



Cass Business School
CITY UNIVERSITY LONDON



Centre for Charitable Giving
and Philanthropy



Charity income trends

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Perspectives on trends

- ***CMM 2010*** re trends in 2008 -2009 imminent - 2007/08 patterns to continue/worsen?
- **Unison, NSPCC, Russam GMS, Charity Commission** - reports re staff/ service cuts
- **Individual Giving Survey, INVESTEC, CGAP study, anecdotal** – exceptions CFN, Haiti
- **Legacy giving**

Re- cap 2007/08

- ***largest 300 had small fundraising increase of £258m***
- ***rise of from £5 to £5.3 billion; growth just real 0.9%***
- ***2/5 of the largest 300 experienced reduction;***
- ***fundraising income of top 10 grew at real 2.3%***
- ***top 10 income accounted for ¼ of top 300***

Trends in charitable trusts

■ Baker Tilly survey - majority expecting investment income falls - Carnegie, BLF, Wellcome recovery but..

2007/08

- charitable expenditure of the top 300 grant-making trusts was £3.4 billion
- excluding BLF and Wellcome, grant-making grew only by real 1.6%
- two-fifths of trusts saw a real-terms fall in the value of their grant-making;
- any significant increases were largely due to one-off, large and specialized grants

2008/09

UK's largest 500 fundraising charities	2007/08	2008/09	real change
	£m	£m	%
Income from investments	506.5	483.7	-8.4
Investment funds	8538.2	6991.9	-21.4
Net Assets	19537.9	18282.9	-10.2

Trends in corporate giving 2007/08

- trend for pharmaceutical, supermarket, extraction and insurance sectors to oust dominance of financial services in giving
- continuing trends towards broader concepts of corporate community involvement
- £1.7 billion 'given' - balance *between cash and in-kind is not clear*
- 37% was product donations of AstraZenica & GlaxoSmithKline;
- if AZ and GSK excluded, WCI was £1.1 billion
- WCI was 1.4% of pre-tax profit if product donations included, and 0.9% if excluded
- longer-term trends that after declining in middle of decade, WCI increased

Likely outlook for giving

- total household income began to fall in real terms in 1990, and charity income still grew in 1991
 - subsequently falling in 1992 and 1993, then rising strongly again (UK's top fundraising charities) .^[i]
- over early '90s as a whole, donations rose
- changes in donations move in line with changes in income
- US data concludes that economic downturns mainly tend to slow down the longer-run growth
- 2008 US report: giving has increased at real 2.8% pa for last 40 years, but fell in each recession^[ii].

