

# ENHANCING THE FINANCIAL SUSTAINABILITY OF EBMOS



International  
Labour  
Organization



**ITC**  
International Training Centre



# EBMOs Strategies for financial sustainability

- **Objective:** Analyzing Financial strategies employed by national inter professional Employers' and Business Membership Organizations (EBMOs) to ensure their viability and sustainability
- **Method:** Comprehensive analysis of the financial data from Employers and Business Membership Organizations
- **Data Sources:**
  - Financial Statements
  - Income & Expenditure Accounts
  - Balances from International Training Centre of the International Labour Organization (ITCILO)
  - Supplementary Data
  - Qualitative Insights from Leader Interviews
- **Sample size:** 50 national cross sectoral EBMOs (peak associations)

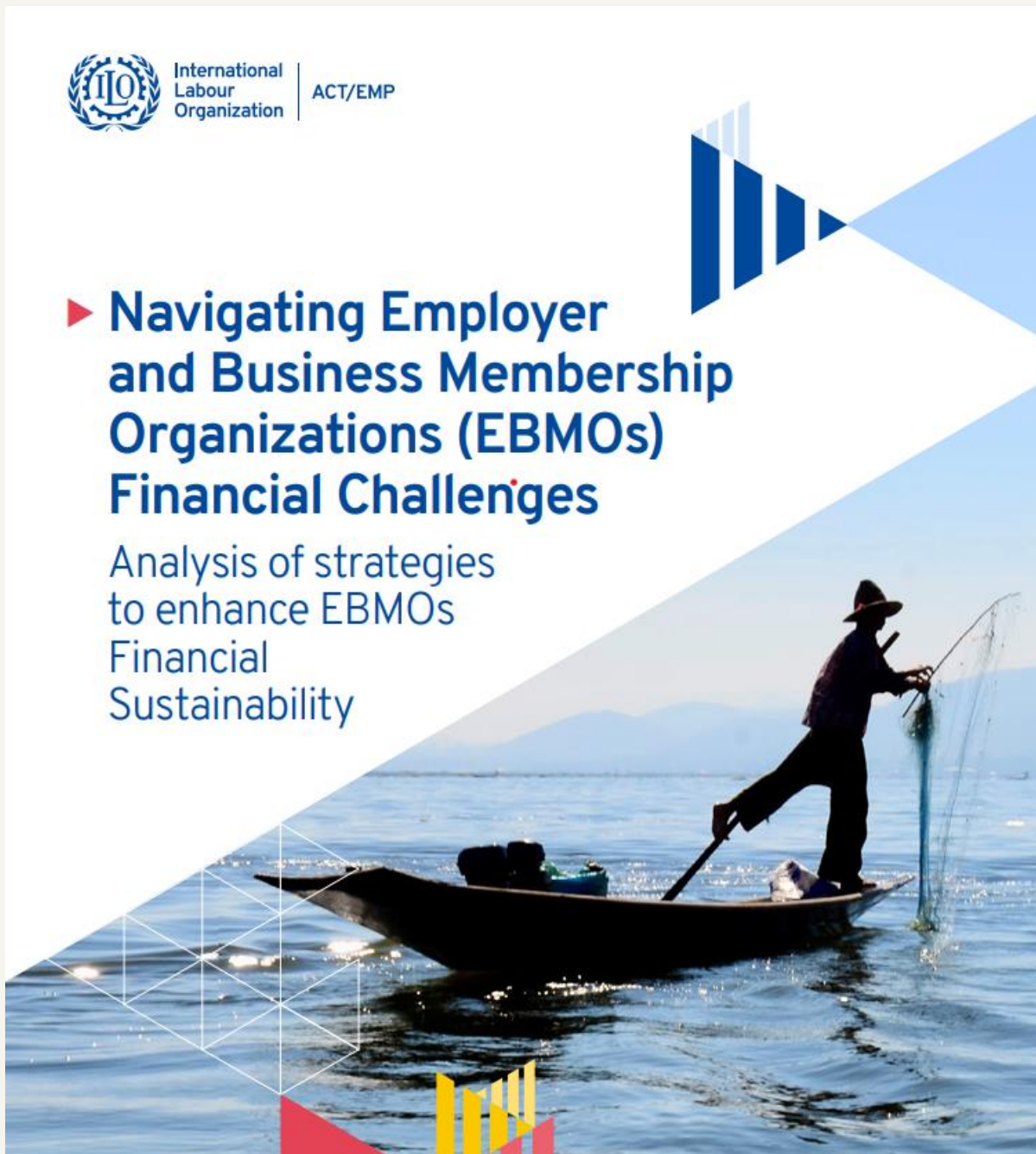


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# ► Navigating Employer and Business Membership Organizations (EBMOs) Financial Challenges

