

Chapter 8

Charitable giving

Highlights

- Charitable giving by individuals was estimated to be worth £8.2 billion in 2004/05.
- The average monthly donation per person was £14.17.
- The proportion of the population giving to charity in a typical month was 57.2%.
- Around 60% of the total amount donated was accounted for by only one eighth of the population.



8.1 Introduction

Despite an increase in contract funding, and continued calls for charities to diversify their income, charitable giving by the general public continues to be a significant source of income for the sector.

Here we look at the findings from the NCVO and CAF (Charities Aid Foundation) survey of individual charitable giving and think about how they compare with data on donations from charities' financial accounts. We then turn to tax-efficient giving and the impact this has on the amount that charities receive from individuals.

8.2 Measuring individuals' charitable giving

Most of the data presented in this chapter are based on a survey carried out by ONS (Office for National Statistics). ONS runs a module of questions on behalf of NCVO and CAF three times per financial year, as part of their Omnibus Survey. In 2004/05 the sample consisted of over 5,000 adults. Using computer assisted, face-to-face interviews, the survey asks a number of questions about: whether people have given; the ways in which they have given; the causes to which they have given; and whether they have given tax-efficiently.

Prior to 2004/05, the survey was run by NOP. Changes to the survey (including the list of methods and causes) as well as the different sampling methodology used by ONS, mean that it is not possible to make direct comparisons with previous years.

It is also difficult to compare these data, based on a survey of donors, with the estimates in Chapter 7, which are based on charities' financial accounts. This is because:

- the charitable giving survey asks individuals about their gifts to any charitable cause. These will inevitably include gifts to schools, churches and other organisations not included in the general charities definition (Chapter 3).
- the survey asks about various types of purchase gift which include membership subscriptions, buying a raffle ticket and buying items in a charity jumble sale. The classification of income types in Chapter 7 treats this type of giving as earned income from individuals, and not as donation. It is also likely that some of this purchase giving is included in the income of trading subsidiaries.

These differences are likely to mean that surveys of individuals result in higher estimates of individual charitable giving, than analysis of charities' financial accounts. It is also accepted that surveys of individuals are subject to problems caused by imperfect recall and social desirability (resulting in exaggerating size and number of gifts), although a number of mechanisms have been incorporated into the ONS survey in order to minimise these effects.

8.3 Overview of giving

In 2004/05 57.2% of UK adults gave to charity in a typical month. The average amount given per month was £14.17 per person, or £24.76 if you take into account only those who have given. For the whole of 2004/05 the average gift per head was £170.02 (or £297.10 per donor). This amounts to a total of £8.2 billion given in 2004/05 by the UK adult population.

This estimate of the total amount given is much higher than the £4 billion of voluntary income from individuals reported in Chapter 7. If it is assumed that a substantial proportion of the income earned from individuals (£3.9 billion) is 'purchase giving', then the two estimates are much more in line. Also, the narrow general charities definition will mean that the estimates from charities accounts are fairly conservative. The survey of individual giving, however, allows respondents to make their own mind up about whether a cause is charitable or not, resulting in a broader estimate of the value of charitable giving.

8.4 Who gives to charity?

Charitable giving habits are related to a range of demographic categories including age, sex, region and socio-economic classification. The propensity to give and the amounts given can vary considerably according to these variables.

