

Diversity and donations

Does a greater variety of ethnic or religious groups within an urban neighbourhood lead to changes in people's charitable giving? Research by Abigail Payne and colleagues looks at the link between diversity and donations in the Canadian city of Toronto.

There are many reasons to embrace multiculturalism and diversity in our neighbourhoods. With diversity, however, we are mingling different cultures and a range of values and needs. These may lead to differences in opinion about the provision of public goods, be they through public or private provision. Our research explores whether neighbourhood diversity leads to changes in donations to charity.

Why diversity might affect giving

Whether diversity matters depends on the structure of charities and how one thinks about charitable giving. If residents prefer to sort into social groups that are similar to themselves in terms of ethnicity, religion or other definable characteristics, then increased diversity may mean that individuals are more likely to give to charitable causes that benefit their own group, such as local religious organisations or neighbourhood food banks.

If, however, charities are seen as helping those outside their group, then the same insular feelings that lead to less support for publicly provided goods may result in lower giving to these charities.

Previous research has focused on understanding how diversity affects publicly provided goods. It suggests that there is lower spending on goods such as schools, roads and hospitals in ethnically diverse communities. But the effect of diversity on charitable giving has not been as extensively studied.

Growing diversity could lead to significant and sizeable effects on the charitable sector

We study the effect of ethnic and religious diversity on donations reported on individual tax returns in Canada for the period 1991 to 2006. Although its population is slightly more than half that of the UK, Canada is an ideal place to study the effects of diversity. It is a highly diverse nation, one that promotes multiculturalism and is more open to immigration than most other developed countries. Over the last few decades, it has seen tremendous fluctuations in diversity.

Diversity at a community level

Our analysis is focused on studying individuals as a group defined by a neighbourhood. Here, a neighbourhood is defined by postal code boundaries and consists of an average of between 5,000 and 8,000 households. We look at reported donations by the individuals residing in these neighbourhoods and see if, as our measure of diversity changes, donations change (after controlling for individual shares of groups in neighbourhood composition and other characteristics of the neighbourhood).

To measure diversity, we sum the squared terms of each group (for example, the share of the neighbourhood population that belong to a given ethnic group) and subtract that from 1. This measure then ranges from 0 to 1, with 0 representing a neighbourhood with no diversity (all members are from the same group) and 1 representing a neighbourhood with complete diversity.

The value assigned to each neighbourhood represents the likelihood that any two random members of the neighbourhood belong to different groups. For example, a value of 0.15 would suggest there is a 15% chance that a person from one descent is likely to interact with a person from another descent.

Figure 1 illustrates the spatial distribution of ethnic diversity around Toronto, Ontario. We group each neighbourhood into quintiles based on their level of diversity. The darker shades identify neighbourhoods with greater diversity.

Looking at the characteristics as they existed in 2006, the areas closest to the centre of Toronto contain the highest levels of diversity. During the 1990s and 2000s, however, in many areas around Canada, the changes in diversity levels in neighbourhoods are mostly seen in the areas around the core of major cities (for example, the 'doughnut' around the city core).

Between 1996 and 2006, more than 60% of neighbourhoods experienced an increase in the shares of non-white ethnic groups of at least one type. There were increasing shares of East and Southeast Asians, South Asians, Blacks, Hispanics and individuals from Arab/West Asian descent. The highest proportions of non-whites in Canada, however, generally come from the East/Southeast Asian and South Asian areas.

Donation patterns

In Canada, all taxpayers may receive a credit against their taxes for their donations to charity. The credit is applied against both federal and provincial income tax liabilities. While each tax return represents an individual's income, couples can combine the tax receipts for their donations. We thus are reporting donations at the household level.

Between 1996 and 2006, the average donation per household was \$200 (£125). Average donations, however, increased over the period: from an average of \$175 in 1996 to \$280 in 2006.

More diverse neighbourhoods experienced a decline in giving

Measuring diversity based on ethnicity, neighbourhoods that increased in diversity experienced a decrease in giving. An increase of 0.1 in the diversity measure resulted in a decline of giving by \$27, representing a 14% drop in giving. To put this into context, between 1996 and 2006, neighbourhood diversity increased by an average of 0.06, resulting in a decline in giving by 8% over that decade.