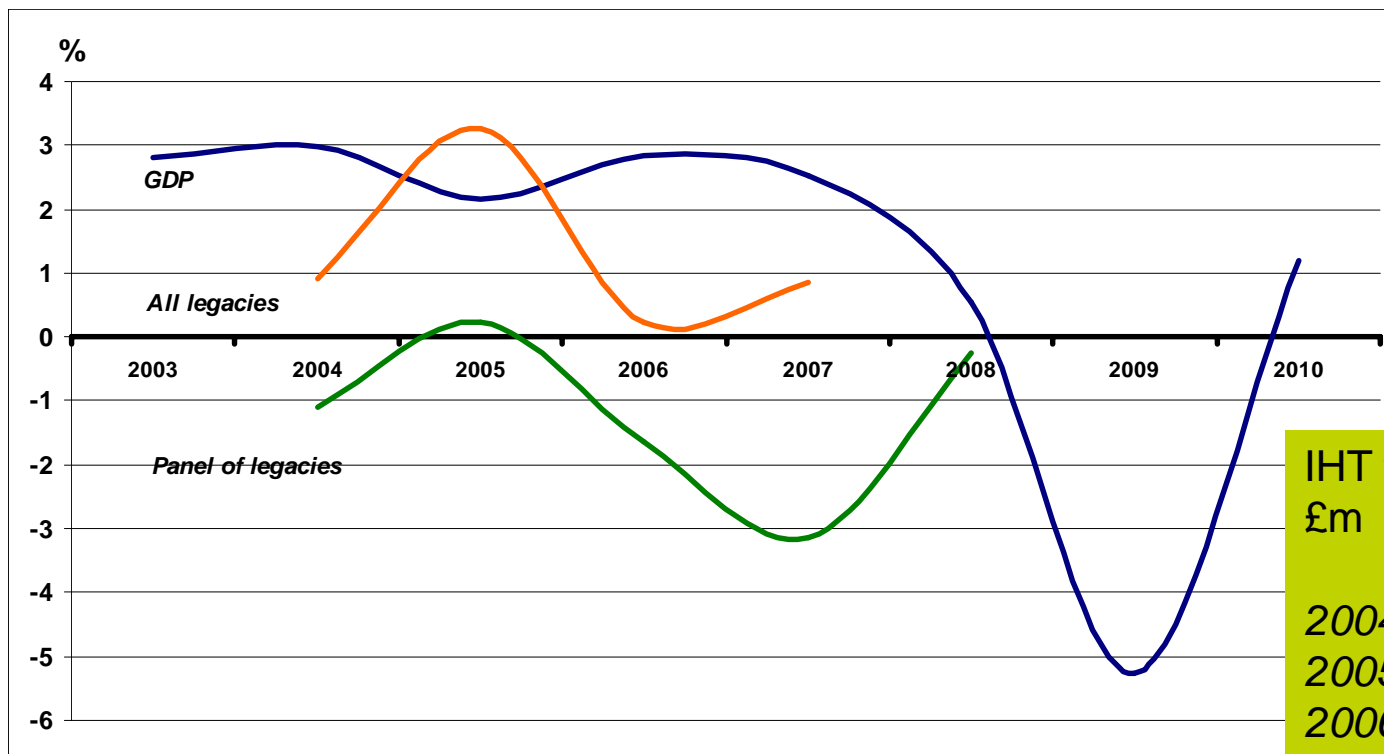
BUT

- factors which hold up levels of US giving relate to planned giving, including legacy income
- deferred not current income, so there is a time-lag in impact
- wealthy are particularly affected by longer-term investment values: public is affected by employment rate
- both factors likely to mean drop in giving, but uncertainty as to how much and when
- effect of charity mitigating measures?

[i] Micklewright, J and Pharoah C. Evidence to House of Commons Parliamentary Select Committee on International Development Aid. 31.03.09

[ii] The Center on Philanthropy at Indiana University. (2008) Special briefing on the economy and charitable giving. November 2008

