Paid work and volunteering in the third sector in Cumbria

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www.nr-foundation.org.uk/thirdsectortrends
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Background to the Third Sector Trends study

The Northern Rock Foundation’s investment in the study of the third sector in North East England and Cumbria is intended to have a significant impact on the way the sector is perceived by itself and its stakeholders. It is also hoped that it will influence how the sector works. Most importantly, the research should help future third sector activity meet beneficiary needs more effectively, securing more positive outcomes.

The research had several different strands, and a phased inter-related programme of work. In the first phase, Teesside University’s Third Sector Development Unit (TSDU) led by Prof. Tony Chapman, has undertaken qualitative and other surveys of the sector.

Alongside this, colleagues at the University of Southampton, led by Prof. John Mohan, along with the National Council for Voluntary Organisations and Guidestar UK have undertaken a comprehensive mapping exercise of third sector organisations (TSO) in the study region. Following this, and using information from this part of the work, TSDU will undertake a longitudinal panel study of TSOs, continuing through to 2012.

The research programme as a whole aims to:

- produce robust data and independent analysis on the scale and scope of the third sector in the North East and Cumbria;
- provide an objective and thorough analysis of the dynamics of the sector through longitudinal study of stakeholder perceptions, organisational practice and local impact;
- develop a more complete understanding of sector impact and potential, and assess policy and practice implications;
- design and test innovative methodological approaches to the study of the sector which are compatible with national data sources and are replicable in other UK regions.

As a longitudinal study, research findings have been disseminated on a regular basis throughout the life of the project. The study should provide a clearer indication than has ever been attempted before in the UK of local trends over time. These will be interpreted in the light of detailed analysis of stakeholder views, network and organisational analysis, and comparison with other regions and countries if possible.

A key objective of the research is to gain a better understanding of the sector, but in so doing, to provide an evidence base upon which to develop policy and practice so that the sector may be enabled to provide the maximum benefit to its beneficiaries, to the economy and to society in general.
PRINCIPAL FINDINGS

Paid work and volunteering in the third sector in Cumbria

Figure 1: Estimates of employment and volunteering in Cumbria

Key findings: work
- 28% of general charities based in Cumbria employ staff
- General charities based in Cumbria employ between 4,650 – 5,250 staff. Non charitable TSOs would add between 1,800 – 3,800 additional employees.
- Our total estimate of almost 9,050 employees is equivalent to 3.8% of the paid workforce in Cumbria
- An estimated 450 charities are employers, with an average of 12 employees.
- A further 280 non-charitable TSOs employ paid staff

Key Findings: volunteering
- 27% of the population give unpaid help at least once a month
- A median rate of 6 hours a month are typically volunteered, equivalent to 2.5 million hours each year across the region
- The Place Survey suggests rates of volunteering are relatively high, but this probably reflects the demographic make-up of the population
- The NSTSO suggests that registered TSOs in Cumbria benefit from approximately 52,800 volunteers
- There are around 5.8 volunteers for every paid employee in the sector
1. Introduction

With concerns over rising levels of unemployment and impending reductions in public spending – with knock on effects for public sector employment levels – there is perhaps more interest than ever in labour markets and their future. Third sector organisations make a small, though arguably important contribution to employment and reducing worklessness.

This briefing paper provides context for a more detailed debate on these issues by providing estimated headline figures for the paid workforce and volunteers involved in the third sector in Cumbria. This includes:

- estimates of the total number of people employed by third sector organisations which are registered in or have headquarters in the region, for registered charities and non-charitable third sector organisations respectively;
- the third sector’s share of regional employment and the region’s share of England’s total third sector employment, and comparisons with other regions;
- estimates of the number of third sector organisations which employ paid staff and a profile of the size distribution of employment, which is then compared with that of other sectors; and,
- headline figures of volunteering rates and the balance between paid staff and volunteers for different types of third sector organisation.

It remains necessary to set out such local and regional estimates, particularly as different data sources (Figure 2) - organisation reports; surveys of individuals; and surveys of organisations - tell different stories. We have provided an explanation of data sources in the appendix: this is an important part of our briefing, particularly as workforce and volunteering estimates are often contested. Moreover, we would suggest that some local estimates could be improved upon. The briefing concludes with some questions for public policy, in particular the implications of these statistics for future employment.

