



Steering your Non-profit Organisation through the Storm

***Actions a Board and CEO Can Take to Deliver the
Promise in Tougher Times***

An Analysis by 2into3

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‘Steering your Non-profit Organisation through the Storm: Actions a Board and CEO Can Take to Deliver the Promise in Tougher Times’

‘Anyone can steer the ship when the sea is calm’ Publilius Syrus, 1st Century BC

‘Tis skill, not strength, that governs a ship’ Thomas Fuller, 1608-1661

1. Introduction

The current reduced personal and economic circumstances in the lives of many have increased the demand for crisis support and safety-net services. Government public services, with reduced financial capacity, are weakened in responding to these demands. The pressure on public finances has simultaneously reduced the funding available to non-profits from the State. The impact is a requirement for non-profits to do more with less. As more resources are focussed on immediate, short-term requirements, it is a greater challenge to persuade funders of the merits of supporting longer-term, transformative initiatives. The old adage applies – deal with the snapping alligators that surround you before you turn your attention to clearing out the swamp.

What priorities can non-profits set in these circumstances? Where should they be focussed? How can they better ensure that the promise of Hope that they bring is delivered to those in need?

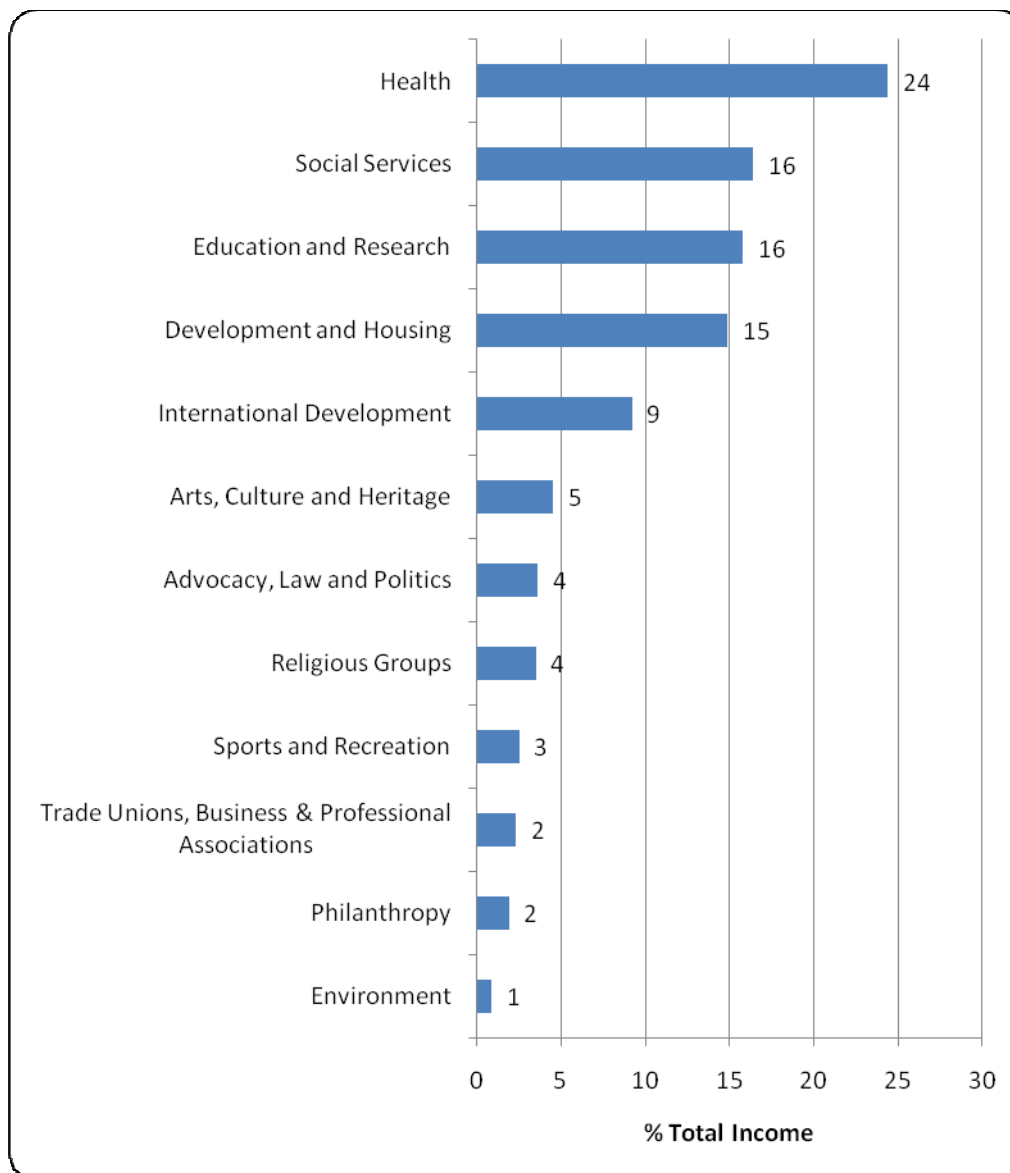
2. Sectoral Overview

In order to put the answers to these issues in context, a snapshot of the Irish non-profit sector, as seen through a financial and commercial lens, is provided in the appendix of this document. Selected key summary points are as follows:

- In terms of overall economic activity, the sector’s contribution to GDP, at between 4% and 8%, is in line with other developed economies.
- Employment (paid and voluntary) in the sector, at over 10% of the economically active population, is proportionately higher than in a wide range of other, often highly developed, countries.

- The sub-sectors of Health, Social Services, Education and Research, Development and Housing, and International Development represent 80% of the total income (turnover) of the sector, as evidenced by the following table.

Figure 1: Composition of the Non-profit Sector in Ireland



Source: Centre for Non-profit Management (Trinity College), 2006

- There are an estimated 22,000 Irish non-profit organisations. Over three quarters of organizations in the Centre for Non-profit Management 2006 study indicated that they operate on a local basis, while one in five has a national remit. About 10% work internationally.

