

Non Profit Job Losses and Service Cuts REPORT 2012

EXECUTIVE SUMMARY

- After receiving an email stating that National Treasury was investigating job losses in the non profit sector, GreaterGood SA with SAIF and the GivenGain Foundation developed an online survey to measure the extent of funding and service cuts as well as job losses.
- **695** respondents took the survey, the vast majority (**85%**) described themselves as non profit or public benefit organisations. Most are active in the Western Cape and Gauteng but responses were well-spread across the country.
- The majority of organisations are involved in community development and education, providing welfare-type services primarily to vulnerable children, youth and in communities.
- **80%** have experienced significant funding cuts in the last year. Almost half have had **up to 50%** of their funding cut.
- Funding cuts have come from all major funding sources with the National Lotteries Board topping the list (**44%**), followed by corporate (**39%**) and individual donors (**37%**).
- Over **64%** of respondents reported having to cut services to their beneficiaries as result of funding cuts.
- More than **43%** of the organisations sampled said they had formally retrenched **7,612** permanent, contract, part-time and volunteer staff. Organisations reported a **17%** overall contraction of the workforce as a result of the cuts.
- Current financial position was slightly more encouraging: **35.9%** indicated that they had enough operating cash to cover 6 months of service-related expenses and **17.8%** said they had enough for more than 6 months. However, **17.2%** said they had no operating cash at all and **29%** reported that they had enough to cover just one month of service-related expenses.
- To address funding shortfalls, organisations report that they are aggressively fundraising, exploring income generation activities, cutting back, restructuring and streamlining their operations.
- While there are positives to be drawn from this survey (some organisations are doing fine and remain viable), urgent action is needed to ensure that many experienced and high-impact organisations survive and continue to provide services where they are needed in communities.

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INTRODUCTION

Those of us who work with non profits know that the sector is facing perhaps its most serious funding challenge since the end of apartheid – some may even call it a crisis. But much of this is anecdotal and there does not seem to be concrete data on the scale of sector job losses, or how many organisations have had to close or cut services to beneficiaries. We also do not know the source of the funding cuts and the impact of the cuts on non profit organisations' operations and sustainability.

GreaterGood South Africa and others in the sector received an email in September from NACOSS stating that National Treasury was researching the NGO funding crisis and asking for information, specifically around job cuts. Using this as impetus, GreaterGood SA initiated a rapid assessment of the situation together with the Western Cape branch of the Southern Africa Institute of Fundraising (SAIF) and our collaborative partners, GivenGain.

Methodology and sample

An online survey was developed, aligning the questions to the Treasury request as well as another key survey on welfare organisations and service cuts being conducted by the National Welfare Forum on SANGONet (<https://www.surveymonkey.com/s/TKNN9RN>). The findings from this survey are not yet available.

The survey was sent out to GreaterGood SA's 5,261 cause contacts as well as to the database of SAIF, GivenGain and through other non profit networks facilitated by Tshikululu, Inyathelo and the Charities Aid Foundation Southern Africa, among others. Offline versions of the survey were supplied where requested and given out at GivenGain training events.