Figure 2: Data on employment and volunteering
2. Estimates of total employment: charities

- At least 28% of charities based in Cumbria employ staff
- Charities in the county employ between 4,650 and 5,250 staff

Charities with a turnover of less than £500,000 are not required to report employment totals to the Charity Commission. Those above this threshold are requested to report the number of full-time equivalent staff; the majority do report this figure. In Cumbria region only 2.7% of all charities, and 2.5% of general charities, have a turnover greater than £500,000, though such organisations are likely to account for the bulk of employees given the expenditure implications of recruiting paid staff. Where there is not a reported figure for employment it is possible to estimate an employment figure from data on staff costs.

Figures derived from the accounts of general charities in the region suggest that at least 28% of charities based in Cumbria employ staff, between them employing a total of 3,650 FTE staff, expressed on a full-time equivalent (FTE) basis.

An alternative is to estimate numbers from staff costs. On average, charities in Cumbria spend 54% of their expenditure on staff – around £16,000 per FTE employee (this figure includes both wages and other costs associated with employing staff, such as National Insurance Contributions). However this would likely be an over-estimate, because it assumes a constant ratio of staff costs to total costs. This would certainly overstate the position in the case of grant-making trusts.

A refinement therefore involves identifying only those organisations for which we do not have a staff cost, and applying that ratio to their expenditures to estimate their employment. There are approximately 596 charities in this area for which we have neither a reported staff number, nor an estimate of staff costs, but we do have expenditure for these. If we make the assumption that 54% of this is spent on staff costs, and divide the resulting figure by £16,000, the average staff costs, we arrive at a further 1,000 employees in the charitable sector on top of the 3,600 reported in annual accounts – a total of 4,650 full time equivalent employees.

A further alternative is to estimate employment from the National Survey of Third Sector Organisations. This survey has a large sample size and high response rate. It also has the advantage of collecting data from many small charities which do not report an employment total in the Guidestar Data Services/ Charity Commission returns. However, a complication here is that the survey, to protect anonymity, provides only banded data on employment numbers, so assumptions therefore have to be made in generating estimates from this source. We estimate that some 5,250 people (+/- 1,700) are employed in charities in the region on the basis of this survey. We think this is broadly consistent with the estimate derived from reported staff totals and staff costs.

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1 619 organisations responded in Cumbria, with a response rate consistently around 57%
Our estimate, therefore, is that **charities in the region employ between 4,650 and 5,250 staff**. Although the latter figure has a larger margin of error attached to it as it is based on a sample survey, it is based on data from a more representative sample of organisations.

### 3. Estimates of total employment: non-charitable third sector organisations

- **3,800 people are employed by non-charitable third sector organisations**
- **Total employment in the third sector in Cumbria is between 6500 and 9000 depending on the methods used**

The accounts of other third sector organisations, such as non-charitable companies limited by guarantee (CLGs), industrial and provident societies (IPSs), community interest companies (CICs) and housing associations, provide evidence of employment in the wider third sector.

Together, reported employment totals from these organisations suggest that **we should add another 1,800 to the total number of staff employed** by the third sector, with over half of these working for large companies limited by guarantee in the region. Our minimum estimate for non-charitable third sector employment in this region is therefore 1,800.

The National Survey of Third Sector Organisations has a high response rate from non-charitable third sector organisations. We estimate that **a further 3,800 people are employed by non-charitable third sector organisations** in the region.

Table 1 summarises these estimates. An absolute minimum estimate of third sector employment in the region would be 6,450 based on the combination of reported staff numbers and estimates based on reported staff costs for charities and non-charitable third sector organisations. However we think that the NSTSO estimate of 9,050 is more realistic as it captures estimates from organisations which have not been covered in Guidestar or other sources.

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<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Charities</td>
<td>3,650</td>
<td>1,000</td>
<td>4,650</td>
<td>5,250</td>
</tr>
<tr>
<td>Non-charitable TSOs</td>
<td>1,800</td>
<td>n/a</td>
<td>1,800</td>
<td>3,800</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>5,450</strong></td>
<td><strong>1,000</strong></td>
<td><strong>6,450</strong></td>
<td><strong>9,050</strong></td>
</tr>
</tbody>
</table>

Source: NSTSO; GuideStar UK; NCVO; Southampton University
4. Contribution to regional employment

If our upper-band estimate of around 9,050 is correct, the sector would account for **3.8% of the working population** of Cumbria in 2008 (the year for which most of our data are available), although that figure does not include staff working for national charities based in the region that are employed in other regions. The figure for England and Wales is that the voluntary sector accounts for **c. 2.5%** of the workforce.