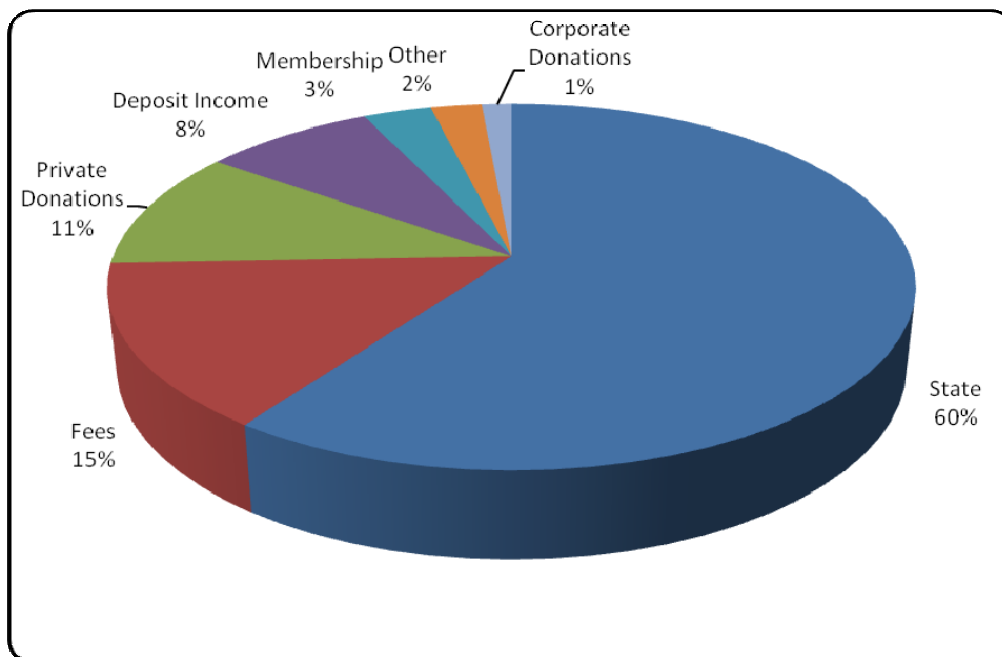
- In Ireland, it is estimated that 60% of non-profit income comes from the State. This is a higher proportion than in other countries. A Johns Hopkins University study (2007), covering Belgium, Australia, Japan, New Zealand, Canada, USA and Czech Republic, found that ‘fees and charges’ were the most important source of revenue, while an average of 27% came from the government. The proportion of government funding in the USA is 29% and 38% in the UK.
- A significant feature of the Irish non-profit sector is the highly skewed distribution of income and expenditure. A very high proportion of organisations have very modest incomes, but there are a small number of very significant outliers whose income and expenditure figures dramatically affect the average figures. The Centre for Non-profit Management 2006 study found the average income figure for 2003 to be €738,205. Just 10% of responding organisations had incomes above the mean, whilst half of all organisations had income of less than €40,000. The same trend is evident in respect to expenditure.
- Employee cost, at over 50%, is the largest cost heading for Irish non-profits. The proportion is lower than internationally, which averages 66%. About 10% of Irish non-profits have no employees. 84% of those employed in the sector are in organisations with 20 or more paid employees (full and part time). In a June 2009 survey, undertaken by The Wheel, 22% of non-profits reported that they had made staff redundant in the previous six months. A follow up study showed that 10% of organisations made staff redundant between June and November of that year.
- Charitable giving has existed for centuries in Ireland and has a deep, committed tradition. The history can be traced back to the 12th century, when religious orders established hospitals and infirmaries. Charitable giving remains strong – as a proportion of GNP, the level compares favourably with other countries. Typically, donations/giving is once-off. The most popular recipients of private donations tend to be those supporting programmes/organisations overseas, rather than in Ireland.
- Modern Philanthropy – which is defined here as providing planned, committed funding over an extended time period to a well organised structure in order to address the underlying causes, rather than the consequences, of issues – is regarded as at a relatively early stage of development in Ireland.

3. Financial and Economic Environment

Non-profits, like governments, organisations and individuals, exist in a commercial world where financial viability is essential for survival and the delivery of their chosen mission. Non-profit organisations in Ireland are particularly dependent on the State for funding, with

the 2006 Centre for Non-profit Management study showing that about 60% of non-profit income came from public sources in the year in question. The sources of non-profit income are broken down in the following chart:

Figure 2: Sources of Income as % of Total Income – Ireland



Source: Centre for Non-profit Management (Trinity College), 2006

Other studies have also shown that Irish non-profit organisations receive the majority of their funding from the government. The 1999 Johns Hopkins research found the proportion to be 75% and the 2008 study by The Wheel reported it at 59%.

In terms of the current financial landscape for non-profits, the unavoidable financial reality is that there is less finance available at all levels as the capacity of government, corporate and private individuals to provide funding has shrunk. Overall income in the sector will consequently fall and there will be increased competition among non-profits for the funding that is available. It is realistic to plan on the basis that this will remain the case for the current medium term planning horizon i.e. the next five years.

Domestically, the Irish government’s budget position is relatively poor and constrained: the level of the budget deficit has to be reduced in order to avoid public bankruptcy and to ensure that the public finances are conformed to the country’s means. This also aligns with our commitments for participation in the Eurozone. A key priority for public finances is, therefore, to cut costs. The impact can be demonstrated by reductions arising from the 2010 Budget that will affect the Irish Community and Voluntary sector. These include the following list, totalling €25m:

- Supports for Community and Voluntary Sector (part funded by National Lottery) reduced by 10% (€1.6million)
- The Community Services Programme budget has been reduced by 9% (€4.65 million)
- The Local and Community Development programme budget reduced by 10% (€7.14 million) (part funded by National Lottery)
- The RAPID and CLAR programmes have been reduced by 24% (€1.8million) and 53% respectively (€3.86 million)
- Rural Recreation and Rural Development Schemes reduced by 15% (€300,000)

Further potential reduction in the availability of public finance is evidenced by the recommended cuts proposed by the Special Group on Public Service Numbers and Expenditure Programmes (McCarthy Report, July 2009). These cuts include the following:

A 59% reduction (€44 million) in the allocation for local and community development programmes including the

- Local Development Social Inclusion Programme (LDSIP)
- Community Development Programme (CDP)
- Support for Certain Community Based Projects

A 64% reduction (€10 million) in community and voluntary sector supports affecting funding in

- Locally based community grants scheme
- Scheme of community support for older people
- White paper supports for the community and voluntary sector
- Supports for volunteering

A reduction of €10m (20% cut) annually in funds to Community Services Programmes (CSP)

The discontinuation of the National Economic and Social Forum.

