

Dissertation Report for SCVO

Title: Scotland's Resilient Third Sector through the Cost-of-Living Crisis: Insights from New Research

By: Erin Cutroneo

Introduction

The Cost-of-Living Crisis (CoLC) squeezed Scottish voluntary organisations from both sides: rising costs stretched their resources and capacity, while public need for their services grew as people struggled to get by — all within an increasingly competitive and insecure funding environment. New research, conducted as an MSc Public Policy dissertation in collaboration with SCVO, reveals how the diverse third sector adapted to these challenges over time and what support they continue to need. The research included a quantitative longitudinal analysis of Third Sector Tracker data (Waves 2-10) over the course of the CoLC, as well as qualitative insights from an Expert Advisory Group of key third sector workers.

Key Findings

- **Use of Reactive and Adaptive Resilience Tactics:** Organisations sought resilience through the CoLC by using reactive tactics (using reserves, stopping work, etc.) and adaptive tactics (seeking new funding streams, increasing borrowing, etc.). Using adaptive tactics demonstrated continuous learning, assessing and transforming their organisation to be more inherently resilient to crisis pressures, while reactive tactics were served as short-term measures for survival. While organisations often used a mix of both tactic types, the use of these tactics largely depended on organisations' diverse characteristics.
- **Crisis Intensity and Resilience Action:** Staffed organisations increased their use of adaptive tactics ahead of and immediately following the peak of the crisis (late 2022-early 2023), and only relied more on reactive measures during the peak of the crisis around October 2022, when inflation reached 11.1%. Unlike staffed organisations, volunteer-run organisations did not increase or decrease their use of resilience tactics as the crisis intensified. Instead, they only reduced their use of these tactics as the crisis receded.

- **Organisation Size:** For staffed organisations, reliance on reactive tactics increased with organisation size, with the largest organisations being ~2x as reactive as the smallest organisations. Larger staffed organisations were also more strategically adaptive to crisis pressures, and organisations with greater volunteer capacity were also more adaptive in their resilience tactics. While reactive action was not influenced by organisation size for volunteer-run organisations, larger volunteer-run organisations were more adaptively resilient than smaller organisations.
- **Volunteer Capacity:** Staffed organisations with more volunteers were more adaptive than those without volunteers. Conversely, volunteer capacity did not influence volunteer-run organisations' propensity for any resilience tactics.
- **Leader's Outlook:** Both staffed and volunteer-run organisations whose leaders had more positive perceptions of their organisation's achievement of planned services relied less on reactive tactics.
- **Diverging Influence of Financial Difficulties:** While staffed organisations experiencing greater financial difficulties were less adaptive, volunteer-run organisations were more adaptive in response to these pressures.
- **Difficult Political and Funding Environment:** Organisational resilience was also largely influenced by the wider political and funding environment. The Expert Advisory Group of third sector workers spoke to how funding delays and slow political change impede capacity for taking adaptive action, especially for smaller more financially vulnerable organisations. The necessity of Fair Funding was salient, not only to support organisations as they transition out of the CoLC, but to future-proof them for future crises.

Background: Challenges of the CoLC for Scottish TSOs

During the CoLC, post-pandemic supply chain pressures and rising energy costs, compounded by longer-term wage stagnation, led to soaring inflation rates and prices of household costs.^{1,2} In just over a year, UK inflation went from 2% in July

¹ Daniel Harari et al., Rising Cost of Living in the UK, Research Briefing no. 9428 (House of Commons, 2024), 68, <https://commonslibrary.parliament.uk/research-briefings/cbp-9428/>.

² St Office for National Statistics, "Consumer Price Inflation, UK: June 2025," UK Office for National Statistics, July 16, 2025, <https://www.ons.gov.uk/releases/consumerpriceinflationukjune2025>.