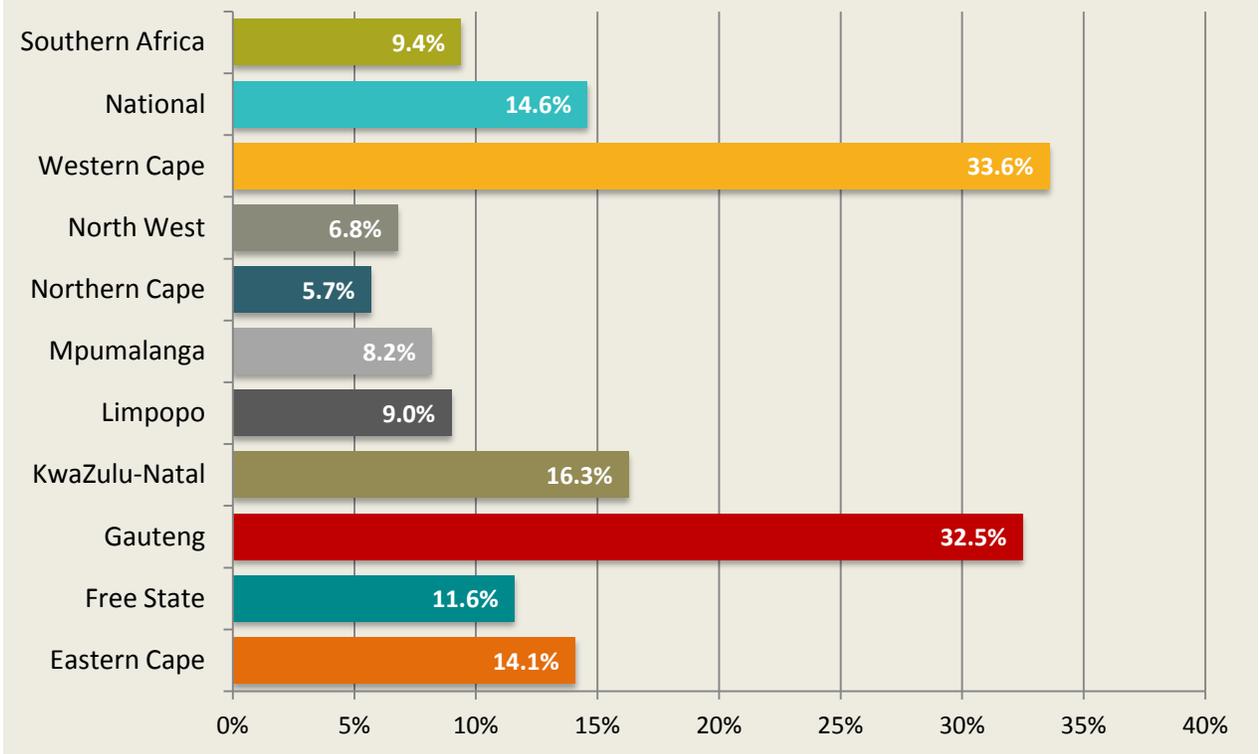
There is no current reliable data on the size of the non profit sector in South Africa but it is estimated that there are anywhere between 50 000 and 150 000 non profit, public benefit and community based organisations in South Africa. A total of **695** organisations took the Non Profit Job Losses and Service Cuts Survey. The speed of response and numbers that responded reflects, we believe, the very real and urgent challenges organisations face at present.

THE ORGANISATIONS

The overwhelming majority (**85.1%**) of respondents described themselves as non profit or public benefit organisations, with 6.4% indicating that they are social enterprises or non profit companies (NPCs), 3.2% Faith Based Organisations and 2.6% Community Based Organisations.

Organisations were well-spread in terms of areas of activity with the most active in the Western Cape (33.6%) and Gauteng (32.5%) and the least active in the Northern Cape (5.7%) and North West (6.8%). This mirrors population size in provinces (you would expect to see most organisations active in Gauteng as the most densely populated province), as well as perhaps the geographic bias of the networks of Western Cape-based organisations SAIF, GivenGain and GreaterGood SA.

Figure 1: Areas of operation



In the main, these are organisations involved in community development and education, providing welfare-type services primarily to vulnerable children, youth and in communities. In the “other” category, there was a range of services – from research to capacity building and advocacy:

“We are a para-legal advice office giving advice and help and mediation to the poor. Our services are free. Our workers are normally volunteers. If we get funding we may appoint a part-time salaried person.”

“Our care for the caregivers services cut across most of the categories as our clients come from a wide range of sectors.”

“Research, evaluation, facilitation and technical expertise to nonprofits, government, funders.”

“Community Learning models that use media to impact on health issues affecting women and children.”

“Technical support to specialist NGOs including grassroots service orgs, research orgs and donors.”

