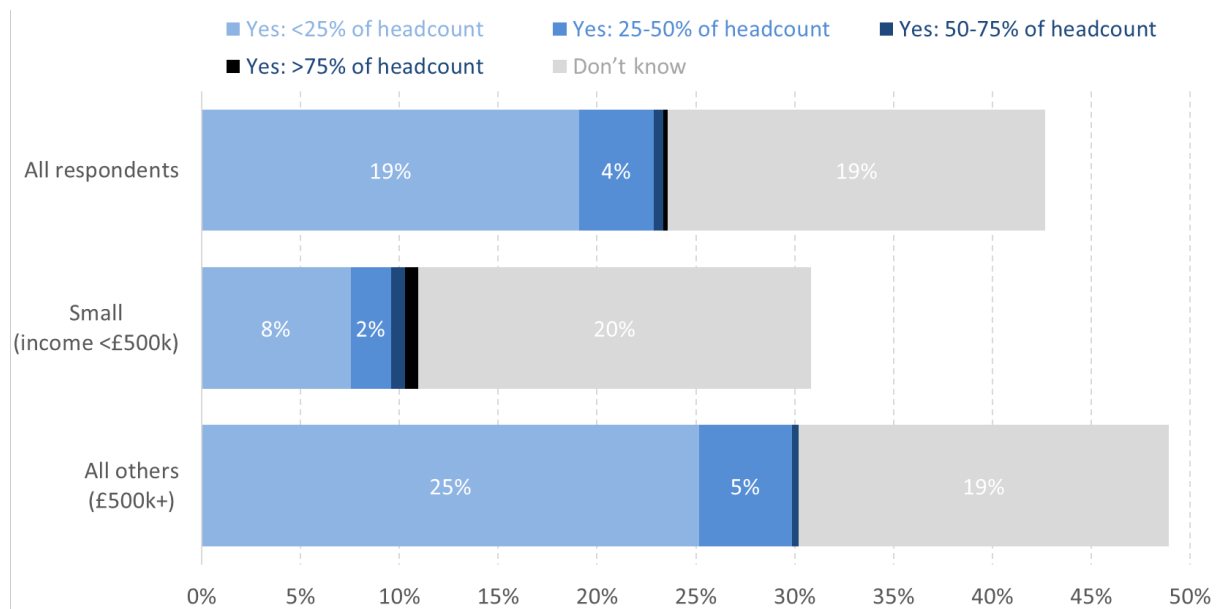
jobs to date – amounting to around 25,700 people.¹² We cannot observe, however, what number of these have been re-hired into different positions within or outside the charity sector.

Our approach is of course imperfect and must be considered indicative rather than definitive. It is open to estimation risks, including non-response bias (whereby those charities under most pressure are most likely to fill in our survey) and self-reporting error. Nevertheless, our estimate broadly chimes with the economy-wide 2.5 per cent drop in paid employment recorded since the start of the pandemic.¹³

But what comes next? Figure 13 shows that one-in-four charities (24 per cent) expect to let more staff go once the Job Retention Scheme ends, with the proportion rising to 30 per cent among mid-sized and larger organisations. Once again, the high proportion of respondents answering ‘don’t know’ points to considerable uncertainty about what the future might hold.

Figure 13: One-in-four charities expect more redundancies once the furlough scheme ends

When the Job Retention Scheme ends, do you expect your organisation to make staff redundant as a result of Covid-19? By size of charity, 3-7 August



Notes: 424 responses, comprising 146 ‘small’ and 278 ‘all others’. Residual is ‘no’.

Sources: Covid Charity Tracker, 3-7 August

¹² We run an additional sensitivity analysis to consider what the low and high estimates might look like, producing a range from 12,700 job losses to 71,435 job losses.