The implication is that the contribution of the charitable sector’s workforce to the regional employment total is larger than for the country as a whole. This may be a reflection not so much of the resources available to the sector but of the weakness of the private sector economy in Cumbria. As a consequence, the third sector is likely to constitute a larger proportion of the region’s workforce than is the case in other regions; this is broadly comparable with the situation in the North East and in Yorkshire and Humberside.

Cumbria accounts for approximately 1% of the third sector workforce in England, which is broadly consistent with its share of the country’s population.

5. Numbers and characteristics of organisations with paid employees

- approximately 450 charities in Cumbria, and approximately 280 noncharitable TSOS, employ paid staff
- two-third of those charities with employees have fewer than 5 paid staff

How many organisations employ staff, and what are their characteristics? We have already suggested that 28% of charities have paid staff, but it is possible that these figures may not be entirely representative, since those reporting employment totals in their annual accounts are likely to be bigger than those which do not. However, the figure is higher than that reported in the 2008 NSTSO, in which approximately 24% of charities in the region reported that they were employing at least one member of staff.

For charities that employ staff the **mean number of employees is 12**, although workplace size can vary considerably from small to large organisations. The median number of staff for charities with staff is just four, with 66% of charities employing fewer than 5 staff. This survey would suggest that there are **approximately 450 charities in the region that employ paid staff**, but nearly 300 of them have a very small workforce. This is not surprising given what we know about the skewed distribution of resources in the sector, with a small number of large organisations, both nationally and regionally, having a dominant share of resources.

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2 We have a reported figure for employment for typically 85% or more of charities with annual expenditure greater than £0.5 million
If we compare the size distribution of the labour force in charities with that of non-charitable third sector organisations, some important differences are evident. There are around 500 non-charitable TSOs in the region (360 CLGs and 125 IPSs) and these are all more likely to employ paid staff than is the case for charities. 56% of CLGs and 81% of IPSs have paid staff. None of the CICs in the region who responded to the survey reported that they had staff.

There are notable differences between incorporated and unincorporated charities are also notable – 63% of incorporated charities have paid staff. This is likely to reflect the resources available to these different types of organisations and it will also reflect what they do. They are typically larger than charities – 48% of IPSs and 33% of CLGs have annual incomes over £100K, compared to 10% of charities. Much of their activity is in e.g. sports and social clubs of various kinds, but also housing associations – that is, they have premises to maintain substantial levels of economic activity, all of which require paid personnel. In total we estimate there are around 280 non-charitable TSOs who employ paid staff in the region.

In total there are some 730 third sector organisations in this region which employ staff; the majority of these are small employers with between 1 and 10 employees. It suggests that provision of training to third sector organisations –

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4 Note that these figures are based on low numbers of responses
and charities in particular – has to be able to respond to a very large number of organisations most of which have small numbers of employees.

In terms of the sectors in which these organisations are active, we use the International Classification of Non Profit Organisations (ICNPO) to categorise charities and generate employment totals. Consistent with the classification of the sector in our earlier report\(^5\), around 28% of employment is in social care organisations of various kinds followed by 24% in education and 12% in health organisations. The absence of satisfactory classification data for non-charitable third sector organisations renders a sectoral breakdown problematic but we have pointed out that a substantial proportion of employment in the non-charitable TSOs is in housing associations.

6. Volunteering

- Reliable data from national surveys on volunteering are not available for Cumbria but the proportion giving unpaid help at least once a month in the North West as a whole is 27%.
- The Place Surveys of local authorities show that volunteering rates in Cumbria were between 20 and 34% in 2008 but great care should be taken in inferring anything about differences between local authorities.
- NSTSO data suggest that there are around 53000 (+/- 9000) volunteers in TSOs in Cumbria, contributing up to 2.5 million hours of unpaid help in the course of a year.