US historical experience suggests that philanthropic funding holds up in recession. Nonetheless, two major philanthropic funders in Ireland - Atlantic Philanthropies and One Foundation – have limited remaining lives. Once they are terminated, there will be a significant reduction in the availability of local philanthropic funding.

The general public is unquestionably generous and responds munificently to funding appeals, particularly where these are once-off. Recent evidence here includes the magnificent response in 2009 to the appeals of the St. Vincent de Paul Society and of the Red Cross for flood victims. Whilst acknowledging this generous spirit, individual and corporate

philanthropy (i.e. committed, planned giving) is only realistically possible where significant wealth and/or income has been created and is maintained. Without the financial resources, the financial capacity simply does not exist to translate underlying goodwill, compassion and commitment into philanthropic reality. The recent extensive wealth evaporation and destruction, as a result of international and domestic factors, has, therefore, been negative for the non-profit sector. It has significantly reduced the financial capacity of individuals and organisations to engage in philanthropic giving. For non-profits, therefore, there is no general financial salvation to be found by focusing on the individual or corporate donor markets in replacement for government funding. In addition, harvesting these funding markets requires long term cultivation over a number of years and can be realistically expected to yield continuing results only in that longer term timescale.

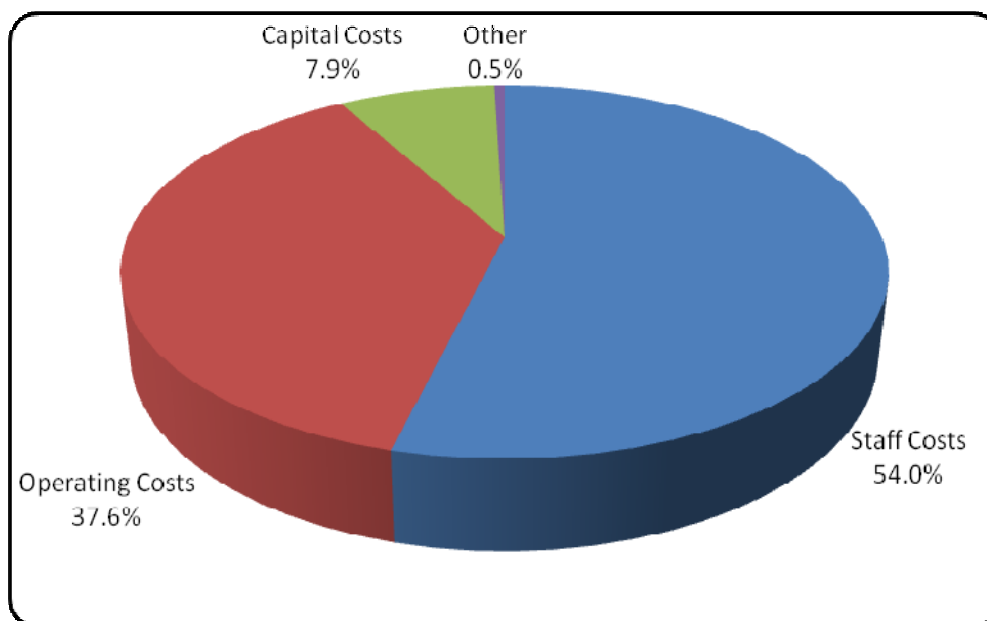
4. Costs

In relation to staff costs, the Johns Hopkins 2007 international study noted that:

‘Non-profit organizations have a distinctive economic structure. One reflection of this is their generally labour intensive character.’

The Centre for Non-profit Management 2006 study found that staff costs comprise over half of all Irish non-profits’ expenditure. This is lower than internationally reported averages for staff costs (66% of total expenditure).

Figure 3: Breakdown of Organisations’ Expenditure



Source: Centre for Non-profit Management (Trinity College), 2006



The outlook for costs is better, from a financial viability perspective. Prices for goods and services are falling as commercial businesses fight for cash flow and survival. For non-profits, this presents opportunities to achieve cost reductions and to strengthen financial sustainability.

There has been a reversal in the upward pressure on personnel costs, representing 50% of the cost profile, which evidenced in recent years. In mid-2009, ISME advised that 45% of its members had introduced a pay cut since the beginning of 2009, with an average reduction of 13%. Almost all its remaining members, it advised, had implemented a pay freeze. At the end of the year, in the Budget, the Minister for Finance announced further pay reductions for those working in the Public Service of about 5%. Clearly, with reductions and pay freezes elsewhere, there are consequent implications for the pay levels of those employed in the non-profit sector. Increased unemployment has also increased the availability of (unpaid) volunteers, providing a potential opportunity, where appropriate, to re-balance the personnel resourcing mix between employees and volunteers.

Greater buying capacity and leverage increases the potential to benefit from competition for the supply of goods and services in the market. In a word, size matters. The opportunity for non-profits to reduce costs through tendering, bargaining and negotiation with potential suppliers can, therefore, be enhanced where non-profits combine their requirements through initiatives such as co-operative buyer groups.

A further boost has arisen from the VAT decrease announced in the 2010 Budget of 0.5%, which will reduce input costs.

5. Actions a Board and CEO can take now

Against the above backdrop, ten potential change initiatives are outlined below which a Chairman, Board, CEO or management team can take to strengthen how their non-profit organisation can 'make a difference'.

In considering their applicability for your non-profit, note that change is not always welcomed. It can be resisted and viewed as a threat, as a difficult and negative experience. Alternatively, change can be seen as an opportunity to adapt and bring fresh hope. Despite the fears, since the current external economic environment is markedly different from the position that existed two years ago, the following initiatives are presented so that non-profits can consider what (further) changes will best serve the achievement of their mission and goals:

1. Confirm that the current goals and priorities are appropriate.

“Alice came to a fork in the road. ‘Which road should I take?’ she asked. ‘Where do you want to go?’ responded the Cheshire Cat. ‘I don’t know’. Alice answered. ‘Then’, said the Cat, ‘it doesn’t matter’. (Lewis Carroll, Alice in Wonderland).