Table 1: Services

Elderly Care	9.8%	Gender-Based Services	7.7%
Animal Protection & Rescue	3.4%	Health Care	18.4%
Arts & Culture Development	11.4%	HIV/AIDS & TB Services	25.1%
Care for Vulnerable Children	32.3%	Land & Agriculture	6.1%
Child & Youth Development	39.9%	Legal Aid	2.0%
Community Development	40.6%	Care for People with Disabilities	14.8%
Crime Prevention	6.6%	Skills & Job Training	28.2%
Disaster Relief	3.5%	Sports Development	7.2%
Education	38.6%	Volunteerism	16.8%
Entrepreneurial Development	15.5%	Welfare	21.5%
Environment & Conservation	7.5%	Services for Women	17.4%
Food Security	16.8%		

FUNDING AND SERVICE CUTS

The most startling finding of this survey is that **80%** of respondents reported *significant* funding cuts over the last year. Almost half (45.9%) of these have had 20-50% of their funding cut, 24.3% have had 50-80% cut and 11% have had over 80% of their funding cut.

Funding cuts have come from all major funding sources with the National Lotteries Board topping the list (**44%**), followed by corporates (39%) and individual donors (37%). Interestingly, although funding cuts were well spread, many respondents expressed frustration particularly with government:

“We have repeatedly been declined by the National Lottery”

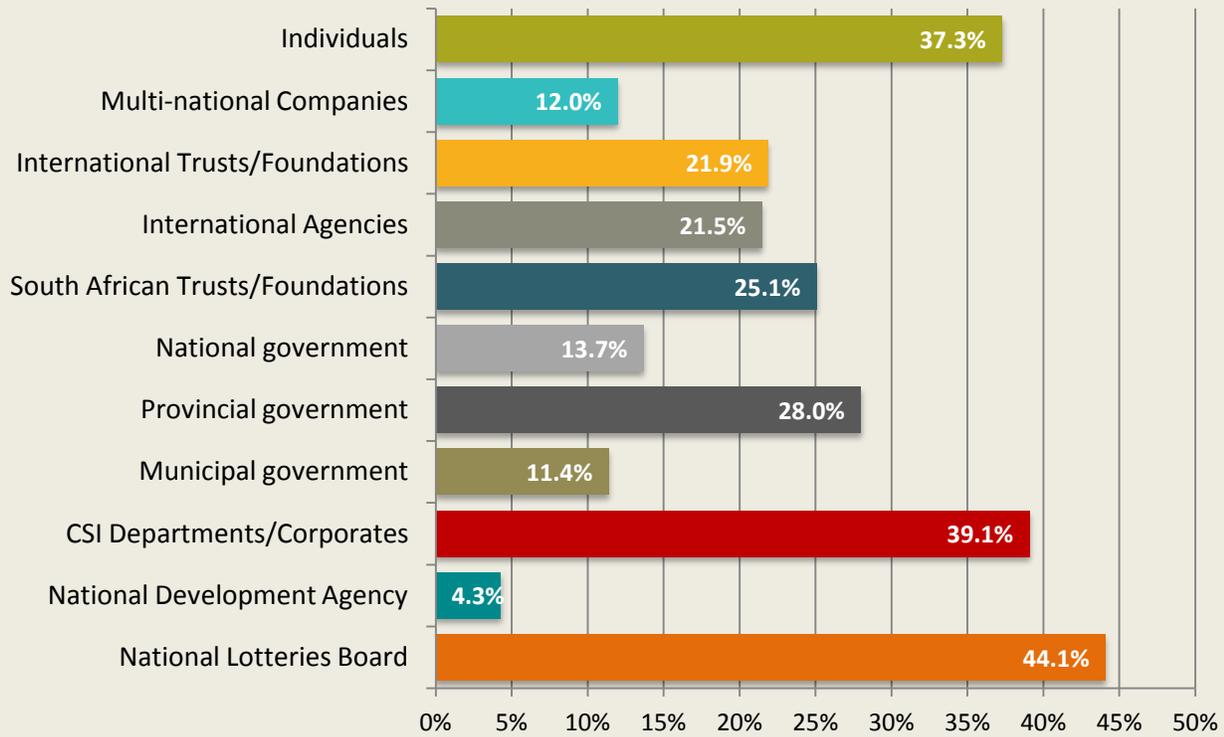
“NDA has never even responded to a funding proposal – ever”

“It would be nice to have ever received Government funding!”

“We provide resources for the theatre community, so while we have found it more difficult to access funding over the last 12 months, we have seen a decline in the ability of artists and arts organisations to use the resources we provide (rehearsal space, performance space etc) as they have not received funding from a number of the above.”