Analysis of strategies  
to enhance EBMOs  
Financial  
Sustainability





# *Main findings*





# Financial Sustainability Snapshot of EBMOs:

**Top Concern:** Financial sustainability is a primary concern for EBMO leaders.

- **Impact of COVID-19:**
  - Reduction in income:
    - Average: 10%
    - Up to 20% in some cases
- **Recovery Post-Pandemic (as of 2022):**
  - 80% of EBMOs have recovered to at least 2019 levels
- **Performance in 2022:**
  - 75% of EBMOs reported solid performance and surplus
  - 25% reported a deficit:
    - Average deficit: 11% of total revenue
- **Long-term Growth (2012-2022):**
  - Average income growth rate: 2%

# EBMOs face a lack of consistent financial sustainability strategies

Three Fundamental Strategies:

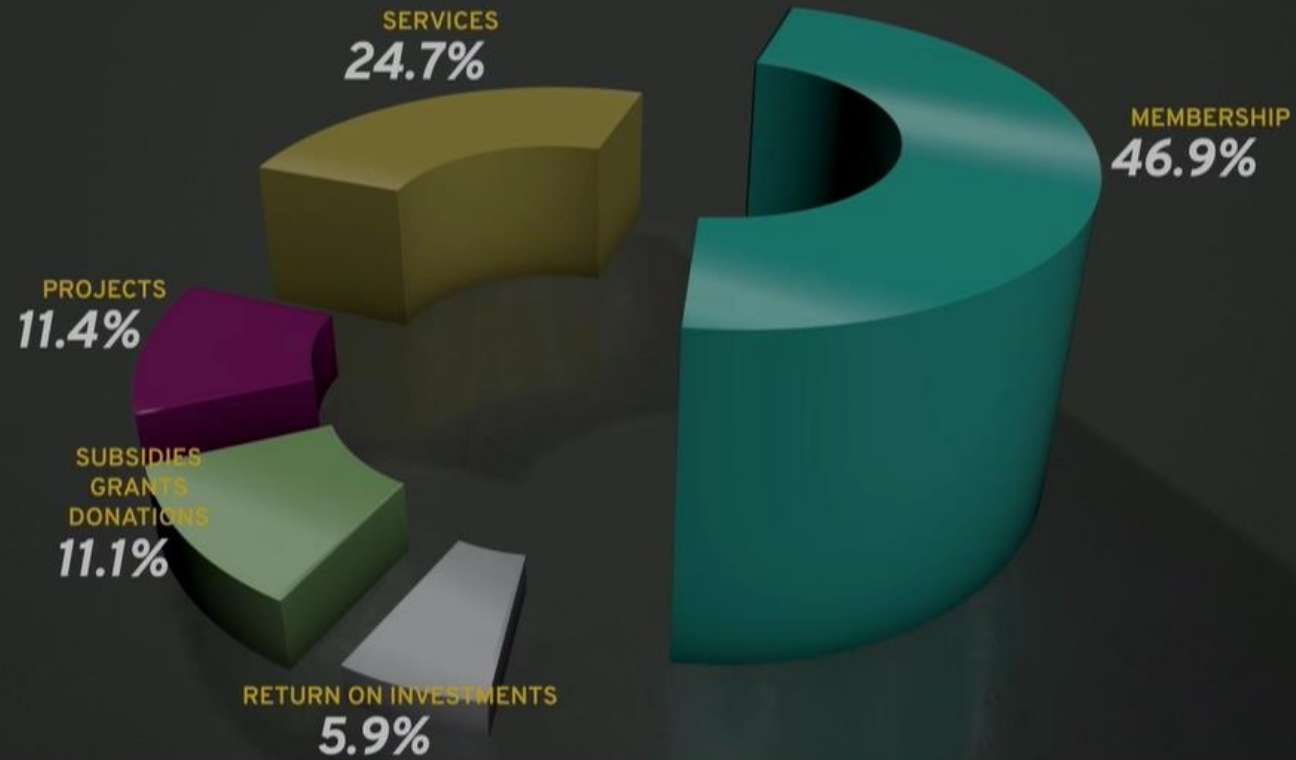


# Strategy 1: Income increase

The predominant strategy for ensuring financial sustainability

How do EBMOs get their money?

WORLD AVERAGE





# *Membership income (46%)*

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- For 90% of all EBMOs, membership income constitutes the primary and principal avenue for enhancing financial sustainability, accounting for an average of 40-50%, often reaching around 70% of their annual income.



# *Services* *(24%)*

- The secondary income source for most EBMOs is derived from services
- Entrepreneurial forays into innovative service models remain scarce or limited in scale.

## **Which services are income generators?**

- Training
- IR / HR consultancies
- Events
- Monopolies linked services

## *Projects (11%)*

Projects are the tertiary source of income and hold a certain appeal for some EBMOs

BUT

**Dependency on Funding, Risk of Mission Creep, Lack of Predictability, Limited Financial Gain**

## *Subsidies, donations and grants (11%)*

A few EBMOs, situated across various continents, still rely on state subsidies or granted monopolies as their primary or secondary sources of income.

## *Return on investments (6%)*

For 10% to 15% of EBMOs, investment returns constitute a pivotal and welcomed supplementary source of recurrent income.

