



Scottish  
Women's  
Budget  
Group

## Social Justice and Social Security Committee Pre-Budget Scrutiny Call for Views on Third sector funding principles

August 2024

### About us

The Scottish Women's Budget Group (SWBG) is an independent analysis and campaign group that aims to promote gender analysis in public policy and public finance decisions through budgetary processes. SWBG brings together a wide range of women from across Scotland who have an interest in women's equality and want to achieve better gender equality in our society. We have focused on encouraging active gender analysis in the Scottish Budget process since 2000.

### Introduction

The Scottish Women's Budget Group welcomes the Committee's scrutiny of Scottish Government's approach to fair and efficient funding. Given that the majority of the workforce are female<sup>1</sup>, this call for views is particularly important from a gender equality perspective.

This response has been informed by the responses to our Women's Survey 2024 and aims to highlight how the challenges of the third sector impact on women.

We recommend the committee to:

- Ask the Scottish Government to evaluate how budget allocations impact on the delivery of services (both statutory and non-statutory), on inequality and poverty and how this links with achieving national priorities.
- To scrutinise whether the allocation of budgets support the realisation of the National Outcomes, thus achieving greater policy coherence.
- Ask the Scottish Government whether Public Bodies are using intersectional gender budget analysis to help overcome some of the challenges outlined in this response.

This submission addresses questions 5, 6 and 7.

### **Sustainable Funding and Inflation Adjustments. How might including inflation-based uplifts and covering full operating costs influence the overall effectiveness and sustainability of the third sector?**

Multi-year standstill funding is in effect a year on year cut in funding to organisations. At a time of increasing demand as the public sector pulls back provision, makes

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<sup>1</sup> <https://thirdsectorwomensnetwork.medium.com/welcome-to-the-scottish-third-sector-womens-network-5345fa4ca746>

recruitment and retention difficult, impacting on the third sector's ability to deliver essential services, as well as impacting on the financial situation of those who work within the sector.

As women make up more than two thirds of the workforce<sup>2</sup> funding arrangements for the sector have a key role to play in addressing gender inequality in Scotland.

As part of our 2024 Women's Survey, we asked the 1026 women who completed this which sector they worked in and whether they felt better or worse off compared to last year. Of the 215 women who completed the survey who worked in the third sector, 68% said they felt worse off compared to last year, 21% the same and 11% better off.

Those who said they were worse off were clear that this was due to stagnating pay as well as often lower pay levels within this sector. Recent research on Fair Work in the Third Sector found that FTE median pay in the third sector is c.£2k lower than the median for both Scotland and the UK.<sup>3</sup>

One woman who responded to our survey explained the impact of this to us as follows:

*'I work in the third sector, and my pay has increased 1% over the last 4 years, due to the government not upping the money they give us! We deliver amazing services in Clackmannanshire and yet we are the worst paid, everyone jokes that you work in the third sector for the love of the people and not the money, and not a truer word has been spoken, I love my job, I love helping people, but when it comes down to it, I might need to use a food bank one day, due to the rise in costs, yet my pay has stayed the same. With rising costs, I am worse off, with no money left over to save for that rainy day we all hope doesn't come.'*

Where multi-year funding is provided, ensuring that this includes year on year inflation-based uplifts would allow third sector employers to pay cost of living increases to staff without affecting the financial sustainability of organisations. Alliance Scotland recently found that 48% of respondents to their survey were unable to give staff any pay uplifts.<sup>4</sup>

SWBG women's survey respondents explained what this meant to them in terms of the recent cost of living crisis:

*'Every bill has risen. Rent, up 5.5%, utilities up, water and sewage, up 8.8%, food, petrol, clothing, all up at least 5%,...my pay rise?.1%'*

*'Both myself & my husband received a 3% pay rise when inflation was 6.7%. Our heating bill increased by £40 per month whilst other costs also increased. Our pay rises didn't cover these increases.'*

The current approach to funding the third sector appears to be based on an expectation that those who work in the third sector will shoulder the burden of

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<sup>2</sup> [https://tfn.scot/news/gender-imbalance-is-holding-back-the-charity-sector?utm\\_source=scvo&utm\\_medium=website&utm\\_campaign=search](https://tfn.scot/news/gender-imbalance-is-holding-back-the-charity-sector?utm_source=scvo&utm_medium=website&utm_campaign=search)

<sup>3</sup> <https://gcvs.org.uk/wp-content/uploads/2024/03/Fair-Work-in-the-Third-Sector-Summary.pdf>

<sup>4</sup> <https://www.alliance-scotland.org.uk/wp-content/uploads/2023/09/Stretched-to-the-Limit-Report-WEB.pdf>

supporting some of the most vulnerable in society because they have a commitment to the organisations' beneficiaries.

This approach is highlighted by the disparity in pay levels of those who work in third sector social care services as compared to those who work within the NHS. In February 2023, the Coalition of Care and Support Providers in Scotland (CCPS) noted that a Scottish Government funded support worker salary was £20,475, compared to an NHS equivalent of £23,914 – nearly 17% higher. This gap has widened over the past two years, having previously stood at just over 14%.<sup>5</sup>

One woman who worked in the third sector told us how this approach was impacting on her and her family:

*'The costs keep rising and the debt is now over 5k just on energy, I used to be able to scrimp to buy full shop at £60 a week for 5 of us (myself and 4 kids) now that £60 barely covers 2 days food! I don't get support to work the hours I do. The cost of everything is rising and basic living is non-existent. There has been no point in me breaking generational trauma and worklessness when all it does is to plunge me and my kids deeper into working poverty!'*

Another told us:

*'After Christmas I struggle more to catch up, I also feel the rise in food the rise in everything is taking its toll on me this year, I can't work more hours as I work for a charity, I can't take on additional work as I can't afford childcare. I worry all the time about money I can never save and live day to day. My youngest son is happy he is unaware of how hard things are. My older children see the struggle. Cutting down on food I give myself a smaller plate so my children can have full meals. I keep my struggles from family and friends as I feel embarrassed.'*

Those who told us that they felt better off this year said this was either because they or their partner had gotten a better paid role or had returned to work from maternity leave. Survey respondents highlighted how funding arrangements for the third sector impacted on the terms and conditions these organisations could offer, particularly in relation to maternity leave and pay and how this could contribute to gender inequality.