For many non-profits, reductions in funding and a simultaneous increase in the demand for the services provided represent a ‘fork in the road’. The benefit of having full acknowledgement and agreement on the organisation’s current goals and priorities is that there is then a clear, transparent context for the operational and developmental activities that will be prioritised. Since it is generally clear, a proposal to confirm the organisation’s mission is not included under this heading; if, however, it is not sufficiently clear, clarifying the mission is an essential pre-requisite.

2. Match resources to Mission, Goals and Priorities.

Confirm how well matched available resources are to the operational activities, aligned to the mission, goals and priorities. Here, resources can primarily be regarded as personnel and financial resources. How are these being deployed? With scarcer resources, it is worthwhile to distinguish between activities which are ‘essential’ and those which are ‘secondary’, ensuring sufficient priority is given to the former. This confirmation process is probably best when Board-led, reflecting the strategic importance of the undertaking and the requirement to ensure appropriate governance and management oversight.

3. Amalgamate.

When asked in The Wheel’s 2009 study if they would consider merging with another organisation working in the same field or region, the majority (58%) of responding organisations said no. Why the reluctance to consider even the possibility? Is it a knee-jerk reaction, based on underlying fear of the potential consequences, or is there a valid basis for the response? Examples of recent mergers include:

- **Self Help Africa**, which was formed following the merger of Irish group Self Help Development International and the UK-based Harvest Help in 2008. At the launch of this new organization, the CEO encouraged other non-profit groups to consider consolidation, stating that ‘There are hundreds of organizations all doing well in Africa, but they can be far more effective if they’re working together. We are seeing a reduction in our management and administration costs and an increase in our capacity to do more in Africa.’
- The merger between **One Family**, which provides specialist family support services to one-parent families, and **Gingerbread Ireland** in 2009.

From the perspective of the client or customer, significant advantages can be achieved from an appropriate merger, including: strength and depth to achieve a commonly held mission; elimination of duplicated functions – generally management, administration and finance; greater operational capacity and efficiency; increased credibility and visibility for donors and clients/customers.

Given the potential advantages of amalgamating or merging, it merits serious strategic consideration.

4. Share functions or services.

Commercial organisations establish centralised business functions and shared service centres in order to strengthen commercial outcomes, optimise efficient operations and realise the benefits of economies of scale. The outcomes can be achieved either internally or through outsourcing arrangements with specialists. Generally, re-engineering of established business processes is required. The wide range of areas where benefits have been achieved and which are applicable to non-profits include procurement, HR and management development, accounting and financial reporting, logistics, IT and systems and property management. Other areas, such as marketing and communications, can also be considered.

If it is concluded that a merger or amalgamation would not be strategically beneficial, a logical follow-on question is to ask what combining or sharing arrangements with others are possible in order to achieve the benefits summarised above. For example, what gains could be realised through centralised procurement – where the combined needs of a number of non-profits are met, realising cost savings through lower prices and centralised buying? By how much can costs be reduced through this approach?

5. Develop a long term strategic funding plan.

Governments cannot and will not fund everything always. Nor, in a democratic environment, is it in the best interests of society that they would do so. For individual non-profits, the optimum approach is to develop a sustainable funding strategy, based on securing funding from an appropriate balance of sources. Unless a specific campaign or project is in focus, the timescale is longer term – a hand-to-mouth, current year focus lacks sustainability. In the current environment particularly, recognise that if the strategy assumes that the government will provide a significant proportion of required future funding and/or will maintain a particular level of funding, this is best regarded as a high risk strategy. Despite whatever goodwill that may exist, continued or additional government funding may be unavailable at least in the next five years.

6. Decide the income level on which operations can currently be reasonably based.

Yes, this is simply common sense. The availability of financial resources is a critical, limiting factor currently. The level of uncertainty associated with income is also much greater in the current environment. The activities and operations to which a non-profit can currently commit will be led by determining the income level that can reasonably be achieved. It is important to attain visibility and transparency here in order to ensure that it is clear what is available to achieve results for clients/customers.

7. Decide how costs can be adjusted to reflect the new economic realities

The cost side of the equation is equally important. Cutting costs or raising (more) income are equally valid to bridge financial gaps. Finding ways to make resources last longer or to 'do more with less' can often be more efficiently achieved through cost-cutting, since costs are more directly within the organisation's control. Initial questions include: What cost efficiencies are possible? What cost mix is now appropriate, in the context of the planned income level?

8. Benchmark staffing and remuneration.

If redundancies and/or reductions in remuneration have not taken place in the last 12-18 months, there is a high probability that the organisation is now out-of-line – particularly if the operations are relatively stable and there has been no significant increase in output/services. Surveys suggest that about one third of non-profits made staff redundant in 2009. It is neither pleasant nor palatable to implement this measure but it is of no service to the organisation to avoid doing so when necessary. Consider the impact of avoidance. Loss of credibility with funders: since government, corporate and individuals, the non-profit funders, have already made these cuts and have taken the impact themselves, there is an expectation of pain sharing. Avoiding the cuts results in a cost base in excess of what is possible, also damaging credibility. Internally, avoidance impacts morale and management's leadership standing. Tough? Yes. Necessary? Undoubtedly.

9. Increase volunteering.

Changing the resourcing mix to reduce the number of employees and increase the volume of suitably experienced volunteers is clearly positive in reducing the cost base. This can be addressed as part of an initiative to re-engineer the business processes. The question can be posed thus: what is required to change in the way we operate if we are to do so with less employees and more volunteers? Aside from being a cost-saving measure, volunteers can be the most dedicated ambassadors as their contribution is based on commitment in the absence of any economic remuneration.