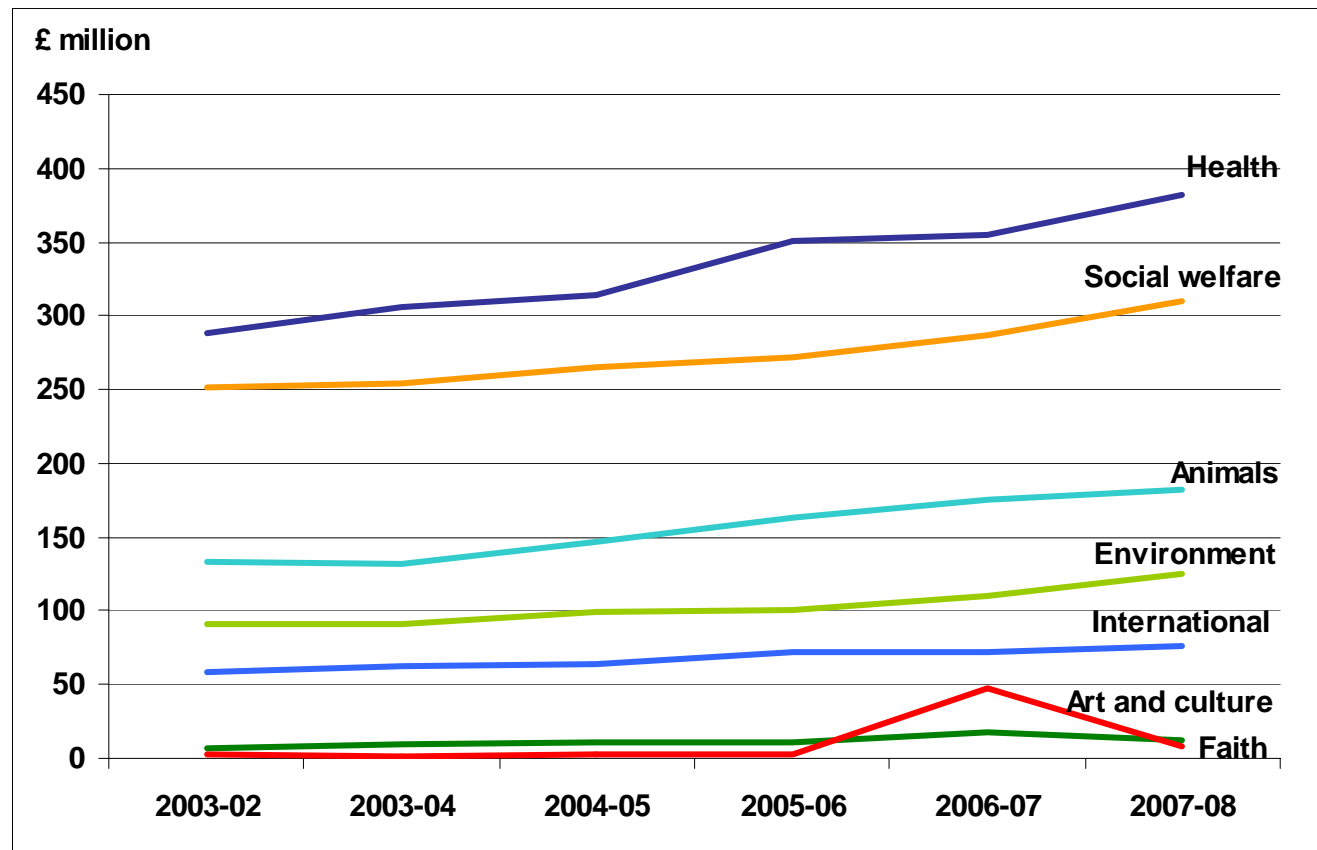
Growth trends in GDP and charity legacies



IHT tax-relief £m	
2004/05	440
2005/06	420
2006/07	410
2007/08	440
2008/09	380

Source: Unpublished analysis, Cathy Pharoah, Charity Market Monitor 2009, data from CaritasData 3000, and tradinge

Annual trends in legacy income by cause



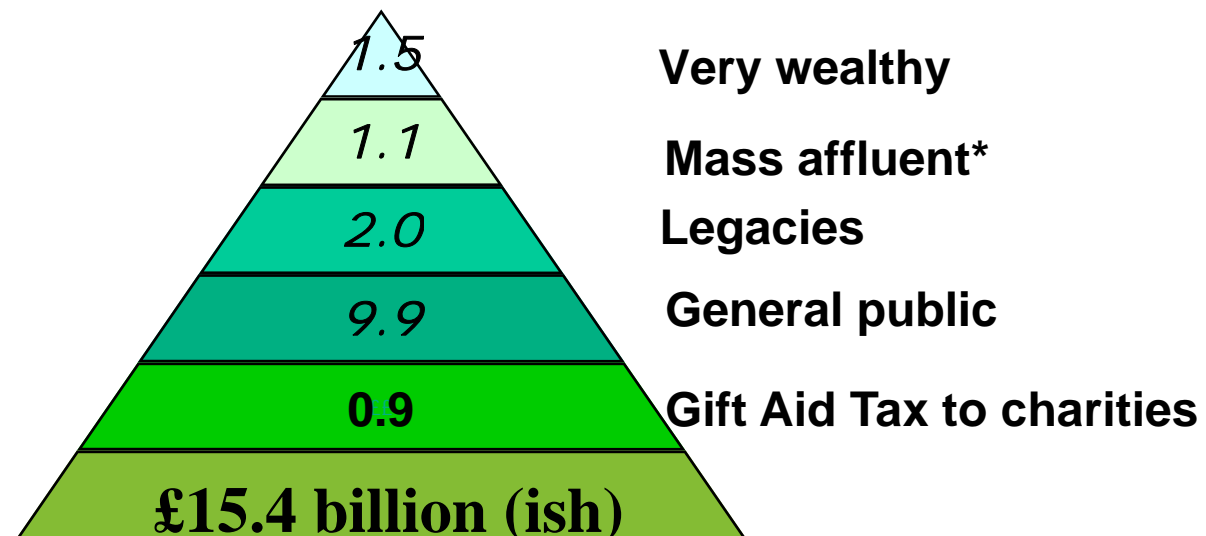
Sources: Cathy Pharoah, Charity Market Monitor 2008, Vol 1 and CaritasData Top 3000 2009 unpublished analysis,