Table 17: Average donations and proportions of people giving

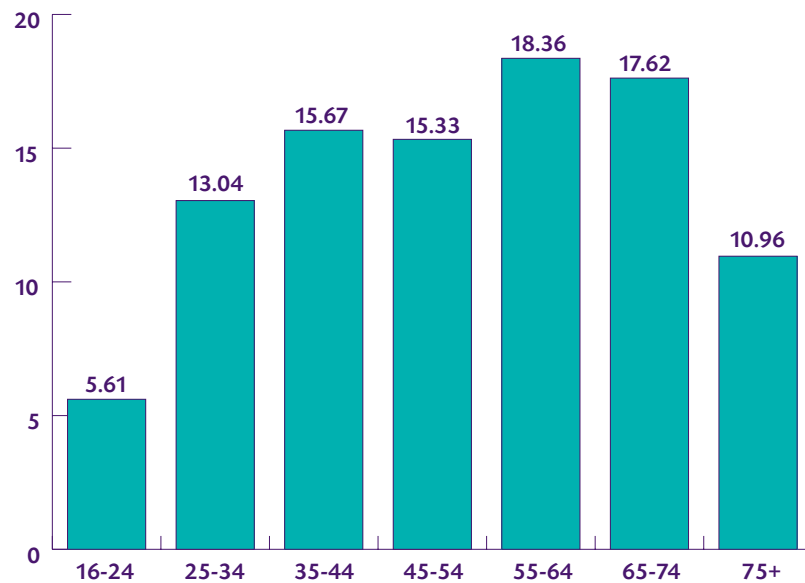
		Average donation per month (£)	Proportion of population giving to charity (%)
Sex	Men	13.9	51.6
	Women	14.41	62.1
Age	16-24	5.61	50
	25-34	13.04	57.5
	35-44	15.67	63.3
	45-54	15.33	58.1
	55-64	18.36	58.9
	65-74	17.62	58.2
	75+	10.96	48.4
Region	London	22	50.5
	Scotland	16	61.2
	South West	15.17	62
	South East	14.83	58.7
	North West	14.2	59.2
	East Midlands	13.56	57.4
	East of England	11.82	58.8
	Yorkshire and the Humber	11.28	53.2
	North East	11.06	58.3
	West Midlands	10.74	55.8
Wales	10.1	53.1	
Socio-economic classification (occupation types)	Managerial and professional	24.27	66.1
	Intermediate	11.41	58.2
	Routine and manual	9.21	51.1

Source: NCVO and CAF

Women are much more likely to give to charity than men in a typical month with 62.1% of women making at least one donation, compared with 51.6% of men. Women also give more in a typical month, with an average gift of £14.41 compared with £13.90 for men.

The age group giving the most to charity in a typical month is the 55 to 64 year-olds who give an average of £18.36 per month. 16 to 24 year-olds give the least, with an average monthly donation of £5.61. The age group most likely to give to charity is the 35 to 44 year-olds, 63.3% of whom give to charity in a typical month. It is worth bearing in mind that average income varies enormously with age – a factor very likely to be closely related to the amount given.

Figure 13: Average monthly donation, by age (£)



Gift size also varies according to region. Londoners give the most, with an average donation of £22 per person per month. People in Scotland give the next largest donations, with an average per month of £16. At the other end of the scale are West Midlands and Wales, with average donations of between £10 and £11 per month.

The picture is a little different when we look at the proportion of people giving. Londoners are actually the least likely to give (despite making the largest donations), with only 50.5% giving to charity in an average month. People from the South West and Scotland are the most likely to give, with over 60% of the population in these areas giving to charity in a typical month.

Again, variation by region is no surprise when we take into account the regional differences in average income. Londoners, who give the most, also earn the most, with an average annual salary of around £26,000. At the other end of the scale, people from Wales and the North East, where average donations are relatively low, have average salaries of around £16,000. People from Scotland and the South West, however, are interesting exceptions as they make comparatively large donations, despite having fairly low average salaries (between £17,000 and £18,000).

Figure 14: Average monthly donation, by region (£)