10. Review the non-profit's mission effectiveness

The fundamental question here is: how effective is the organisation in pursuing the mission it has set itself? This question of mission effectiveness, i.e. the impact that the organisation has in furthering its mission, is generally overlooked by non-profits. Perhaps, understandably, this is because it is a fundamental question which has the potential to question the very existence of the organisation. Nonetheless, there is validity in addressing the matter and the questions related to it, such as, what would constitute success? How would we know if we had been effective and had achieved success? For a Board, the process involved in addressing these questions can be as important as the outcome. That process requires thought and discussion which can ultimately lead to a deeper understanding and engagement with the organisation's strategic focus. It is also of benefit in reinforcing effective organisation governance.

The ten actions, outlined above, will not all apply universally to non-profit organisations and are, therefore, proposed as a menu, rather than a prescriptive list.

6. Opportunities for Sponsors

Sponsors often have specific areas of activities that they will fund (e.g. healthcare) and can be in an ideal position to overview a range of non-profit organisations within their area of focus. As a result, they are ideally placed to promote the exploration of the ten questions outlined above. In particular, sponsors can:

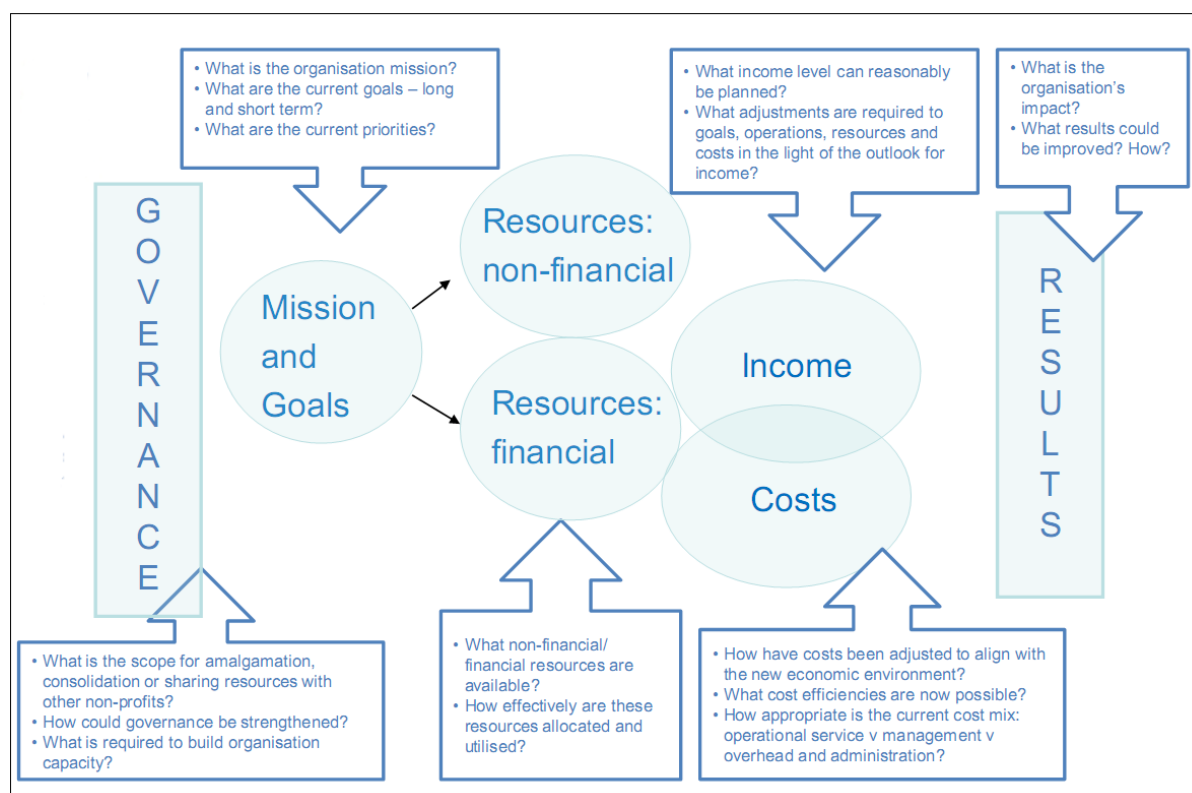
- Promote opportunities for amalgamation and consolidation of similar organisations, front-line services, management and other functions.
- Probe programme effectiveness in respect of the activities and programmes they are funding.

7. What can a Board do?

Boards have a leadership and governance opportunity here. They can lead the process and positively challenge management to ensure the best attainable results are achieved. Often (and naturally), managers want more rather than less resources, prefer higher rather than lower remuneration, have difficulty facing the pain and stress that accompanies consolidation, amalgamations and reductions in services. It is, naturally, more personally satisfying to expand and develop, rather than undertake the difficult processes of consolidation and retrenchment. The support and challenge of a Board is essential where the latter is required.

The ten actions above provide a template for strategic planning and review in order to clearly link mission, goals and resources:

Figure 4: Linking Mission, Goals and Resources



8. What are the Risks?

A significant risk in the current environment is that sponsors, boards and management avoid facing the consequences of the current environment in a timely manner, rather than when faced with unavoidable necessity. There may be a temptation to regard the current difficulties as temporary. Such a view is erroneous. Avoidance will ultimately sharpen the pain as remedial action becomes unavoidable and pressing, rather than planned.

A further risk arises where the culture has evolved that the board and/or sponsors have adopted a role of relatively passive monitors, rather than ensuring active, robust and supportive oversight of management and operations. A neutered or ineffective board, unable or unwilling to positively and supportively challenge the status quo and/or management, is not in anyone's best interest. Nor will it meet the standards now required of best practice corporate governance. Higher public standards are now expected and the boards of non-profits need to aim to meet these fully.



9. Summary

There has been a fundamental deterioration in the financial and commercial environment within which Irish non-profits operate. Individual non-profits that respond based on measured, considered strategy can navigate these tougher times and ensure financial viability. The risk for those that don't address this is fundamental - survival. In individual non-profits, it is in the interest of all stakeholders that a clear strategic path is mapped as a basis for taking the next steps, with the opportunity to deliver the chosen mission.