2021 to the crisis peak of 11.1% by October 2022.³ Although inflation has since fallen, it remains above pre-crisis levels (3.6% in June 2025)⁴, and ongoing challenges remain. TSOs report that increased costs have caused greater pressure on TSO workers, deteriorating mental health among beneficiaries, and barriers to educational and career advancement for beneficiaries even today.⁵ At the same time, TSOs have seen falling volunteer engagement and consistent financial strain, with 81% citing financial challenges in Autumn 2024, up 10% from Spring 2023.⁶ These challenges have been further intensified by austerity-driven welfare cuts and reduced third sector funding.⁷

During the COVID-19 pandemic, the Scottish Government provided some direct support for TSOs, including emergency funding through the Third Sector Resilience Fund and a volunteer engagement strategy.^{8,9} In contrast, since the CoLC began, Scottish Government has acknowledged the challenges faced by the sector, recently committed to Fairer Funding, and began a 2-year funding pilot, providing £60 million each year to select TSOs.¹⁰ While a potentially promising start, such interventions have not treated the crisis with the urgency that the COVID-19 pandemic sparked, despite immense need.

Resilience Under Pressure

³ Office for National Statistics. "Consumer Price Inflation, UK: June 2025."

⁴ St Office for National Statistics, "Consumer Price Inflation, UK: June 2025."

⁵ Foundation Scotland, *The Long Term Impact of the Cost of Living Crisis* (Foundation Scotland, 2025), 1–20, <https://www.foundationScotland.org.uk/sites/default/files/2025-03/The%20Long%20Term%20Impact%20of%20the%20Cost%20of%20Living%20crisis%20-%20summary%20report.pdf>.

⁶ SCVO, *Scottish Third Sector Tracker Wave 10 Report* (Scottish Council for Voluntary Organisations, 24 June 2025d), 17, <https://scvo.scot/research/reports/evidence-library/the-scottish-third-sector-tracker-wave-10-report-spring-2025>.

⁷ Charity Excellence Framework, "Charity Cost Of Living Crisis £1bn Funding Cuts Report," <https://www.charityexcellence.co.uk/charity-cost-of-living-crisis-funding-cuts-report/>.

⁸ Scottish Procurement and Property Directorate, *Evaluation of the Third Sector Resilience Fund*, no. 9781835212349 (Scottish Government, 2023), 59, <https://www.gov.scot/publications/evaluation-third-sector-resilience-fund/documents/>.

⁹ Nick Acheson et al., "Mobilising the Voluntary Sector: Critical Reflections from across the Four UK Nations," in *COVID-19 and the Voluntary and Community Sector in the UK: Responses, Impacts and Adaptation*, ed. James Rees et al. (Policy Press, 2022), <https://doi.org/10.1332/policypress/9781447365501.003.0002>.

¹⁰ Scottish Council for Voluntary Organisations, "Scottish Government Commitments - SCVO," SCVO, accessed September 28, 2025, <https://scvo.scot/policy/fair-funding-procurement/fair-funding/scottish-government-commitments>.

With the challenges of the crisis and lack of political response to support these organisations, TSOs sought resilience through the CoLC. Resilience is an organisation's ability to absorbing external shocks while still retaining a level of organisational capacity.¹¹ Resilience can have one of two goals: 1) to return to an organisation's pre-crisis position, or 2) to demonstrate continuous learning, transforming the organisation from its pre-crisis state, thereby increasing their adaptive capacity over time.¹² SCVO reporting has demonstrated data to support both kinds of resilience in the sector: Despite 8 in 10 organisations reporting financial challenges as one of their top challenges in the most recent Wave of data, most organisations' leaders reported maintaining or exceeding service delivery plans since mid-2022, and have used strategic adaptations to transform their organisations for longer-term resilience¹³. This study expanded on this, examining how organisations did or did not adapt continuous learning through the CoLC.

Study Methods: Integrating Third Sector Survey Data with Key TSO Workers' Insights

To investigate how Scottish TSOs have sought resilience over the course of the CoLC, this study employed a mixed qualitative and quantitative approach. Firstly, an advisory group of key third-sector leaders and workers gave insight into the political funding environment they navigate and provided input on a preliminary analysis of Third Sector Tracker data. Drawing on this, a final longitudinal quantitative analysis of Tracker data examined how organisations sought resilience in different ways over time.

Following the approach of Lambert and Paterson's case study of two Scottish TSOs between 2008-2022,¹⁴ organisations' uses of these two kinds of resilience tactics were examined:

¹¹ Grace Catherine De Oro, "The Role and Relevance of Resilience in the Nonprofit Sector: A Systematic Review of the Literature," *Journal of Public and Nonprofit Affairs* 11, no. 1 (2025): 1–20, <https://doi.org/10.20899/jpna.ysdjay56>.