National survey datasets on volunteering give limited scope for analysis at the regional level and none for sub-regional analysis. Analyses of the Citizenship Survey do not reveal much that is statistically different about levels of volunteering in the region. The proportion giving unpaid help at least once a month in the North West as a whole is 27%, which is not statistically significantly different from the national picture.

For local estimates the most relevant other surveys are probably the Place Surveys which ask questions about unpaid help for the 150 upper tier local authorities. Although there are some reservations about these on methodological grounds (see appendix for a brief discussion), they are based on at least 1,000 respondents per local authority. Relatively speaking these show that volunteering rates for local authorities in the region are high with South Lakeland ranked fourth in the country on the proportion of the population giving unpaid help at least once in the previous 12 months. However, some of these figures are based on small numbers of responses, and caution should be exercised in inferring that they demonstrate statistically significant differences.

At least some of this variation will be explicable in terms of the mix of people in those local authorities - national surveys show that the likelihood of volunteering is influenced by factors such as educational qualifications and limiting long-term illness, some of which will undoubtedly reduce the likelihood of volunteering in

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\(^5\) "Mapping Registered Third Sector Organisations in Cumbria" (2010)
local authorities in this region. Regional variations in reported rates of volunteering can largely be explained in terms of the composition of the population – that is, the more the population is composed of those groups most likely to volunteer, the higher the local volunteering rate.

**Figure 4 Proportion of the population who have given help at least once a month in the last year (2008)**

<table>
<thead>
<tr>
<th>Area</th>
<th>% who have given unpaid help at least once per month over the last 12 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Lakeland</td>
<td>34.5</td>
</tr>
<tr>
<td>Eden</td>
<td>29.3</td>
</tr>
<tr>
<td>Allerdale</td>
<td>27.4</td>
</tr>
<tr>
<td>Cumbria</td>
<td>26.3</td>
</tr>
<tr>
<td>Copeland</td>
<td>23.3</td>
</tr>
<tr>
<td>Barrow-in-Furness</td>
<td>20.8</td>
</tr>
<tr>
<td>Carlisle</td>
<td>20.3</td>
</tr>
<tr>
<td>Average for England</td>
<td>23.2</td>
</tr>
</tbody>
</table>

Source: Place Survey (2008)

An alternative source of light on the question of how many people volunteer is provided by the NSTSO data. This offers information on the numbers of volunteers associated with particular types of TSO, the relationship between the numbers of employees and organisation and the numbers of volunteers, and whether there are variations associated with particular characteristics (e.g. reliance on specific income streams). This is probably the most significant study of its kind and allows more detailed local estimation of volunteering levels but, because it is organisation-based, these will not constitute an estimate of levels of volunteering by area. Instead they will provide an estimate of the extent to which third sector organisations provide opportunities to volunteers. As such, these data provide a valuable perspective on the wider contribution of the third sector, in the form of the volume of unpaid help provided by volunteers.

The survey data on volunteering are banded so that, rather than organisations reporting precisely how many volunteers they have, they select a category (1-10, 11-20, etc). These categories are not all the same width (otherwise the simplest approach would be to select the midpoint of each range) and so we need to make assumptions about the distribution of responses. We describe this in more detail in a fuller version of this briefing paper.

**We estimate that there are around 52,800 (+/- 9,700) volunteers** associated with third sector organisations in Cumbria, representing some 1.17% of the national total. The great bulk of these volunteers are associated with registered charities – 76%, with relatively small numbers associated with CLGs or IPSs. However, the
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region has over 1.4% of the national total of organisations, suggesting that the numbers of volunteers associated with the third sector is smaller than the region’s share of organisations. It also raises the question of where else people are volunteering other than in the third sector, because these figures would represent approximately 12% of the adult population of Cumbria, which compares with 27% recorded in the Citizenship Survey for 2007-8. One reason for this may be the method and questions used.

Other survey data makes it possible to estimate the contribution of these volunteers in terms of total hours of voluntary effort. The Citizenship Survey asks people how many hours of unpaid help they have given in the previous four weeks. The mean response is 11.2 hours, but this is from a highly skewed distribution in which a small number of individuals influence the average greatly. It is better to use the median number of hours given - six hours - which is less influenced by outliers. On this basis we would estimate that around 2.5 million hours of voluntary effort is given by third sector volunteers in the region over the course of a year.