Appendix – Profile of the Non-profit Sector

1. Background

A major challenge in any discussion on Irish non-profit organisations is the dearth of reliable information on the sector and the lack of a comprehensive database. However, a number of studies have been conducted recently which attempt to address some of the knowledge gaps around the structure, size, focus and financial status of the sector. This appendix summarises key findings, drawn from the following reports:

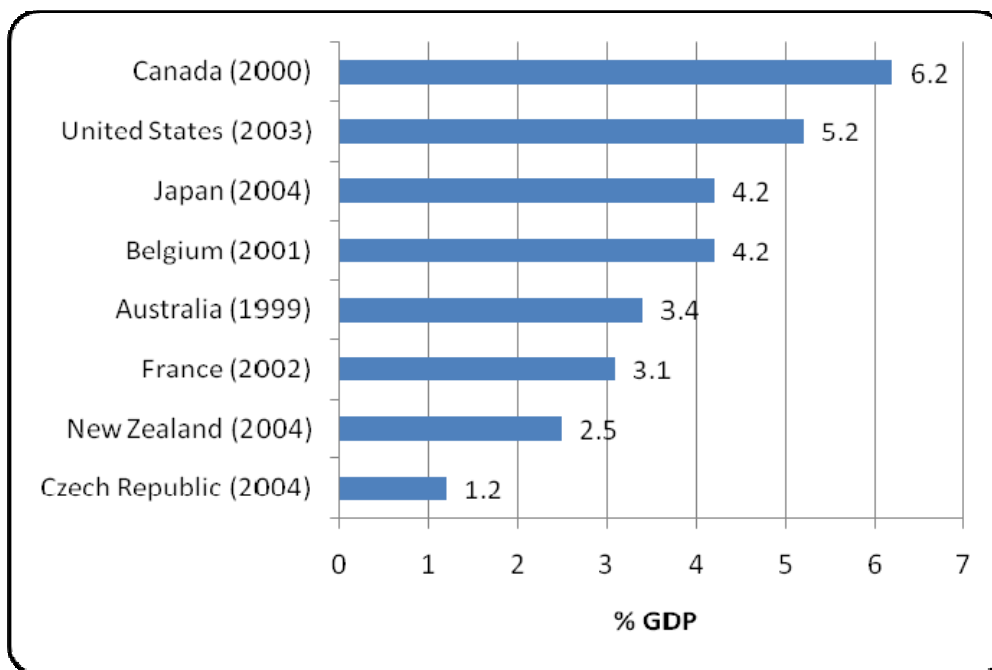
- The most significant exercise in mapping the sector in Ireland was carried out by Trinity College's Centre for Non-Profit Management in 2006. This study, *The Hidden Landscape*, is based on data gathered from 4,214 of the estimated 22,331 Irish non-profit organisations. It provides information on the profile, income and focus of the sector.
- The Centre for Non-Profit Management also published a report on income and fundraising activity in Irish charities in 2009 which focuses on the challenges of fundraising in an economic downturn.
- The impact of the recession on Ireland's Community and Voluntary sector was also analyzed by The Wheel which carried out research on 246 organizations in late 2009.
- The Wheel also carried out a National Survey on Pay and Benefits in Community, Voluntary and Charitable Organisations in 2008 which gives detailed information about remuneration in the sector.
- As part of their Comparative Non-profit Sector Project, the Johns Hopkins University Institute for Policy Studies carried out a study into the economic value and significance of the Irish non-profit sector in 1999.
- The Ireland Fund's Philanthropy and Fundraising Toolkit, published in 2009, contains a wealth of data on the background and history of philanthropy in Ireland, with comparative data on other countries.

2. Size of the Non-profit Sector

The evidence suggests that the non-profit sector amounts to between 4% and 8% of Irish GDP. The lack of both accurate data and agreed definitions means that there are significant discrepancies in estimates. The Centre for Non-profit Management 2006 study calculated the expenditure of non-profit organisations amounted to 3.8% of Irish GDP in 2003. By contrast, the 1999 Johns Hopkins report estimated that operating expenditure amounted to 8.6% of

Irish GDP (1995). For comparative purposes, the size of the sector as a proportion of GDP in each of eight countries is shown below (Johns Hopkins University study, 2007):