¹³ ONS, [Earnings and employment from Pay As You Earn Real Time Information, UK: August 2020](#), 11 August 2020

“If the Furlough scheme ends before the social distancing ceases then we cannot operate any of our big events or use our halls to their maximum capacity then we will be making staff redundant. No Income then no wages.”

Focusing just on those saying they *do* expect more job losses and applying the same methodology as above,¹⁴ these findings suggest that we might expect a further 34,100 drop in charity employee numbers further down the track. That would take the total post-Covid job loss figure to around 59,800, or 6.6 per cent of the pre-pandemic workforce.

And many of the pressures being felt are amplified for smaller charities and for those working primarily with BAME communities

Throughout this briefing note we have noted the similarities and the differences in the nature of the challenges being faced by smaller and larger charities. It’s clear that pressures are being felt across the board, but it’s also apparent that many challenges are being felt especially acutely in smaller

“Government needs to financially recognise small charities who have not furloughed staff and who are supporting their communities even though they have no self-generated income. Many of these charities are now solely reliant on grants and donations.”

organisations. As we’ve seen above, small charities tend to hold lower reserves and are more likely than their bigger counterparts to expect to go out of business as a result of Covid-19. They have made use of digital and tech opportunities in response to the pandemic, but much less so than mid-sized and larger charities. And they have similarly been less able to access forms of government support such as the Job Retention Scheme and emergency funding.

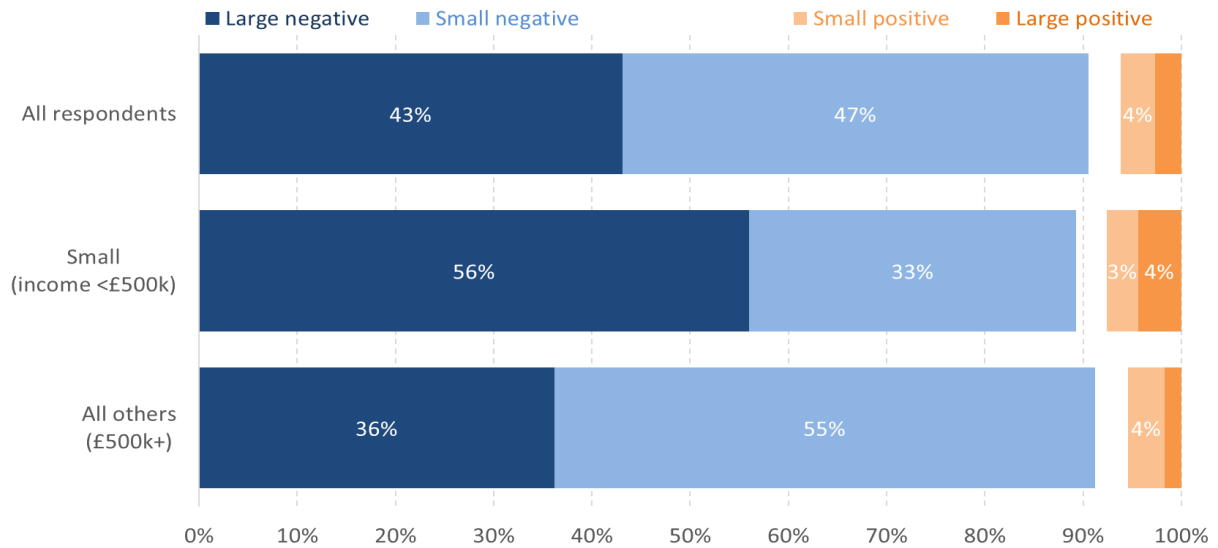
Often, the difference for smaller organisations relates less to their overall expectation of what is likely to happen and more to the severity of the consequences of such outcomes. Figure 14 provides a clear example of this. It shows that the proportion of small charities expecting Covid-19 to have a negative impact on their ability to deliver their charitable objectives in the next six months

is almost perfectly in line with the proportion recorded among other organisations (89 per cent and 91 per cent, respectively). But within these totals, smaller charities are much more likely to view the impact as a “large” negative rather than a “small” one – a picture that is reversed among mid-sized and larger charities.