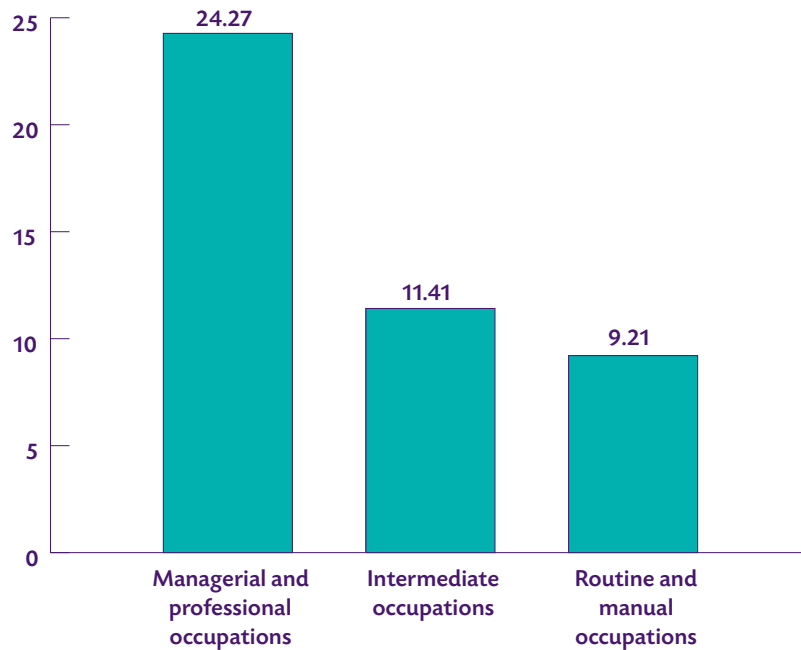


An individual's propensity to give is strongly related to their socio-economic classification. Those in managerial and professional occupations are the most likely to give, with two-thirds of those in this category giving to charity in an average month. Those in intermediate occupations and routine and manual occupations are less likely to give (58.2% and 51.1% respectively).

The picture is similar for average donations. Those in managerial and professional occupations give the largest average donation per month (£24.27), with those in intermediate, and routine and manual occupations giving much less (£11.41 and £9.21 respectively).

Again, income is an important factor here, with those in managerial and professional occupations likely to be relatively high earners.

Figure 15: Average monthly donation, by socio-economic classification (£)



8.5 Methods of giving to charity

There is a wide range of ways in which people can give to charity. Cash gifts are the most popular way of giving, with almost a quarter of the population giving in this way in a typical month. But this method generates only 13% of the total amount donated, meaning that while this is a popular way to give, people use it as a way of giving relatively small amounts.

Similarly, around one in six people say they have given by buying a raffle ticket in a typical month, but raffle tickets generate only one twentieth of the total amount donated. Despite not generating a large proportion of the total amount donated, these ways of giving to charity are important as they offer an opportunity for those who don't have much to give, to engage with a range of causes. They do not require any long-term commitment (unlike direct debit gifts, membership fees or covenants) and can be made spontaneously without any planning.

At the other end of the scale, well under 10% of the population give by cheque, credit card or debit card in a typical month, but these methods generate over a quarter of the total amount raised, as people are more likely to make relatively large donations when giving in this way.

Figure 16: Proportion of the population giving by each method (%)

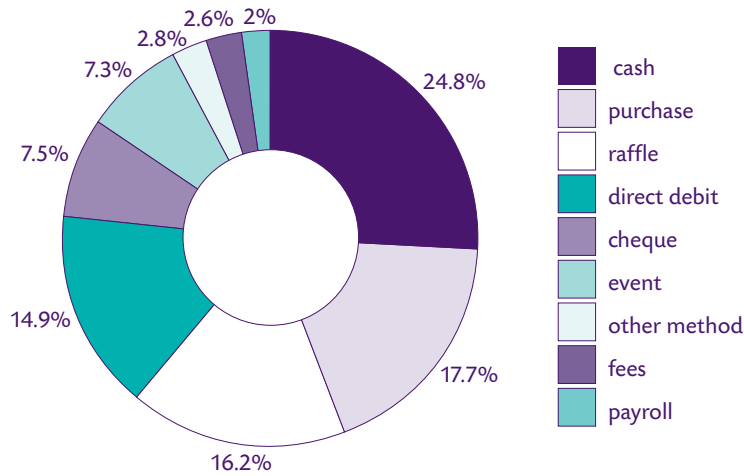
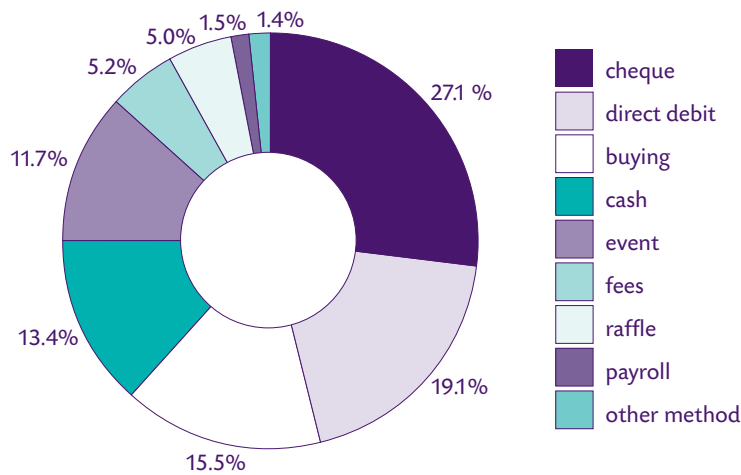