¹² Xintong Chen et al., "True Grit: Exploring Nonprofit Sector Resilience Following Economic Recessions," *Nonprofit Policy Forum*, ahead of print, August 14, 2024, <https://doi.org/10.1515/npf-2023-0058>.

¹³ Scottish Council for Voluntary Organisations, *A Resilient Sector? The Resilience of Scottish Voluntary Organisations* (SCVO, June 24, 2025e), <https://scvo.scot/research/reports/the-resilience-of-scottish-voluntary-organisations>.

¹⁴ Vicky Lambert and Audrey Paterson, "Charities and Resilience: From Austerity to COVID-19," *Financial Accountability & Management* 40, no. 3 (2024): 344–67, <https://doi.org/10.1111/faam.12387>.

- Reactive resilience tactics: “Pragmatic,” short-term, “firefighting” measures aimed at getting by rather than transformative change, including using reserves, reducing staff or staff hours, pausing some or all operations, or cutting part of their work back. Use of reactive tactics do not indicate continuous learning, and are rather more survival mechanisms to continue organisational operations in a more limited capacity.
- Adaptive resilience tactics: “Strategic,” future-focused approaches to “bounce back” and pursue transformative change in response to pressures, such as developing new income streams, applying for new funding, or adapting existing activities. Use of adaptive tactics indicates continuous learning, demonstrating greater long-term resilience capacity.

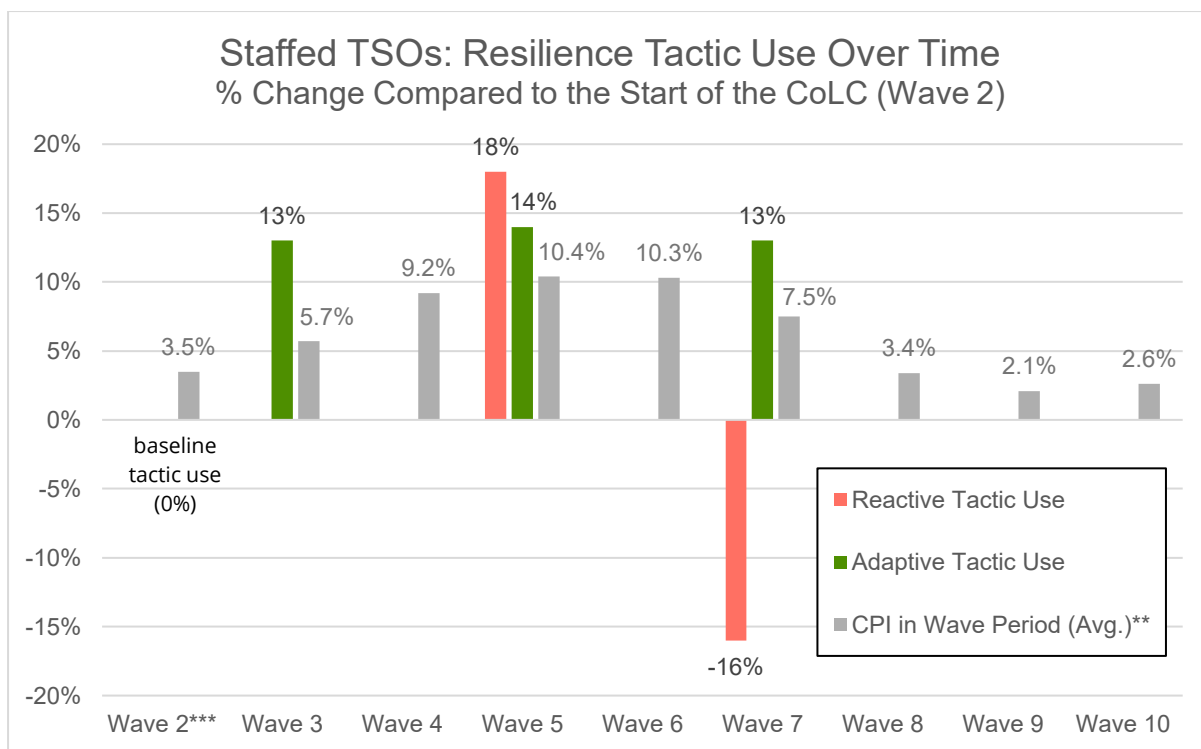
Though organisations often used a mix of both tactic types in each wave period, the analysis examined use of each tactic type over time separately to identify what drove action indicative of increased resilience capacity (adaptive) versus more constrained responses (reactive).