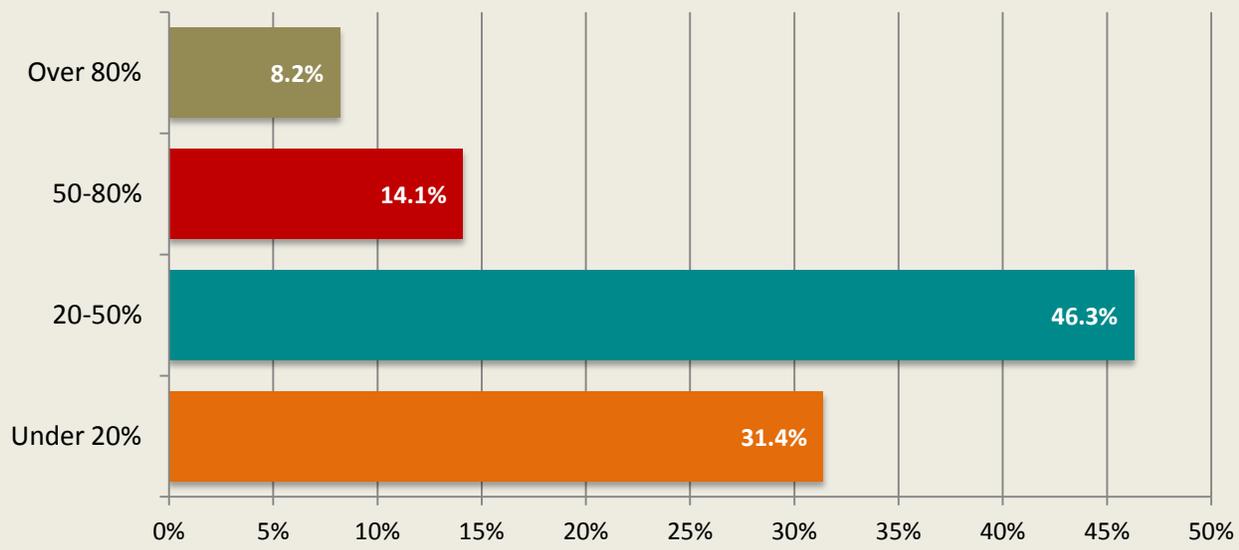
“We received Global Funds via DoH [Department of Health], and was unable to get back into the National NGO Funding stream after GF R6 [Global Fund Round 6] funding.”

Figure 2: Source of funding cuts



Over **64%** of respondents reported having to cut services to their beneficiaries as result of funding cuts. The number of beneficiaries served by each organisation ranged from just 10 to as many as 1.5 million young people. **Forty-six percent** said they had cut services by between 20-50% but 31% said they had only had to cut less than 20% of services.

