

## Newcastle Council for Voluntary Service

### The Economic Contribution of the Voluntary Sector

The purpose of this paper is to outline some areas for consideration around the voluntary sector's economic role with a view to further contributing to current debates, in particular around the Regional Economic Strategy (RES).

It details a number of specific economic development issues and their relation to the voluntary sector. Then there are some general conclusions about the economic role of the sector based on consideration of the significance of these issues.

#### Economic Development Issues

##### 1. Paid Employment

There is now a general consensus that the sector is a significant employer.

There is a lack of local statistical information about employment within the sector. National estimates suggest employees within the sector account for between 2% - 4% of employment. This information, however is based on registered charities rather than the broader voluntary sector.<sup>1</sup>

A recent survey estimated that 13,000 people were employed by the sector in Tyneside, equivalent to 4.2% of employment. This is about the same as the proportion of people employed by inward investors in the area.<sup>2</sup>

There are issues around the nature of employment within the sector – eg the competitiveness of salaries, job security, staff development etc. The gap between average salaries in the voluntary sector and the whole workforce in 1997 was 12%.<sup>3</sup>

These points are also linked to issues around the effectiveness of the sector and how it is funded.

Recent research has suggested that employment within the voluntary sector places individuals at an advantage in the current employment market

*[The voluntary sector] has developed a concept of 'career' which is spiral rather than linear and which defines success primarily in terms of*

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<sup>1</sup> Cathy Pharoah & Matthew Smerdon *Dimensions of the Voluntary Sector*, CAF 1998, p. 21; Les Hems, Andrew Passey *The UK Voluntary Sector Almanac* NCVO 1998, p. ix

<sup>2</sup> Ian Jones *Tyneside Voluntary Sector Survey*, Tyneside TEC, 1997, pp. 2-3

<sup>3</sup> Meta Zimmeck *To Boldly Go: The Voluntary Sector and Voluntary Action in the New World of Work*, RSA 1998 p20

*interest and satisfaction... This model will become increasingly relevant to the mainstream workforce as conventional career patterns, already fragmenting fast, become the preserve of a very small minority.<sup>4</sup>*

The voluntary sector offers more flexibility in working generally and better opportunities specifically for women, older people and, to a lesser extent, Black and ethnic minority workers.<sup>5</sup>

## **2. Volunteering**

The economic value of the sector's unpaid workforce is increasingly recognised. Without the free contribution of volunteers a tremendous additional burden would fall on public spending.

Again statistics are problematic in this area. One national survey found that 22 million people, or 48% of the population, had undertaken some voluntary work in the previous year.<sup>6</sup> Charities in the UK have over 3 million unpaid workers whose activity has been calculated to have an economic value of £12 billion.<sup>7</sup>

On Tyneside it has been estimated that there are 27,000 volunteers working in the sector.<sup>8</sup>

## **3. Active Citizenship**

The voluntary sector is also significant in the context of active communities, citizenship and a healthy 'civil society' – which can be argued to be determinants of economic growth. Getting involved with a voluntary organisation can lead to personal empowerment, self motivation and capacity building within local communities.

## **4. Learning Environments/Pathways to Employment**

Training and skills development are significant factors in economic development. The voluntary sector provides environments for training and skills development for paid workers, volunteers and service users. There is clearly also an entrepreneurial element to some work within the sector.

Much of the sector is involved in providing services to excluded groups and communities. Often this work involves basic skills development such as confidence building, self esteem and communication.

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<sup>4</sup> Zimmeck 1998 p40

<sup>5</sup> Zimmeck 1998 pp 16 - 19

<sup>6</sup> Pharoah & Smerdon 1998, p. 22

<sup>7</sup> Hems & Passey 1998, pp. ix-x

<sup>8</sup> Jones 1997

Such activities can be seen as the first steps on a *pathway to employment* regardless of whether they are carried out with employability as the intended outcome.

## 5. The Social Economy

The sector is involved in a variety of social economy initiatives including community businesses, credit unions and time money/LETS schemes.

The significance of these activities is much debated. Undoubtedly the pursuit of economic alternatives has an important social value. However, in real terms the impact of these activities on the general economy is small. As an example combined statistics for the 12 community Credit Unions in Newcastle as at June 1999 were:

Membership	1500
Share balances	£310,000
Loans outstanding	£200,000 <sup>9</sup>

As at November 1999 there were four active community businesses operating in Newcastle upon Tyne, although several agencies are involved in developing this field of activity.<sup>10</sup>

## 6. Social Inclusion

The sector has a history of leading on equality of opportunity and challenging discrimination. Much of the work of the sector is focused on geographical communities and communities of interest/identity who face social exclusion. Challenging social exclusion is a key factor in linking social and economic regeneration.

## 7. Activity of the Sector

Voluntary sector organisations both nationally and locally lead work in particular areas of the economy – for example the National Trust in tourism. Other organisations within the sector, both large and small, are active in areas such as the arts, heritage and environmental sustainability.

## Conclusions

Arguing that economic development is a principal intended outcome of voluntary sector activity seems to be coming at the issue from the wrong angle. Few people in local voluntary groups would identify with this. The much

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<sup>9</sup> source: Credit Union Development Project, Newcastle CVS

<sup>10</sup> source: Com-Econ

more important issue is that regardless of the reasons why the sector does what it does, its economic impact is significant.

Therefore the work and contribution of the sector need to be properly understood by policy makers working on economic development.

In order to achieve this some measurement of the sector's economic contribution can be useful. However, such measurements are problematic. Even something as simple as the size of the sector (in numbers of organisations) is dependent on what definitions are being used. Other measurements can be used, such as size by employment, by turnover or asset base, by a cash assessment of the contribution of volunteers or by contribution to GDP. Whilst these issues will not (and should not) preoccupy local voluntary organisations, they should be considered by LDAs and other umbrella bodies, including the new regional structures.

The draft North East RES places the voluntary sector more firmly in the centre of economic strategy than might have been expected – and this should be welcomed. However this is limited to an identification of the sector as an employer and a contributor to social regeneration.

The draft RES talks about 'strengthening' the sector. Clearly greater discussion is required about what this could involve in the context of how a more effective sector would contribute to both social and economic development.

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**November 1999**

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