We can also look at which types of organisation draw on voluntary input. Firstly, and perhaps surprisingly given that most definitions of third sector organisations include some element of voluntary input, it seems that at least 5% of CLGs and IPSs, and 4% of charities, have no volunteers at all. This conceivably implies they had misunderstood the question, which clearly makes mention of trustees as well as paid staff.

Secondly, in contrast to the picture found in other regions where charities are more likely to have large numbers of volunteers compared to other organisation types, all types of organisation have roughly similar numbers of volunteers. 14% of charities and 14% of IPSs have more than 30 volunteers. There are very small numbers of results for CICs, which means we regard these with caution, but a similar pattern applies.

7. Volunteers and paid staff

- There are around 5.8 volunteers for every paid employee in the sector. For charities the ratio of volunteers to paid staff is about 7.6 to 1

To our knowledge no other survey dataset provides the comprehensive information available in the NSTSO regarding numbers of volunteers and numbers of paid staff. If we cross-tabulate employees with volunteers for each legal form in turn, we find important differences between them. For example, very few IPSs and CLGs with substantial numbers of employees also have large numbers of volunteers. Although precise comparisons are difficult because of the banded nature of the data, 9% of CLGs and 14% of IPSs have more staff than volunteers, compared to only 3% of charities. This seems to be associated with the size of organisation and their reliance on public sector funding, suggesting that the larger organisations in these legal forms are substituting paid for unpaid labour. This is consistent with national trends: while employment in the sector, and total resources available to it, have increased substantially in recent years, levels of volunteering have remained at more or less the same level in national survey
datasets. Another way of expressing this is to generate estimates, by local authorities, the ratio between volunteers and paid staff. In this region, we estimate that there are around 5.8 volunteers for every paid employee in the sector. However, for charities the ratio of volunteers to paid staff is about 7.6 to 1, which is a higher ratio than the national picture.

8. Conclusion

This paper draws on a range of sources of data to provide the most detailed picture of the third sector workforce yet available for a county. The estimates provided are lower than those in previous surveys, which we attribute to differences in methods used; we have been able to rely on extensive databases including data reported by organisations themselves on staff numbers and staff costs, and we have been able to make some allowances for the effects of missing data. In contrast, many previous studies of regional employment in the sector generate results which are likely to generate a substantial overestimate.

The resulting revised estimates for levels of employment and volunteering will perhaps surprise and disappoint alike. For many, paid employment in the sector remains an unknown, and as such the notion that paid employment and career structures are widespread in the third sector will be a surprise. Nevertheless, the employment in the third sector remains a stubbornly small proportion of the overall workforce: national statistics suggest little change in the proportion of employment accounted for by the third sector over the last decade. For infrastructure organisations and policy makers who hope that the sector can provide a more significant role in providing employment these estimates may well be disappointing, whilst highlighting the potential for policy innovation that will change the third sector’s share of total employment.

As with other sectors of the economy it is clear that London dominates the regional distribution of third sector employment, reflecting the prevalence of national headquarters there. This may well account for Cumbria’s below-average share of the national total. Whilst such imbalances in regional shares of both organisations and employment are unsurprising, they potentially generate questions over the locational decisions of national charities already posed to government.

Our estimates of volunteering hint at a significant resource of community capacity frequently cited by advocates of policies loosely gathered under the banner of ‘Big Society’. Moreover, the ratio of volunteers to paid staff serves to highlight the voluntarism that continues to characterise the charitable component of the third sector and, to a lower extent, the non-charitable component. However, they also counsel caution: these estimates are again lower than other studies have suggested. Our estimates in turn raise questions of what might we mean by ‘significant’ in the context of a debate where voluntary action is envisaged as a mainstream solution to reductions in public spending: 2.5 million volunteer hours equates to approximately 1,200 full time employees. We have estimated that the sector employs 9,050 paid staff, which might suggest that significant investment
in volunteer recruitment and management will be required to shift the ratio of volunteers to paid personnel. This paper has surveyed the field and established benchmarks against which future shifts in employment and volunteering can be measured. Changes in public expenditure and the labour market will inevitably move the dial in relation to these estimates. They should be monitored as policy makers and the sector alike begin to ask questions of the spending cuts and the Big Society agenda. These include, but are not exclusively:

- Will reductions in public sector employees crowd-in voluntary sector employment?
- If public spending cuts reduce voluntary sector employment, will this impact positively or negatively on volunteering levels?
- Given the small workplace size for many voluntary organisations, how does the sector infrastructure best support learning and development across a fragmented paid workforce?
- Will changes in the status of public sector service providers such as Primary Care Trusts lead to significant increases in the third sector paid workforce and if so, what will be the impact of such shifts on the sector?
Appendix: Data sources

In previous research on this topic, estimates have been based on local surveys conducted in the absence of comprehensive listings of third sector organisations. As a result there has been no way of correcting for bias in responses. Regional estimates of the third sector workforce cannot easily be derived from routine sources of labour market statistics since these do not identify third sector organisations.

Where possible, we provide figures for individual local authorities but there are occasions where it is not possible to do so because of small sample sizes.

Further information on the sources used is available from the authors, including a deeper discussion of their strengths and weaknesses, including questions of coverage, completeness, survey weighting, and steps taken to deal with missing data.

A1. Data based on reports from organisations

The principal source of labour market data is the Annual Business Inquiry, which gathers extensive data from a sample of establishments about their workforce. It is, however, not possible to identify third sector organisations uniquely since they operate across many Standard Industrial Classification (SIC⁶) areas and each SIC will contain a mix of commercial, public and third sector entities.

Our main data source is third sector organisations’ annual reports, as supplied to the Charity Commission and other regulatory bodies. The data are then enhanced by GuideStar Data Services who capture additional information from the organisations annual reports. Although reporting is incomplete (Charity Commission returns only require information on employees from organisations with a turnover of greater than £500,000) and skewed towards larger organisations (in the case of the GuideStar data) it is nevertheless the most reliable primary source of data on the sector. We cross-reference this against other databases where possible.

A2. Surveys of individuals

The Labour Force Survey (LFS) asks people whether they work for a charity, voluntary organisation or trust. The LFS has identified steady growth at the national level in voluntary sector employment.⁷ The sector now employs around 778,000 people in the UK or around 2% of the paid workforce. The figures generated from this source are broadly consistent at the national scale with estimates of the workforce provided in the NCVO UK Civil Society Almanac 2010. However, at the regional scale sample sizes are small and unreliable as a basis for estimation: small fluctuations from one quarter to the next in the number of

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⁶ The Standard Industrial Classification is used to classify the activities of businesses, primarily for national accounts purposes. It is maintained by the Office for National Statistics.

people saying they work in the voluntary sector would have a significant effect on the weighted percentage figures reported.

The British Household Panel Survey also asks which sector people work in, but again numbers are too small for regional disaggregation and it is not possible to identify subregional units.

Similar challenges affect regional estimates of volunteering rates derived from national surveys such as the Citizenship Survey or Taking Part: with between 6000 and 15,000 respondents, the numbers reporting in each region are small so we cannot be confident that apparent regional variations are not the result of chance.

The Place Surveys of local authorities were designed to capture a local measure of volunteering, but the methodology used is likely to over-estimate volunteering rates: those people who are more likely to take the trouble to respond to postal questionnaires are also those who are more likely to volunteer. In addition, in only about half of local authorities were sufficient responses obtained for the required levels of precision (± 3%) to be attained. Confidence intervals are therefore wide and likely to overlap and a simple presentation of rates for individual local authorities is likely to be misleading.

A3. Surveys of organisations

The recent National Survey of Third Sector Organisations (NSTSO) provides a reliable measure of both paid staff and unpaid volunteers/trustees. Although the respondents to the survey are anonymised in the public-use version of the dataset, considerable detail is provided in the bandings of the individual variables (such as income or employment) which makes matching to data provided by the Charity Commission and Guidestar Data Services feasible, to a degree. It is a particularly valuable feature of this survey that it gathers data on paid staff as well as on numbers of volunteers and trustees, and it also has rather better coverage of non-charitable third sector organisations than other sources.

These data sources provide a range of estimates and there is some variation between them which relates to the methods used to collect the data. We have also taken care to allow for missing data and, in some cases, to impute it (e.g. in using the NSTSO) so our figures may not agree totally with those of others using the same data.