¹⁴ This time taking a new employment baseline that already factors in the 25,700 job loss estimate calculated earlier.

Figure 14: More than half of small charities believe Covid-19 will have a “large” negative impact on their ability to deliver their objectives

How do you expect Covid-19 to affect your charity’s ability to deliver on its objectives in the next six months? By size of charity, 3-7 August



Notes: 455 responses, comprising 159 ‘small’ and 296 ‘all others’. Residual is ‘no impact’.

Sources: Covid Charity Tracker, 3-7 August

The August Tracker also provides some indication of particular pressures being felt by those charities working predominantly with BAME communities. Smaller sample sizes mean we can’t draw firm conclusions, but there is good reason to take the findings as indicative of a wider issue.

“We will have a second wave of need as a result of the pandemic due to the closure of many essential support services at a time when people need us most.”

The disproportionate impact of Covid-19 on BAME communities has been clearly evidenced,¹⁵ and Table 1 suggests charities working primarily with such communities are indeed more likely than others to expect an increase in demand for their help over the coming six months (82 per cent and 67 per cent, respectively). However, the table also suggests that BAME charities are more likely to expect to have to scale back service delivery (71 per cent, compared with 56 per cent among those not working primarily with BAME communities). The perfect storm of increased demand and constrained resource referenced earlier in this note in relation to the charity sector more generally looks particularly fierce for charities working with BAME communities – and therefore for members of those communities too.

¹⁵ Public Health England, [Beyond the data: Understanding the impact of COVID-19 on BAME groups](#), June 2020

Table 1: Selected August Tracker responses

	Work primarily with BAME communities	All other charities	All respondents
Expect increase in demand for services	82%	67%	68%
Expect to have to scale back service delivery	71%	56%	58%
Expect "large" negative impact on ability to deliver objectives	54%	42%	43%
Expect income normalisation to take more than two years	32%	25%	26%
Hold more than six months' income in reserves	23%	32%	31%
Made staff redundant as a result of Covid-19	24%	19%	19%
Expect to make staff redundant when JRS ends	29%	23%	24%
Likely to cease operating within six months	12%	5%	6%

Notes: Results must be treated with caution due to small sample sizes: just 46 of the 455 responses were from charities who said they worked primarily with BAME communities.

Sources: Covid Charity Tracker, 3-7 August

Table 1 also suggests that BAME charities are more likely to expect it to take longer for their income to get back on track, less likely to have more than six months' income in reserve, more likely to have made staff redundant since the start of the pandemic and more likely to expect to have to let more workers go once the Job Retention Scheme ends. Ultimately, the figures imply that charities working primarily with BAME communities are twice as likely to expect to cease trading within six months as others (12 per cent and 5 per cent, respectively). The results may not be definitive, but the findings are without doubt worrying and worthy of further exploration.

Conclusion

There is good news to be found in our survey, including the widespread adoption of digital and tech solutions and the greater collaboration observed among organisations in the sector and with wider business. It is perhaps reassuring too that fewer charities say they expect to be facing all-out closure within six months than did two months ago.

However, the near- and medium-term outlook for charities looks very concerning. Most organisations expect to be reducing their headcount and delivering scaled-back activities, just at a time when many of the economic and social impacts of the Covid-19 crisis are likely to come to a head.

Of course, charities are not alone in facing an uncertain future: 2021 is set to be a difficult year across the UK and beyond. But a country in need will want to turn once again to its charities and civil society organisations to help it navigate a path to recovery. The sector will undoubtedly stand up to the test, but it will in turn need the help of government, businesses and the wider public in order to do so. We'll continue to check in on the health of the sector with our monthly Covid Charity Tracker, using the results to help understand how best the country can pull together to ensure civil society can survive and then thrive in the coming months.

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