Figure 5: Non-profit Sector as % of GDP

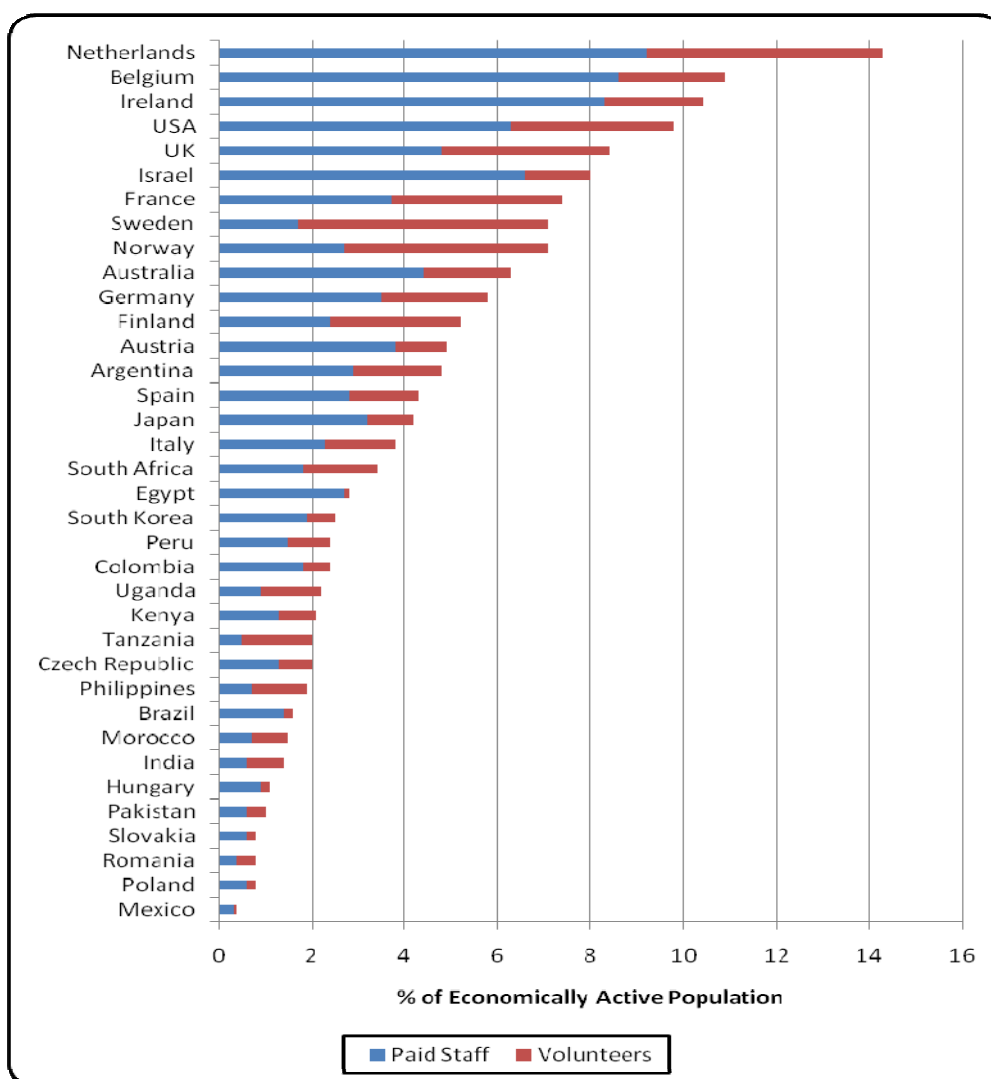


Source: Johns Hopkins University, 2007

3. Employment

Of particular significance is the relative importance of the sector to the Irish economy in terms of employment. At over 10% of the economically active population, the proportion of employment (paid and voluntary) provided by the sector is significantly higher than in a wide range of other, often more developed, countries.

Figure 6: Non-profit Sector Workforce as % of Economically Active Population



Source: Johns Hopkins University, 2007 (Reference Years: 1995-2000)

(a) Staff Numbers

The Wheel's 2009 research shows that 53% of non-profits employ 10 or fewer staff and 27% employ over 20 permanent staff members (full and part time). 83% of employees in the sector are in organisations with more than 20 staff. A 2008 study found that there are approximately equal numbers of full time and part time staff in this sector.

	% of Employees	% of Organisations
1-2 Employees	1	21
3-5 Employees	3	19
6-9 Employees	5	17
10-19 Employees	8	14
20+ Employees	83	15

Source: The Wheel, 2008

About 14% of non-profits have no paid employees. It is interesting to note, in comparison, that in New Zealand, where there are 97,000 non-profit organisations, only 10% have employees and the remaining 90% rely solely on voluntary labour.

(b) Remuneration

The Wheel study of 2008 gave significant insight into the remuneration of staff within the non-profit sector in Ireland. The study showed the following pay of employees at seven different levels, based on a survey of 317 organisations with a total of 7,074 employees:

	Average	Lower Quartile	Upper Quartile
CEO	59,367	43,583	71,262
Director	65,302	51,688	80,523
Senior Managers/Head of Function	53,496	44,000	60,024
Middle Managers	42,185	34,430	49,823
Specialist/Professional Staff	37,931	31,523	43,865
Senior Administration/Supervisory Staff	32,828	28,000	37,651
Administration/Maintenance/Care Workers/ Catering Staff	26,493	21,538	30,240

Source: The Wheel, 2008

The sub-sector analysis showed that those who work in the Health subsector earn a premium above their counterparts, while those in the arts/culture/heritage/environment and development/housing subsectors have salaries consistently below the average. Caution is

required in viewing this data, as it is based on about 12% of the total estimated employment in the sector.

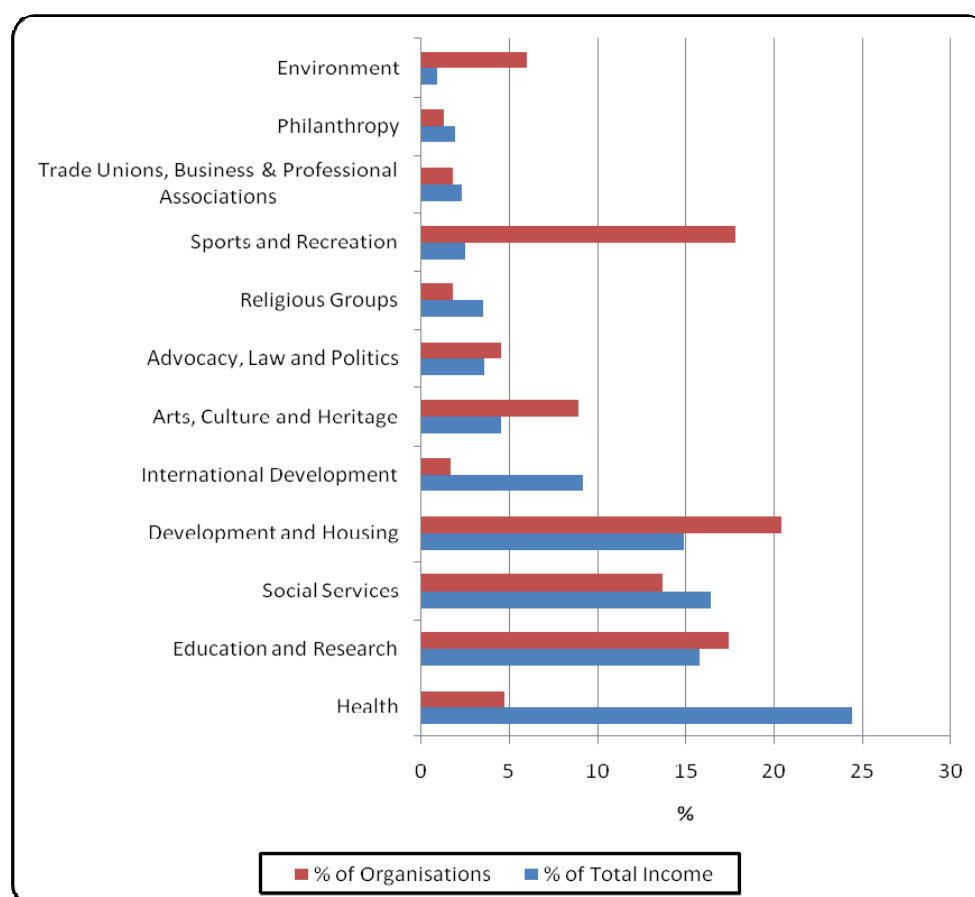
Table 3: Average Salary by Subsector (€)								
	Arts/ Culture/ Heritage/ Environ- ment	Sports/ Recreation	Education/ Research	Health	Social Services	Develop- ment/ Housing	Advocacy /Law/ Politics	All Orgs
CEO	45,393	64,701	58,725	76,331	54,898	56,594	64,725	59,367
Director	55,414	N/A	67,202	71,530	63,164	57,079	68,508	65,302
Senior Managers/ Head of Function	40,999	52,757	48,401	59,803	55,037	50,461	57,442	53,496
Middle Managers	30,858	47,751	35,672	49,761	41,309	40,622	42,670	42,185
Specialist/ Professional Staff	37,416	31,865	35,699	43,199	36,743	35,372	37,539	37,931
Senior Admin /Supervisory Staff	32,522	29,485	29,718	36,415	34,152	30,524	28,906	32,828
Admin/ Maintenance/ Care Workers/ Catering Staff	21,802	33,654	26,342	28,610	26,808	25,687	N/A	26,493
Source: The Wheel, 2008								