Sector reactions

- Political and economic uncertainties
- Sensible and silly – CC report on trust investment management
 - ‘black holes’ in finance and silly figures
- Poor quality surveys – mistakes eg claims about corporate figures
- Gift Aid – impact of new regime on thinking?
- Public sector spending cuts – holding breath
- Difficulty discerning trends behind changes
- Litigious attitudes
- Collaboration or competition? – ‘Con- Dem’ model??

- Outlook – not cliff edge, but harder times – sector must show value – values? (NCVO)

How much do we give?—UK Giving Pyramid (*estimated*)



*Higher-rate tax-payers only

Sources: (McKenzie and Pharoah, www.cgap.org.uk/uploads/TaxAndGiving.pdf
UK Giving 2009 (CAF/NCVO); HMRC Table 10.2, 2009; Legacy Foresight 2009;
Sunday Times Rich List, 2008 (what happened to 2009?)

Does the City give more? – some perspectives

- Less than **1%** of people in London are earning **17%** of its income
- **One-third** of UK top earners are in London, which only contributes around **one-fifth** of all giving, ***even including all Rich List***
- On most generous assumptions, City Rich may donate 2.5% of income – **£0.5 bn** of 2007 national **£19 bn** bonuses (London, **8.8bn**)
- A **bit more** is probably given away in London/ the City – but not a lot
- FTSE **slightly** more generous - and only give **0.8%** of pre-tax profit

- What is happening to major donor giving in the ***recession?***

Source: UK Giving 2006/07, NCVO/CAF: Sunday Times Rich List 2007;
Cathy Pharoah, unpublished analysis

Key statistics on charitable legacies

Total value of charitable legacies	£2 billion
Value of estates above IHT threshold	£32 billion
Charitable legacies as % of estate value	6%
Individual giving as % of income	1%
Number of reported estates above IHT	54,052
Number of estates with charitable bequests	8,647
Proportion of estates with charitable bequest	16%
Proportion of people giving per month	54%

Single people are 5 - 7 times more likely to leave a charitable legacy than those married, widowed or divorced.

Women who have been widowed or divorced leave the vast majority of their estates to their children and other family members.

Why do people give?

- **Sense of fairness - awareness of need**
- **Efficacy of charities**
- **Solicitation**
- **Costs and benefits**
- **Altruism**
- **Reputation**
- **Psychological benefits**
- **Values**

Bekkers & Wiepking, Generosity and Philanthropy, A Literature Review, 2008.

CPNS, University of Queensland, Australians and the charitable bequest.

Address cultures of giving, perceptions of affordability

- **look at motivations and triggers (Bekkers/ Wiepking)**
- increase awareness of need and provide information
- messages of impact and effectiveness (legacies)
- reduce distance of donor and cause
- build on links with donor perceptions
- develop attitudes around 'deservingness', 'social approval'
- re-inforce social norms around giving
- maximise 'joy-of- giving' effects

.....and what about tax? (Scharf et al 2009)

.....some US studies have shown higher giving in states/times of poverty

Luxury, necessity, or wake-up call?

- real (research-based) assessment of recessionary effect
- affordability
- value for money
- impact
- confident, strong offering
- strong, clear, calm messages
- appeal to certainties in uncertain times
- re-thinking values?