Figure 17: Proportion of the total amount given generated by each method (%)



8.6 Charitable causes

The wide range of charitable causes means that donors have a lot of choice, but certain causes are consistently popular. Over a fifth of the population give to medical research in a typical month. This cause also accounts for the largest proportion of the total amount donated – 13%. Combined with other health related causes (hospitals, and physical and mental health care) it accounts for well over a quarter of total giving.

Religious organisations receive donations from around 7% of the population in a typical month but this accounts for 13% of the total amount given, suggesting that those giving to religious organisations are giving relatively large amounts.

Figure 18: Proportion of the population giving to each cause (%)

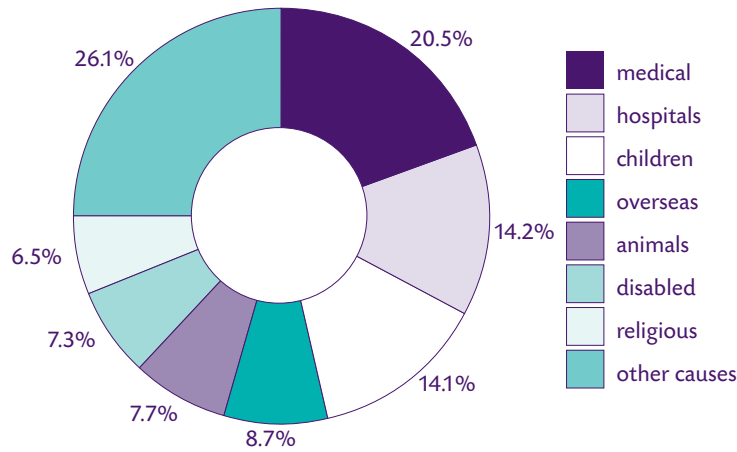
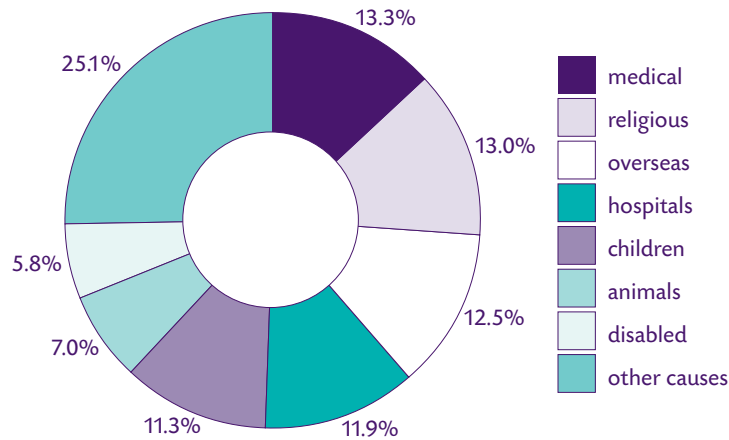


Figure 19: Proportion of the total amount given generated by each cause (%)