Note, also, that, in a June 2009 survey undertaken by The Wheel, 22% of organisations reported that they had made staff redundant in the previous six months. A follow up study showed that 10% of organisations made staff redundant between June and November of that year.

4. Major Non-Profit Areas in Ireland

Health, Social Services, Education and Research, Development and Housing and International Development represent over 80% of the total income of the sector.

Figure 7: Comparison of Income and Size of Subsectors –Ireland



Source: Centre for Non-profit Management (Trinity College), 2006

Over three quarters of organizations in the Centre for Non-profit Management 2006 study indicated that they operate on a local basis, while one in five has a national remit. About 10% work internationally.

Remit of Organization	% of Organizations
Local	78
National	20
Regional	16
International	9

Source: Centre for Non-profit Management (Trinity College), 2006. Total number of responses: 5,183 (Some organisations ticked more than one option)

5. Skewed Income and Expenditure in Sector

A significant feature of the Irish non-profit sector is the highly skewed distribution of income and expenditure. A very high proportion of organisations have very modest incomes, but there are a small number of very significant outliers whose income and expenditure figures dramatically affect the average figures. The Hidden Landscape study (3,473 organisations) found the average income figure for 2003 to be €738,205. Further analysis shows:

- Just 10% of responding organisations had incomes above the mean. Thus, the average was increased by a small proportion with relatively large incomes.
- Half of all organisations had income of less than €40,000.
- The income for the lowest 25% was less than €6,000 per annum. Here, the average figure for the lowest 10% was just €1,300.

A similar trend is evident for expenditure.

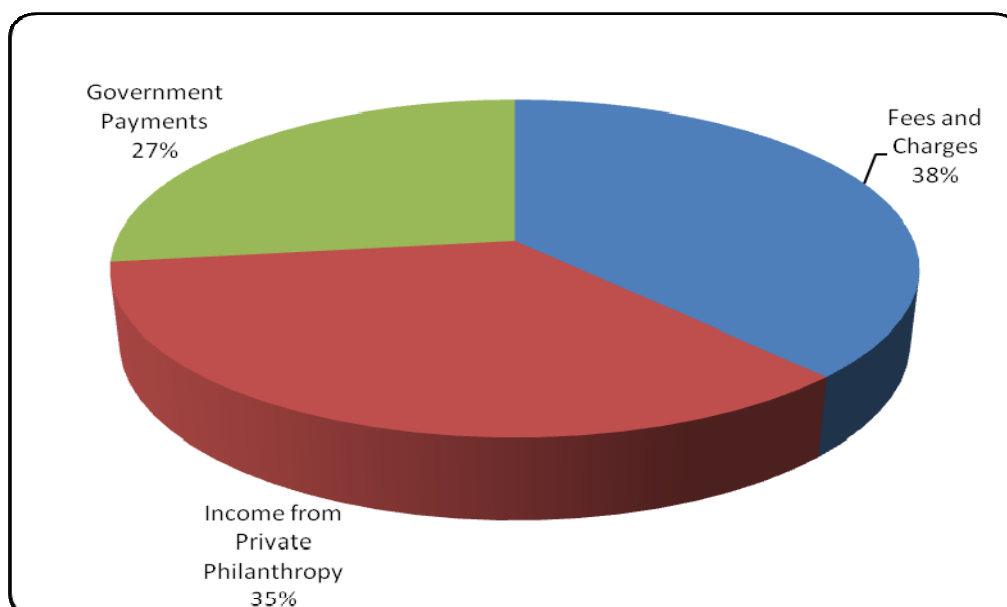
6. Income Sources

As outlined above, the non-profit sector in Ireland is highly dependent on government funding, with at least 60% of income coming from the State. This is in contrast with other developed countries. In the US, government funding is 29% of total (20% as payments for services or goods and 9% as grants), while in the UK, the public sector contribution is 38%.

In the UK, estimates suggest the large majority of general charities are not funded by government, particularly micro charities. Three-quarters of all voluntary sector organizations – 117,000 organisations – do not receive any income from statutory sources. However, 25,000 charities (16%) receive more than 75% of their income from a statutory source, suggesting UK government funding is clearly focused (UK Civil Society Almanac 2009).

The Johns Hopkins University study (2007) – covering Belgium, Australia, Japan, New Zealand, Canada, USA and Czech Republic – found that fees and charges was the most important source of revenue, with 27% coming from the government:

Figure 8: Composition of Non-profit Revenue (7 Country Average)



Johns Hopkins University, 2007

7. Expenditure

The Centre for Non-profit Management 2006 study found that staff (54%) and operating costs (38%) comprise the vast bulk of non-profits' expenditure in Ireland. On average across the USA, Belgium, France and Czech Republic, two thirds of the expenditures of non-profit organizations are employee compensation.

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