# *Some lessons on income increase*

- Most EBMOs aspire to **diversify their income sources**, aiming to reduce dependency on a single dominant source (balanced mix)
- **Higher-quality value proposition that attracts more membership income**: specific offers to reach out to new segments, better articulation with lower level organizations
- **Increase in revenue from paid services**: Specialization and building your own niche is the secret for more service income
- Look for financially interesting **projects within EBMOs mandate** and adding value to members
- Building up **reserves** pays off in the medium to long term



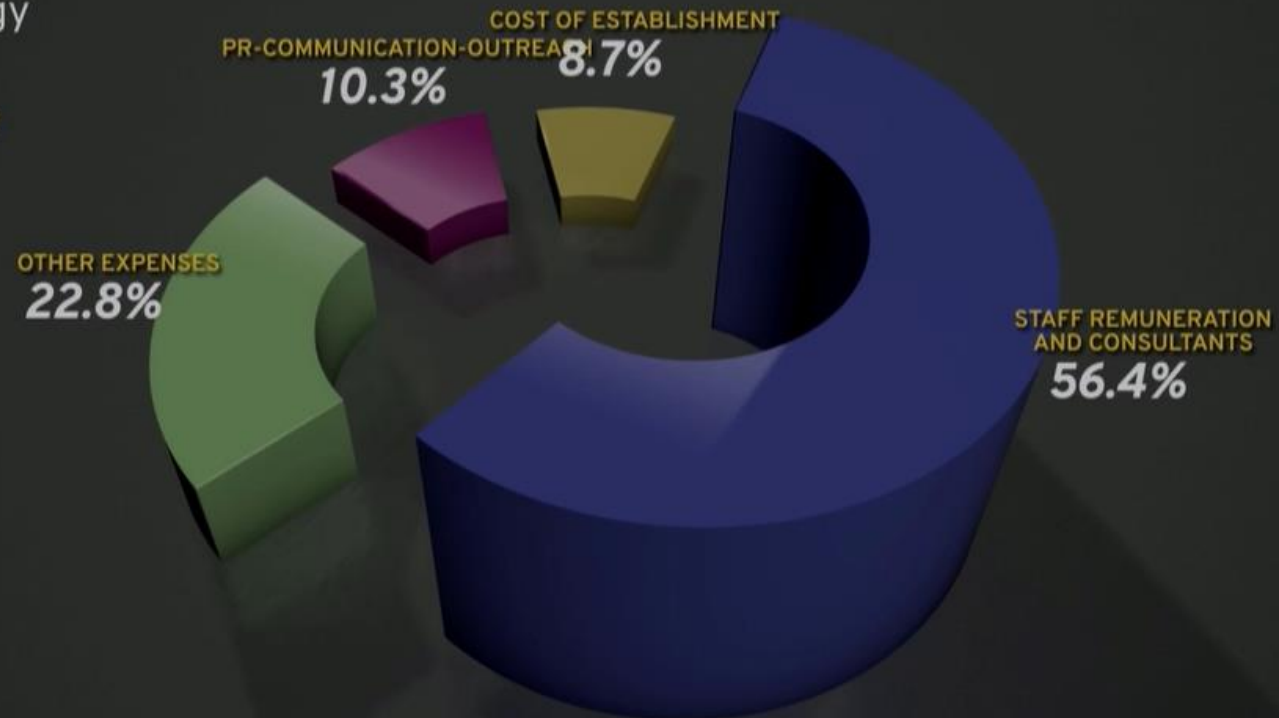


## Strategy 2: Expenditure control

Expenditure control is a  
important part of a strategy  
for financial sustainability

How do EBMOs spend their money?

WORLD AVERAGE



# *Staff costs (56%)*

- Highest Expenditure Category
- Staff Retention and Investment
- Limited Exploration of External Staffing Solutions

# *Costs of establishment / housing (9%)*

- *EBMOs (80%) are indeed proprietor of their main building*
- *Rental expenses are a rather small part of total expenses*
- *The issue of regional offices*





# *Outreach and PR and communication (10%)*

- Important expenditure to deliver value to members
- Noticeable increase in the expenditure budgets in this item, partially driven by digitalization processes



# *Some lessons on expenditure control*

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- Expenditure control is an important part of a strategy for financial sustainability.
- Data monitoring and assessment of expenditures levels per category is a healthy exercise.
- Staff are the most important assets to deliver value: talents acquisition and retention are wise investments
- Strategies which imply structural long term changes in expenditure, based upon cooperation or mergers have rarely been put into place in recent years.

# Strategy 3:

## Management of reserves

- Reserves, crucial for weathering challenging periods or facilitating new investments, were found to be relatively robust **in 50% of the EBMOs**
- In the Global South **3 out of 10 EBMOs have reserves not exceeding 6 months** of their total expenses and thus exposing them to significant risks.



# Some lessons on Management of reserves

*Despite the not-for-profit nature of EBMOs, prudent financial management impose reflections over suitable profitability rate and appropriate creation of reserves to ensure long term financial sustainability.*