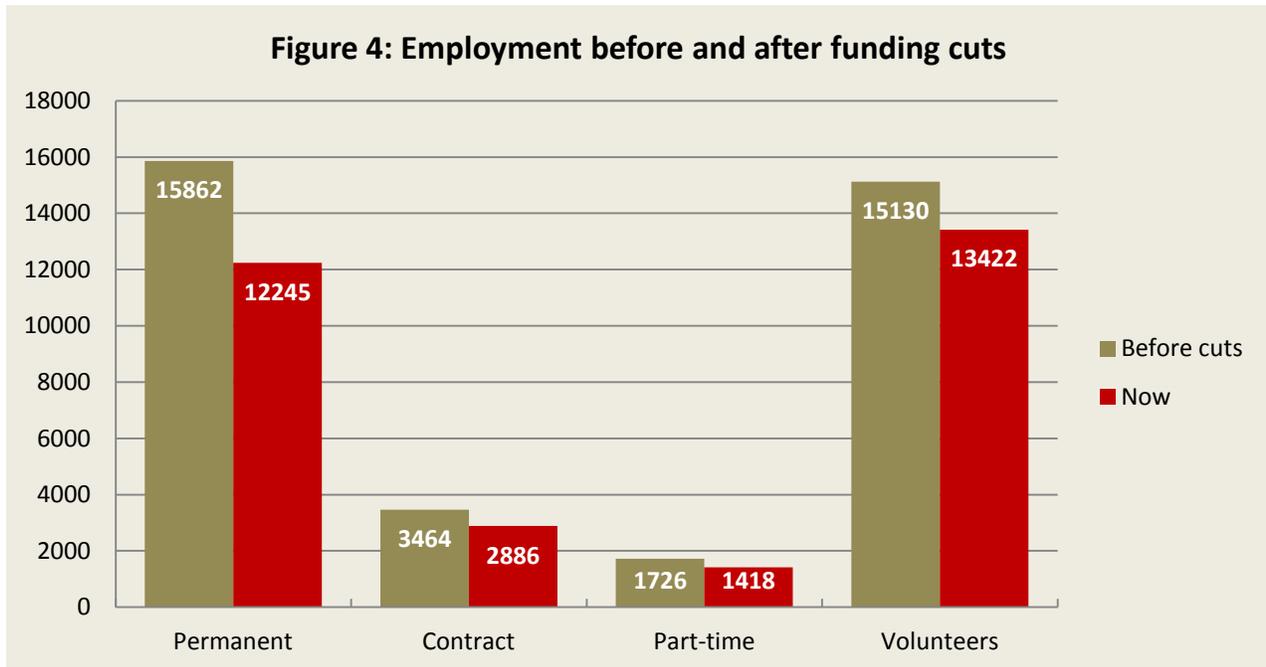
Figure 3: Percentage of services cut



EMPLOYMENT

It is clear that this is a sector that employs a significant number of people – permanent staff, contract staff as well as volunteers, many of whom receive stipends – and that jobs have been lost as a result of funding cuts. Respondents reported that before the funding cuts, between them they employed **15,862** permanent staff, **3,464** contract staff, **1,726** part-time staff and **15,130** volunteers.

After the funding cuts, this was reduced to **12,245** permanent staff, **2,886** contractors, **1,418** part-time and **13,422** volunteers – a **17%** contraction.



In order to verify data on job losses, we asked respondents in the following question to indicate how many staff they had had to retrench as a result of funding cuts. The organisations that answered this question reported retrenching **3,149** permanent staff, **1,646** contractors, **545** part-time staff and **2,272** volunteers. While the retrenchment of volunteers might seem counter-intuitive, it should be remembered that volunteers are often paid a stipend and also need to be managed and coordinated by paid staff members. Also, if services are reduced, the need for volunteers reduces.

There were **7,612** total retrenchments reported and **6,211** reported jobs lost before and after the funding cuts. It could be argued that the retrenchment figure is the more accurate in this survey as NPO leaders generally know exactly how many staff they have had to retrench.

Over **43.7%** of the organisations sampled reported formally retrenching staff.

CASE STUDY > Rape Crisis in crisis

Rape Crisis is the oldest women’s organisation in South Africa, with staff servicing a large number of volunteers who support and empower rape survivors entering the criminal justice system as well as supporting the recovery of survivors in communities.

After engaging at length with the Departments of Social Development and Community Safety and the Premier’s office, as well as every effort being made to get funding from international donors, aid agencies, government departments that allocate grants, local corporate social investors and individual donations, the Board of the Rape Crisis Cape Town Trust had no choice but to retrench its entire staff, except the Director, in July 2012.

“The key problem seems to be that funders are no longer willing to pay for services that they think should be provided by the state,” writes Director Kathleen Dey, who will continue to keep the organisation running through the efforts of volunteers until the end of February 2013. But there is little doubt that it will have to radically cut back on some services and the organisation’s future post February 2013 remains uncertain.