The models examined how various organisational characteristics (size in terms of annual income, volunteer capacity, organisation type, main activity, and the organisation’s leader’s perceptions of planned service delivery) and the intensity of financial challenges predicted the frequency of use of different tactics. To ensure comparability across waves (which asked about what actions they had taken in the last 3 (Waves 2-6) or 4 (Waves 7-10) months), tactic use was standardised to a monthly rate, and only organisations responding to the relevant questions at least twice were included in the analysis. To account for the diversity of the sector, models separated organisations by whether they were staffed or non-staffed (volunteer-run), which revealed key differences between these organisation types.

Key Insights: A Sector Divided by Crisis

The CoLC shaped not one story but two: one for Scotland’s staffed TSOs, and another for those powered solely by volunteers.

1. Staffed Organisations: Intense Pressure and Adaptive Pivots Through Crisis



* The graph includes only includes changes that were significant ($p < 0.05$), while non-significant results are excluded, leaving those Waves blank.

** The averaged inflation rate (grey bar) for the period of time respondents were asked about in each Wave is included as an indicator of crisis pressures at that time.

*** Wave (W) Periods (month/year): W2: 08/21 – 10/21; W3: 12/21 – 02/22; W4: 04/22 – 06/22; W5: 08/22 – 10/22; W6: 12/22 – 03/23; W7: 05/23 – 08/23; W8: 12/23 – 03/24; W9: 05/24 – 08/24; W10: 10/24 – 01/25

Staffed organisations used more adaptive actions while inflation rates were most elevated. They also relied on more reactive tactics at the crisis peak (Wave 5), but used 16% less than at the start of the crisis as inflation fell during Wave 7. This indicates that **staffed organisations showed greater resilience capacity (through increased adaptive action) through the peak of the crisis, only additionally relying on reactive tactics at the very peak of the crisis.**

In addition to these time pressures, staffed organisations' resilience actions were influenced by organisation size, volunteer capacity, organisation type, their main activity, their leader's outlook, and financial difficulties.

Table 1. Staffed Organisations' Resilience Tactic Usage

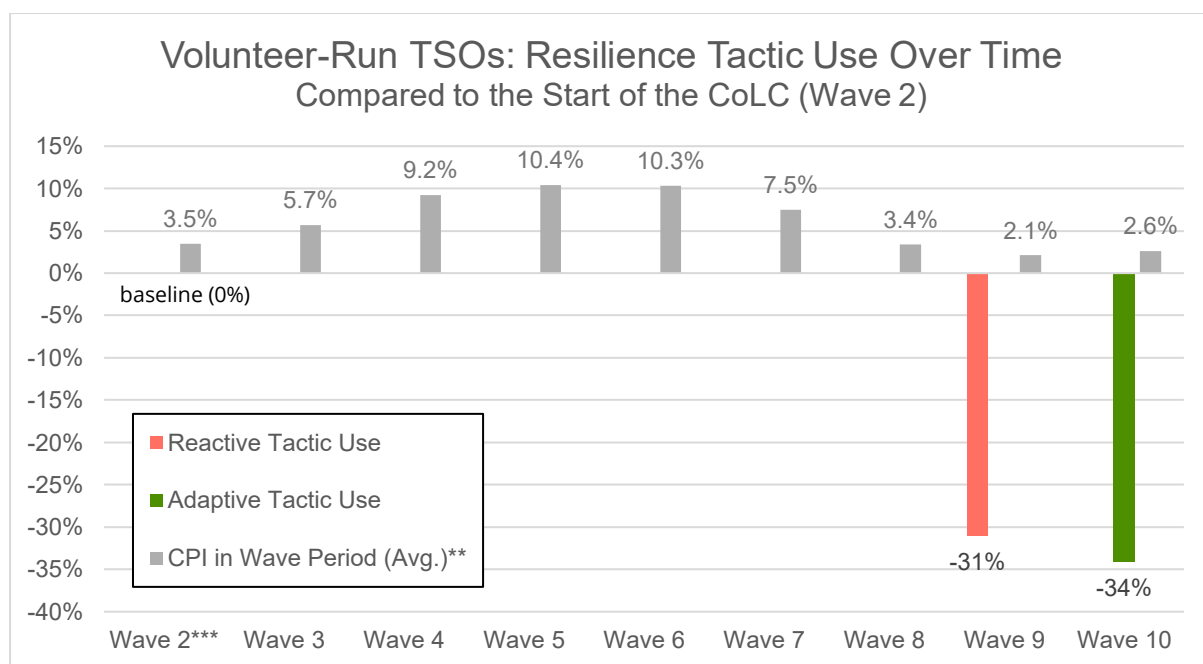
Characteristic*	Staffed Organisations' Resilience Tactic Usage
Size (Annual Income)	Larger staffed organisations used both more reactive and adaptive tactics than smaller ones. The larger the organisation, the more they relied on reactive tactics:

	medium (+29%), large (+37%), and major (+93%)) organisations relied on reactive action more than micro-organisations, who had an income of £25k or less. Meanwhile, adaptive action did not increase dramatically as size increased, as these larger organisations used between +30% to +39% more adaptive tactics than micro-organisations.
Volunteer Capacity	Organisations with 20 to 99 volunteers used +37% more adaptive tactics than organisations without volunteers. However, organisations with more than 100 volunteers were slightly less adaptive than organisations with 20-99 volunteers but still used +25% more adaptive tactics than those with 0 volunteers.
Organisation Type/Structure	Staffed general voluntary organisations used -38% fewer reactive tactics , showing less reliance on fire-fighting in response to crisis pressures.
Main Activity**	Staffed interfaces/intermediaries and non-registered charities used fewer adaptive tactics (-13% and -17%, respectively), suggesting that they were less likely to seek transformative change in response to the crisis.
Positive Leader Outlook	Staffed organisations with leaders who had a higher perceived achievement of planned services used less (-14%) reactive tactics and slightly more (+5%) adaptive tactics .
Financial Challenges	Finally, staffed organisations with greater financial difficulties (ranking it in their top 3 greatest challenges) took more reactive (+37%) and more adaptive (10%) action , showing greater reliance on short-term solutions and less ability to take adaptive, long-term-orientated action in response to these pressures.

* The table includes only significant results from the analysis ($p < 0.05$), while on-significant results are excluded. This is why some aspects only note the effect on one type of tactic.

** The analysis compared the influence of the organisation's main activity on tactic use as compared to the baseline group's main activity, "Community, economic, or social development", as it was the second most common activity type for both staffed and volunteer-run organisations.

2. Volunteer-Run Organisations: A Different Rhythm of Resilience



* The graph includes only includes changes that were significant ($p < 0.05$), while non-significant results are excluded, leaving those Waves blank.

** The averaged inflation rate (grey bar) for the period of time respondents were asked about in each Wave is included as an indicator of crisis pressures at that time.

*** Wave (W) Periods (month/year): W2: 08/21 – 10/21; W3: 12/21 – 02/22; W4: 04/22 – 06/22; W5: 08/22 – 10/22; W6: 12/22 – 03/23; W7: 05/23 – 08/23; W8: 12/23 – 03/24; W9: 05/24 – 08/24; W10: 10/24 – 01/25

Volunteer run organisations showed **no significant change in their use of reactive or adaptive tactics during the crisis peak**. Compared to the start of the CoLC, **tactic use only significantly decreased in later waves, as inflation stabilised** and the UK government declared the CoLC over, but costs remained elevated compared to pre-crisis levels.¹⁵ Given their smaller size (71.8% had incomes of $\leq \text{£}25,000$) and lower overhead costs, these organisations may have been less immediately sensitive to changing financial pressures, but reduced resilience action compared to the start of the crisis.

Table 2. Volunteer-Run Organisations' Resilience Tactic Usage

Characteristic*	Volunteer-Run Organisations' Resilience
Size (Annual Income)	Larger volunteer-run organisations used more adaptive tactics than smaller ones , using ~ +38% more adaptive tactics than micro-organisations (which had annual incomes of $\leq \text{£}10\text{k}$).

¹⁵ Daniel Harari et al., Rising Cost of Living in the UK, Research Briefing no. 9428 (House of Commons, 2024).