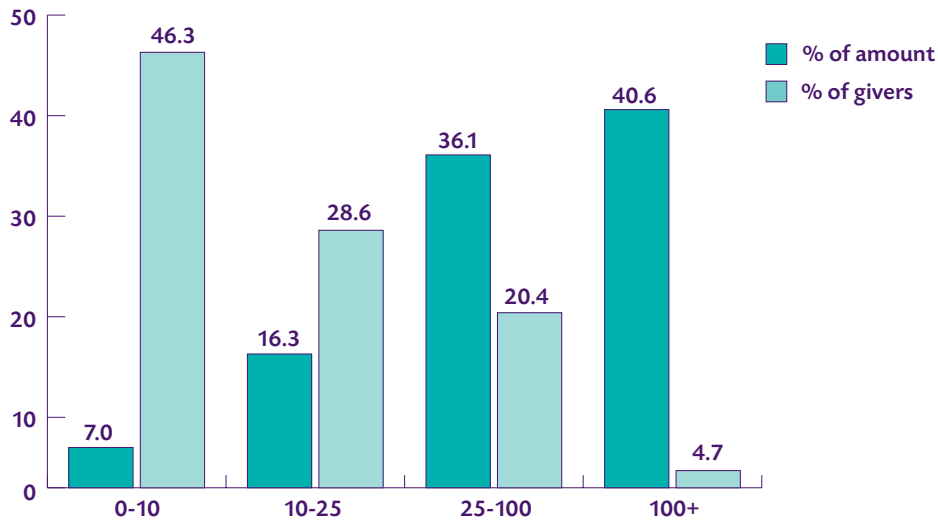
8.7 Distribution of gift sizes

Donors' monthly gift sizes vary enormously, from a few pence to over a thousand pounds⁵. In a typical month, almost half of all donors give less than £10. However, while gifts of this size account for such a large proportion of givers, they make up only 7% of the total amount given.

At the other end of the scale, less than one in twenty donors give £100 or more in a typical month, yet this small number of donations accounts for two-fifths of the total amount given. This highlights the relative importance of what are sometimes referred to as 'big givers' or 'major donors'.

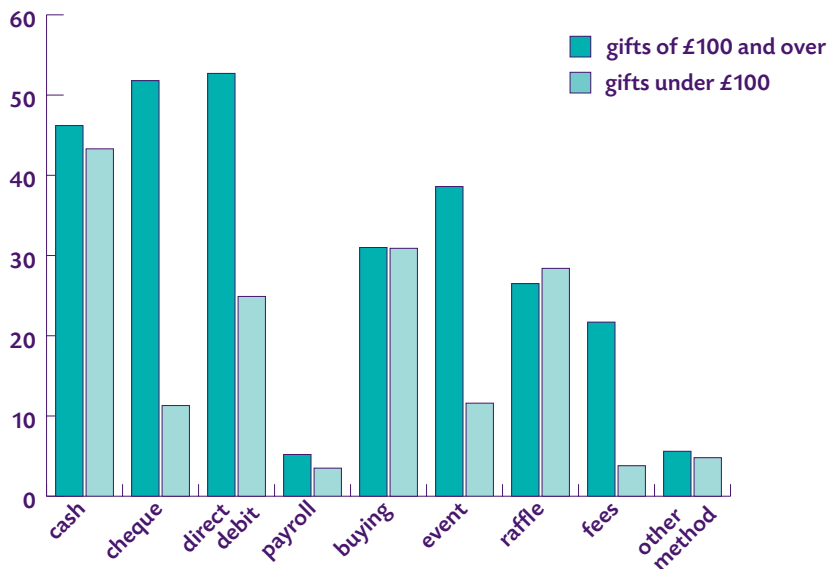
⁵ Total monthly donations may consist of several individual gifts.

Figure 20: Size of monthly donations and proportion of donors, 2004/05 (%)



Not surprisingly, the profile of giving is quite different for different sizes of gift. If we look separately at those whose total donation in a typical month was under £100, and those whose total donation was £100 or more, we find that there are differences in the way they give to charity. Big givers are much more likely to give to charity by cheque, credit card or debit card, than those who give smaller gifts. They are also more likely to give by direct debit, by attending a fundraising event or by paying membership fees or subscriptions.