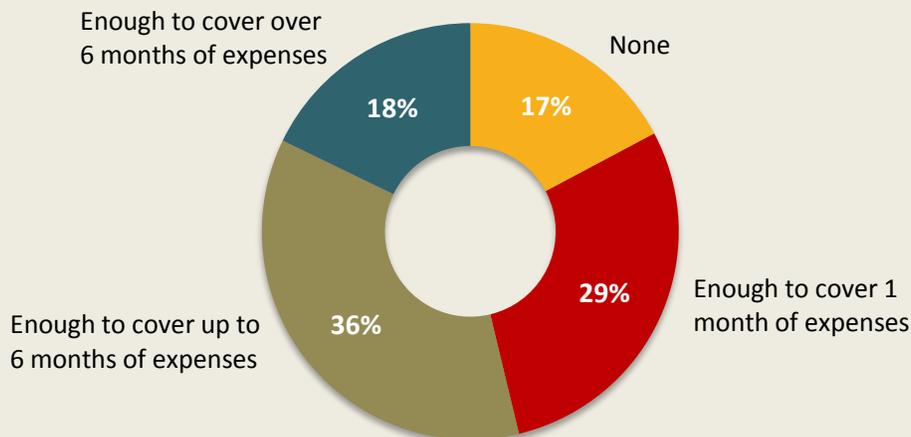
“In order to survive, we realise that we will need to change the way we work and find new funding sources in order to be able to sustain our services to vulnerable communities.”
– Kathleen Dey, Director

CURRENT POSITION

There have been stories in the media and within non profit networks about large numbers of organisations on the brink of closure or struggling to keep open, just like Rape Crisis. We therefore wanted to determine what the present financial position of the sample was, as well as what organisations were doing to address funding shortfalls.

Encouragingly, **35.9%** indicated that they had enough operating cash to cover 6 months of service-related expenses and **17.8%** said they had enough for more than 6 months. However, **17.2%** said they had no operating cash at all and **29%** reported that they had enough to cover just one month of service-related expenses.

Figure 5: Operating cash for services



Fundraising and communications

To address funding cutbacks, most organisations are aggressively fundraising and using marketing and communications to support these fundraising efforts:

“Looking for a person to help with marketing. Looking for new markets. We need help, please!! Northern Cape very, very poor Province! No job creation!”

“Increased communication, proposals, contact with potential finders.”

“We never had funding before it has always been adhoc, so we [are] fundraising by doing car wash and collecting clothes, food, blankets and all necessities from different people and companies willing to assist.”

“We phone up to 10 corporates a day for assistance.”

Many organisations understand the need to diversify their funding base and explore new avenues for fundraising and marketing their work:

“Joined GivenGain, getting the web page updated by volunteers, Funding Proposals to different organisations and Fundraising Events.”

“We have appointed an experienced national fundraiser that is dedicated to build relationships with donors and stakeholders as well as diversifying of funding base. CEO has dedicated time allocated to fundraise and build partnerships.”

“Looking for a very wide range of sources for funding, individuals, corporates and government options.”

“Strengthening fundraising efforts in SA, US, UK and Canada. Exploring social enterprise initiatives.”

“Have explored various options but our crisis is [a] direct result of funding crisis with our international organisation and therefore face program closure in South Africa in 2013.”

Income generation

A surprisingly large number of respondents appear to be exploring income generation and social enterprise ideas as a way to address funding gaps and strengthen their organisations' sustainability:

“Having to look for revenue generating activities, which is very difficult to do.”

“Strategic planning around becoming more financially sustainable by charging for training, selling manuals and looking at community projects that will be income generating.”

“We have started a nursery to sell seedlings to farmers and projects that are doing small scale farming. We are also fundraising to develop our training centre in to a conference facility as we have no such services in our area.”

“Collaborating with provincial Government departments to look into new service delivery contracts to address the urgent need for focused service delivery and job creation.”

“Considering to change the status of the organisation to allow profit making. Otherwise joined other NPOs in joint funding proposals.”

Cutting back and streamlining

Taking a hard, cold look at their financial position and expected grant income, organisations are making difficult decisions to either cut services, staff or scale back their operations:

“Selling assets after spending down reserves on maintaining projects and then financing retrenchment costs; continuing with fundraising; restructuring the organisation to enhance cost recovery operations.”

“The organisation had to close down.”

“We have put all our services on hold. Intending to advertise our volunteers for elderly care jobs in private homes and selling elderly mobility products.”

“Cutting expenses. Rationalising any costs. Stricter credit control.”

“Cutbacks, work from home, negotiating reduced rates with suppliers, cancelled training, salary shaving.”