One respondent told us:

*'Because I was on maternity leave this time last year and had no income. Whereas now I at least get my wages. That said we do pay £1650 a month childcare bills now, so we're hardly rolling in it.'*

Another told us:

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<sup>5</sup> <https://www.alliance-scotland.org.uk/wp-content/uploads/2023/09/Stretched-to-the-Limit-Report-WEB.pdf>

*'As someone who is not native to the UK, I have to point out that statutory maternity pay in this country is shocking. Despite working full-time for years, I personally feel like I would not be able to have a baby purely from a financial perspective - and I am not in the lowest pay bracket there is. Again, this affects women more whose place of work does not offer any additional maternity pay (very often care and third-sector). This is not only relevant in terms of achieving gender equality but also for domestic abuse prevention as it can create financial dependency on a partner.'*

Another woman told us about how this had an impact on her decision to have children or not:

*'I am currently the highest earner in our household and my maternity leave is only 6 weeks at 90% pay and then statutory, my husband can't afford our bills and mortgage on his sole wage so at the moment we cannot physically afford to have a child despite really wanting to start a family and if we did have one, I couldn't afford to take more than 6 weeks maternity pay. It's heartbreakingly brutal to have to make a decision between family, work and affording to keep our house.'*

**This is an issue which is specifically difficult for organisations which work in the gender equality field and use single sex exemptions in recruitment, as funders often make no provision for maternity leave cover.** This needs to be covered from reserves and can affect organisational sustainability.

The lack of sustainable funding for the third sector means that those who rely on these services as well as those who are employed in these organisations are adversely affected.

One woman who works in the sector told us about the impact that short term and short notice funding announcements had on her:

*'My role is within a third sector organisation, we receive funding on a yearly basis, which means every year we receive a notice of redundancy and are left waiting longer and longer each year by the Scottish Government to see if we have a job after the 31st March. The impact of this on my mental health and physical health is huge. I also find the whole process hugely disrespectful to the workers (largely female), the experience and qualifications that we hold plug a huge gap in public services and increase the safety of woman and children.'*

**Sustainable Funding and Inflation Adjustments: What are the challenges in providing this and how could these be overcome?**

One of the challenges in delivering this is that when public sector organisations are looking to balance budgets, funding to the sector reduces. However, the expectation is that the third sector will pick up any slack in the system that arises due to changes in the way statutory services are operating.

An example from the SWBG budget review this year is of Local Authorities cutting the level of community grants, yet clearly stating in their Impact Assessments that the third sector will be able to provide the support that their proposal is cutting. With demand increasing and public sector rolling back non-statutory support there will come a point when the third sector will be unable to pick up the increased demand that this creates.

There needs to be clear assessment of how budget allocations impact on the delivery of services (both statutory and non-statutory), on inequality and poverty and how this links with achieving national priorities. There is a need for greater policy coherence, a move away from siloed approaches to budgets and a greater focus on outcomes. Public Bodies must use intersectional gender budget analysis to help overcome some of these challenges. Budget decisions need to support the policy aspirations at all levels of government ensuring that how we raise money and how we spend money link to policy outcomes.

### **Real Living Wage Commitments: What impact do you think the ability for third sector organisation to pay their staff the Real Living Wage has on their services?**

As highlighted above improvements in pay and conditions for staff (including the commitment to pay the Real Living Wage) can support organisations with the recruitment and retention of staff and the delivery of their essential services, if these costs are fully funded through grant funding, commissioning and procurement processes. However, if funding arrangements do not fully fund these costs, then this can impact on their capacity to deliver the services required. This can be particularly prevalent for commissioned services who pay above the Real Living Wage, which include uplifts based on local authority pay increases, if increases are only based on Real Living Wage levels meaning that the third sector are subsidising commissioned services.

**But the question needs to be asked why our ambitions for pay within the sector are limited to the Real Living Wage?** As set out above, the disparity in wages between the public sector and the third sector (particularly within social care depending on whether you work in the third sector or NHS) has an impact on levels of poverty and inequality. Our survey showed that 10% of those who responded who worked in the third sector were receiving Universal Credit to supplement their income and 8% Scottish Child Payment.

56% of those who completed our survey who worked in the third sector had debt with 35% having no savings. 25% of those with debt or no savings told us that this was due to them receiving low wages and 9% due to insecure employment contracts.

Women told us that difficulties with finances impacted on their mental and physical health, for some this has a knock-on impact on their work and their employers.

One woman told us

*'I have run out of ways to try to save money. The price of food and services is still rising but I am not getting any pay increase. Also, services like dentist and hospital appointments are difficult to get so unless I can pay for them, I am not*

*getting the support I need healthwise which in turn affects my ability to work. Everything feels out of my reach now.'*

Another said

*'Mortgage alone increased by around a third. Car is on the last legs and a new one is looking unaffordable. I am working so hard to juggle increased hours and childcare that my body is broken. I don't think I can physically maintain the pace but we can't afford financially not to.'*