Figure 21: Proportion of donors using each method, by size of monthly donation (%)



Source: NCVO/CAF

8.8 Tax-efficient giving

Public awareness and use of tax-efficient giving has been growing steadily in recent years. This is due to efforts by the government following the April 2000 changes to tax-efficient giving schemes, and campaigns by bodies such as the Giving Campaign and CAF.

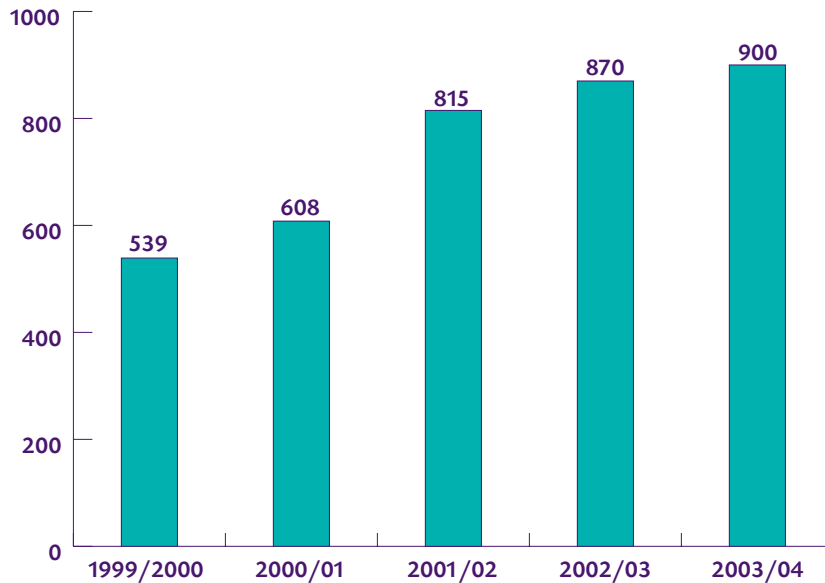
There is a number of ways in which donors can give to charity tax-efficiently, and a number of changes introduced by the Chancellor in March 2000 have made it easier for donors to do this. The changes include the removal of the £1,200 limit on gifts made through payroll giving, and the removal of the minimum limit of £250 for donations that can be 'gift-aided'. These changes, combined with the efforts of the Giving Campaign, have increased awareness of tax-efficient giving and helped to promote a culture of giving in general. The survey results suggest that in a typical month, 33.9% of those who could have done so, gift-aided at least one of their donations.

According to data from the HM Revenue and Customs, charities received £2.8 billion from gift-aided donations in 2004/05. This figure includes £625 million in tax relief paid back by the government. The gross giving figure for 2004/05 represents a 6.2% increase on the previous year. In addition, £83 million was raised through payroll giving. This is a decrease on the £91 million in 2003/04 but is explained by the fact that, as of April 2004, the government no longer add an additional 10% onto the amount raised through payroll giving.

8.9 Corporate giving

According to figures published in CAF's *Charity Trends 2005*, corporate donations represent around 3% of the value of money and time donated to charities each year. CAF use a measure called WCI (Worldwide Community Involvement) which includes not only gifts of money, but volunteering and gifts in kind as well. It seems that corporate giving is being increasingly dominated by the banking sector, with five of the top seven corporate donors being banks. But big giving is still concentrated in a relatively small number of companies, with only 52 companies giving more than 1% of their pre-tax profits to charity, and only 65 giving £1 million or more. WCI has been on the increase in recent years, but this growth is dominated mainly by a single company – GlaxoSmithKline.

Figure 22: Worldwide Community Involvement, 1999/2000 – 2003/04 (£million)



Source: CAF

Corporate responsibility versus corporate philanthropy

Leo Martin, Director, GoodCorporation

During the 1980s and 1990s, the notion of corporate responsibility was virtually synonymous with corporate philanthropy. In recent years, however, the definition of corporate responsibility has broadened and become decoupled from philanthropy.