In some cases the cutbacks have worrying consequences:

“We only handle serious cases like abuse or molestation, as we actually need more staff members to do everything that has to be done. We cut the food that we give daily at our drop-in centre to 35 children to the most basic. In our social relief programme, we also can give food only for a day or two.”

“Changing the way we work: less holistic, more piecemeal; less process, more product. Biggest problem by far is convincing a scared Board who fear financial liability not to shut us down...”

Everything

Most respondents appear to be doing a bit of everything to get through the difficult times:

"We are literally trying EVERY possible way of fundraising from selling some retail products to try and do functions and still we are researching and approaching possible donors daily."

"Staff working harder and longer hours. Increasing the number of products and services offered to the general public. Increasing prices of goods and services. Organising events. Researching more funding opportunities in SA and elsewhere. Training of our beneficiaries to assist with training and support programmes to reduce wage bill and travel costs."

"Looking at restructuring the organisation and areas of work during our next strategic planning towards the end of the year. Continue to explore creative ways of raising funds – and of becoming more sustainable ourselves."

"We borrowed money. Increased our marketing and fund-raising efforts. Reduced our running costs."

Weathering the storm

There are some organisations that say they are fine and seem to be weathering the funding storm:

"We have monthly donations from individuals which just about covers our costs."

"Whilst we do not have operating funding shortages, money for on granting to organisations has been a challenge and we are trying to develop an individual giving strategy."

"Currently we are generating enough income to cover our basic overheads and sufficient income for the programmes planned for the year. I have rethought strategies for sustainability that do not require funders (or limited funders)... [but] Planning for next year is difficult as at the moment all I have time for is managing the organisation on a day-to-day basis."

CONCLUSIONS AND RECOMMENDATIONS

It is easy to feel despondent about the findings of this survey. Times are clearly very tough for non profits and funding has been cut across the board. However, there are some positive aspects of the situation which must be mentioned so that we can find solutions and move forward:

- Some organisations are doing fine and remain largely unaffected by the funding cuts. What is unclear from this research and needs more investigation is: what are the common factors that are helping these organisations to weather the storm?
- The funding cuts have compelled organisations to collaborate at a much deeper level and have promoted a certain amount of rationalisation and greater cohesion in the sector.
- Not all organisations are as efficient and effective as they could be – the funding crisis has helped some of these organisations to take a more proactive and strategic approach to their own sustainability.

Action

Despite the positives, urgent action is needed to help many experienced and high-impact organisations survive this period.

- Organisations with reserves have been able to survive. We need to support the **development of well-managed reserves** for non profit organisations. Funders (particularly corporate funders) should be encouraged to see reserves and reserve-provision as a vital part of an organisation's sustainability, rather than a reason not to fund it.
- **Individual giving** – legacies, payroll giving and debit order giving – is in its infancy in South Africa. Giving and fundraising by individuals is a source of unrestricted funding that can make a substantial difference to the sector, as well as underpin its independence. We need to do more to raise awareness of the difference regular giving can make and should advocate for greater incentives for individual givers. The UK's Gift Aid scheme is a model worth investigating (hmrc.gov.uk/individuals/giving/gift-aid)
- To improve the flow of unrestricted funding into non profits – and counter perceptions that NGOs are mismanaged – **transparency, accountability and good governance** within the sector are essential. We must support and sign up to Inyathelo's Independent Code of Governance for Non-Profit Organisations in South Africa (governance.org.za/the-independent-code). And we must lobby National Treasury to change legislation to allow them to make public the status of all registered Public Benefit Organisations.
- We must find innovative, cost-effective ways to enhance the **practical skills** of the non profit sector, particularly for fundraisers.
- **More research** is needed into those organisations that are surviving, to uncover the relevant success factors.
- As a sector, we need to play our part in **repairing relations with government** at all levels. Whether we like it or not, government is the single biggest source of funding for the welfare and development sector. Repairing this relationship should include a commitment to transformation and a willingness to work towards a new compact to deliver essential services to those who need it most.

For access to the raw data or to provide input and further discussion, please contact:

Sophie Hobbs

Strategic Communications | GreaterGood SA

t. 021 685 9780 | f. 021 685 9781

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