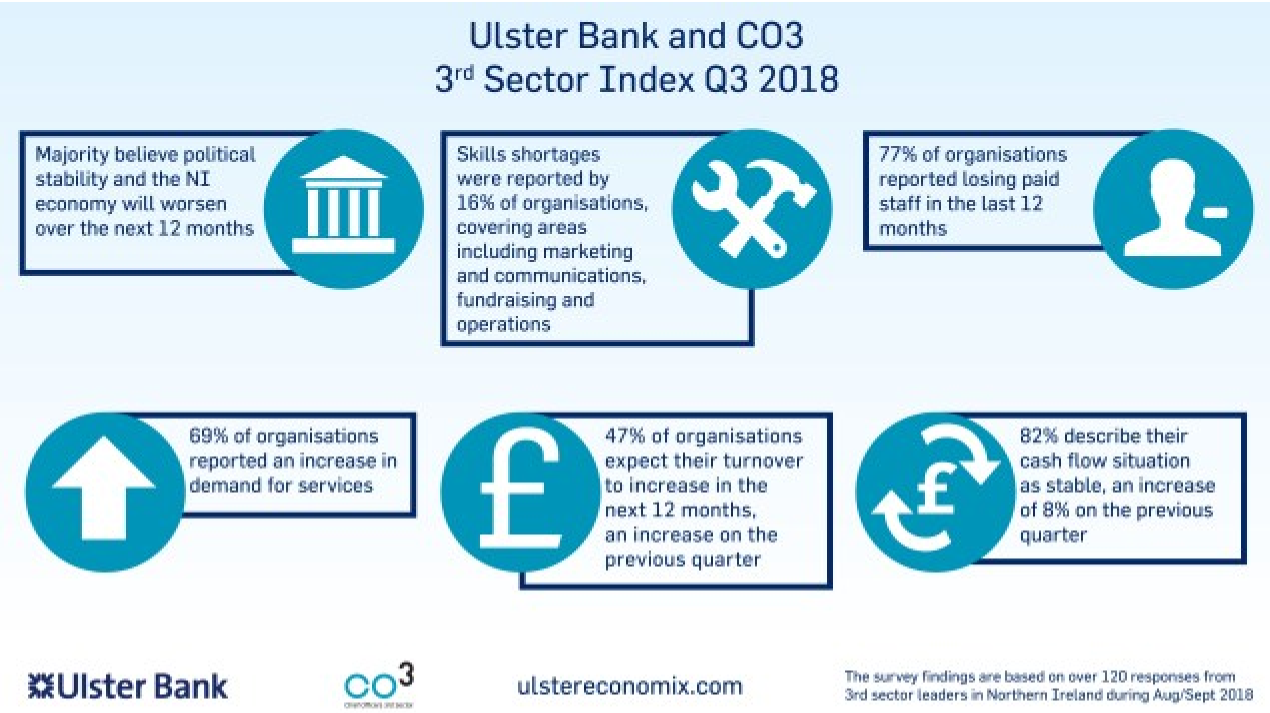
Funding concerns and better terms and conditions elsewhere are key factors leading to employees leaving the third sector, creating skills shortages at a time of rising demand, a new report reveals.

The Ulster Bank and CO3 3rd Sector Index is a key barometer of Northern Ireland's third sector, involving a quarterly survey of CO3 members who include the leaders of some of Northern Ireland's largest charities and social enterprises. Services they provide range from care, to counselling and support, and training and development.



Over three quarters (77 per cent) of third sector leaders reported losing paid staff in the past 12 months, with most of these going to other sectors of the economy.

Almost half of these respondents (48 per cent) indicated improved terms and position elsewhere as one of the primary reasons for this. Insecurity regarding funding (30 per cent) was also cited as a major contributing factor.

Organisations that had paid staff leave indicated former third sector employees took up employment in the private (31 per cent) and public (44 per cent) sectors.

The latest figures indicate a surge in demand for services too, rising 69 per cent on the previous quarter which similarly reported a 67 per cent increase in service demand.

It was also found that 8 per cent of third sector organisations reported a reduction in staff numbers over the past quarter.

As staff numbers decline and service demand continues to rise the sector is experiencing greater skills shortages with half of respondents (50 per cent) reporting their organisation is experiencing a deficit in key skills or roles. Almost a third (31 per cent) of these third sector leaders claim their organisation is lacking expertise in marketing and communications, fundraising and operations.

The report found little change in outlook for Northern Ireland's political stability and the economy, with 71 per cent believing political stability will worsen over the next 12 months and 79 per cent anticipate the local economy will worsen, a 14-point increase on the previous quarter (65 per cent).

The report demonstrates increasing frustration at the current political impasse with 40 per cent of third sector leaders suggesting a return to direct rule in the absence of a functioning Assembly.

Despite this, the report does return marginal optimism for the year ahead. Almost half (47 per cent) expect turnover to increase, up from 37 per cent in the previous quarter, and 82 per cent describe their cash flow as stable, up 8 per cent on Q2 2018.

Nora Smith, Chief Executive of CO3, says: *"It's positive to note greater cash flow stability and a more positive outlook for turnover over the coming year for an increasing number of third sector organisations, but skills shortages still exist across the board. A majority of our membership is in receipt of government funding, and the longer we continue without a functioning Executive the greater funding insecurity becomes. This is a major barrier when attracting new talent into the sector. While we are seeing headcount increase for almost a third of organisations, this is an immediate response to cope with rising demand rather than addressing the most-needed skills."*

The private sector economy is seeing its slowest rate of growth across business activity, orders and job creation in almost two years, and sentiment is at its lowest rate in 19 months. Interestingly, the latest Ulster Bank and CO3 Third Sector Index suggests a marginally more optimistic outlook for the year ahead in relation to cash flow and turnover. However, this is offset by continued skills shortages. There is a careful balance between terms, opportunity for progression, stability and salary at play when retaining and attracting the right talent. A potential trade-off for the sector between rising turnover and the need to fill crucial roles to address skills shortages could come to the fore.

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