The current view of corporate responsibility is that it is about a range of responsible business practices that includes 'fair' behaviour towards all stakeholders, including employees, customers, suppliers, partners, and the environment and – in a growing number of companies – it is extending to include 'fair' treatment of shareholders. While community involvement may have been a starting point, the changing focus has meant that the philanthropic and community elements are no longer centre-stage in many corporate responsibility programmes.

Coupled with this change is an important shift in the nature of community involvement. Companies are recognising that community involvement is more than writing a cheque and giving some money away after work. More and more companies are looking at their core skills and working out how they can contribute to the

community in a more sustainable way. This might mean using skills to help local organisations, donating products and services, donating employee time and even partnering with community organisations. Companies are also recognising that benefits for their own employees' morale and skills, as well as for corporate reputation, can be considerably greater than writing a cheque to a favourite charity or organisation.

These changes mean that for community organisations that have relied on corporate donations, income may well continue to fall compared to other types of income. But there are emerging opportunities for community organisations that are able to sell their 'needs' to companies in packages that align with companies' own needs.

While large companies will remain the most active, it is interesting to note that smaller listed companies are also starting to develop these types of programmes.

The bad news is that these relationships do take more time to establish. The good news is that they may prove to be longer-term and more sustainable.

8.10 Conclusion

The last couple of years have been an interesting time for charities. The Asian tsunami in December 2004, along with the Make Poverty History campaign in 2005 and the hugely popular charity wristbands have meant that particular causes have been highly visible. But what this might mean for charitable giving in the future is unclear. Have recent events helped to raise the profile of the sector as a whole? And will charities find ways of harnessing the passion that has been evident in connection with recent events and convert it into a commitment to regular giving? Perhaps the passage of time will go some way towards helping us to answer these questions. But in the meantime, the new NCVO/CAF individual charitable giving survey will continue to monitor charitable giving by the UK public. The proportion of people giving, and the average monthly gift, as well as take-up of gift-aid and the use of planned giving methods requires close monitoring.

8.11 Resources and further reading

All About Giving – a CAF website with information on tax-efficient giving:
www.allaboutgiving.org/

Campbell, B. (2003) *Make giving go further - a fundraiser's guide to tax-effective giving*. London: The Giving Campaign

Egan, B. (2003) *Making a bigger splash: moving from spare change to planned charitable giving*. London: Social Market Foundation: www.smf.co.uk/

ESRC and NCVO (2005) *Charitable giving and donor motivation*. ESRC

The Giving Campaign website – the Giving Campaign closed in Spring 2004, but its website is still accessible, and contains a range of free reports on various aspects of charitable giving: www.givingcampaign.org.uk

HM Revenue and Customs (HMRC): *Giving to charity by individuals*
www.ndcs.org.uk/docs/ir65.pdf

HMRC: Information for donors: www.hmrc.gov.uk/charities/donors.htm

HMRC: statistics on tax-efficient giving: www.hmrc.gov.uk/stats/charities/menu.htm

Institute for Philanthropy – research and policy work on philanthropy.
www.instituteforphilanthropy.org.uk

Institute of Fundraising - the membership body for UK fundraisers, with information on giving and fundraising: www.institute-of-fundraising.org.uk/

Jas, P. (2000) *A gift relationship? Charitable giving in theory and practice*. London: NCVO:
www.ncvo-vol.org.uk

Lloyd, T. (2004) *Why rich people give*. London: Association of Charitable Foundations

NCVO and CAF (2005) *UK giving 2004/05*. NCVO/CAF: www.ncvo-vol.org.uk

Pharoah, C., Walker, C., Goodey, L. and Clegg, S. (2005) *Charity trends 2005*. CAF

Philanthropy UK – a project (now ended) run by the Association of Charitable Foundations to promote ‘new philanthropy’: www.philanthropyuk.org/

New Philanthropy Capital - aims to help donors and charities alike to understand where and how funds can be targeted most effectively: www.philanthropycapital.org/

Walker, C., Pharoah, C., Jas, P., Passey, A. and Romney-Alexander, D. (2002) *A lot of give: trends in charitable giving for the 21st century*. Hodder & Stoughton: info@dsc.org.uk