Volunteer Capacity	Volunteer capacity did not significantly affect reactive or adaptive action in volunteer-run organisations.
Organisation Type/Structure	Organisation type did not significantly affect reactive or adaptive action in volunteer-run organisations.
Main Activity**	Volunteer-run organisations mainly working in health used fewer adaptive tactics (-38%). Similarly, those working in families, children or social care used less adaptive tactics (-49%).
Positive Leader Outlook	Volunteer-run organisations with leaders who had a higher perceived achievement of planned services relied less on reactive tactics (-19%).
Financial Challenges	While experiencing greater financial challenges caused staffed organisations to be less adaptive, facing greater financial challenges pushed volunteer-run organisations to act more adaptively (+33%) .

* The table includes only significant results from the analysis ($p < 0.05$), while on-significant results are excluded. This is why some aspects only note the effect on one type of tactic.

** The analysis compared the influence of the organisation's main activity on tactic use as compared to the baseline group's main activity, "Community, economic, or social development", as it was the second most common activity type for both staffed and volunteer-run organisations.

3. Qualitative Insights: Ongoing Political and Funding Challenges

In addition to providing feedback that helped inform the Tracker Data Analysis, the expert advisory group provided key insights on the political and funding environment the sector faced through the crisis to today.

- **Diversity of the Third Sector:** The Group supplemented the quantitative analysis of the sector's diversity, noting key differences between how smaller, more community-embedded organisations may act with more urgency than larger, more resourced ones. While all TSOs share a strong commitment to mission, they adapt to challenges in different ways, underscoring the need for tailored support across the sector.
- **Restrictive Funding Environment:** The dwindling availability of flexible and core funding has reduced organisations' abilities to invest in adaptive approaches to resilience. While the Third Sector Resilience Fund during the COVID-19 pandemic provided temporary support in this vein, the CoLC lacked a similar measure, despite ongoing struggles.

- **Third Sector-Scottish Government Relations:** Participants had mixed views on the sector's relationship with government. While some expressed frustration with how funding notifications are delayed each year, putting smaller organisations at greater risk at the start of the financial year, and the uncertainty of the government's current funding pilot truly providing multi-year contracts. Others acknowledged positive government efforts but were critical of the overall pace of change and bureaucratic delays.
- **Fair Funding:** Moving from the CoLC to today, all participants shared the importance of Fair Funding. They said that the implementation of true Fair Funding principles, including for Human Resources in organisations, multi-year contracts, and support for core funding, would solve 80% or more of the problems the sector faces currently, as these issues have a domino effect on other aspects of their work. They emphasised that many Fair Funding principles could be implemented to better support organisations, even if overall funding amounts do not increase.

The group highlighted the diversity of TSOs, speaking to how smaller organisations (including those with 1 or no staff) differ greatly from larger organisations. Smaller organisations may have leaders more emotionally tied to their organisation's survival due to their hands-on connection to service delivery, while larger organisations may make more adaptive decisions to shift as needed. They also spoke to how *organisations of all kinds are used to making it work*, especially following the COVID-19 Pandemic and CoLC, noting how the commitment to mission gives organisations an extra leg to stand on in the face of pressure compared to non-third sector entities. With this unifying quality, however, they highlighted the need to recognise how subgroups in the sector may adapt to crisis and external pressures in different ways.

Implications: Supporting a Resilient Sector

- **Policy Implications:** Fair Funding was universally supported by the Expert Advisory Group as a key way to support the sector in a more efficient, justified way. Implementation of Fair Funding is key to supporting organisations to take on adaptive measures rather than falling back on reactive ones, especially through crisis pressures. Additionally, from a public administration standpoint, moving toward more timely notification

of funding confirmations is essential to support organisations without drastic policy change or increased funding, especially for more financially vulnerable organisations at the start of each financial year.

- **Sector Implications:** EAG participants spoke to the power of peer-support groups across the sector to both facilitate continuous learning and collaboration as well as provide human-level support through difficulties. This analysis points to what organisations may be best to focus on in convening such groups, such as those working in health or social care (non-staffed) or non-registered charities (staffed), who were more reliant on reactive tactics.
- **Further Research Opportunities:** Further research should investigate significant patterns further, such as how organisation size, volunteer capacity levels, main activities, and leader outlooks influence how organisations respond to crisis, and why they used more/less reactive and adaptive tactics throughout the crisis and beyond. Additionally, this analysis has shown marked differences between how staffed and volunteer-run organisations react differently to crisis, suggesting that further research may benefit from focusing on how having staff or being volunteer-run affects how organisations act as a crisis unfolds.