Figure 1
Ethnic diversity, Golden Horseshoe 2006

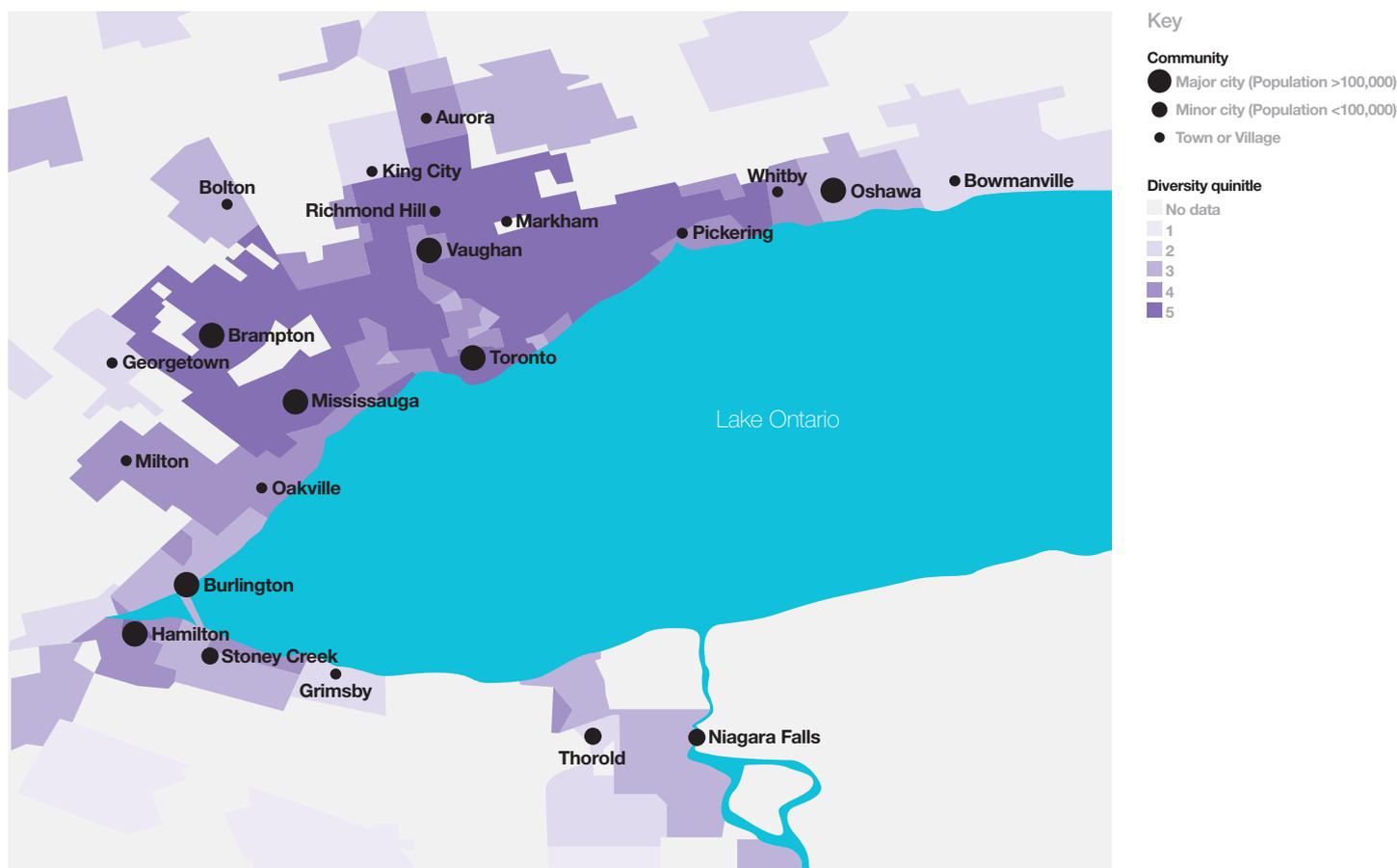


Table 1
Visible minority and religion groups over time

Visible minority	1996	Percentage Point Change 2006-1996	% of FSAs with Increasing Share 1996-2006
Not visible minority	85.47%	-5.64	12.50%
East/Southeast Asian	6.43%	2.05	73.45%
South Asian	3.02%	1.88	66.97%
Black	2.58%	0.51	69.53%
Latin American and Other	1.40%	0.61	76.37%
Arab/West Asian	1.10%	0.59	63.96%

Names of visible minority and religious groups are the names given in the Canada Census. The first column is the population share for a particular group, and the second column is the change in the share over 10 years. There is no data on visible minorities in 1991, and no data on religion in 1996 or 2006.

Religion	1991	Percentage Point Change 2001-1991	% of FSAs with Increasing Share 1991-2001
Catholic	45.05%	-1.90	42.47%
Christian	35.76%	-4.68	17.15%
No religion	13.72%	3.88	91.03%
Jewish	1.67%	-0.10	44.87%
Muslim	1.26%	1.39	74.78%
Buddhist, Hindu, Sikh, and Other	2.54%	1.42	65.50%



Canadian neighbourhoods that became more ethnically diverse experienced a decrease in charitable giving

The effect on giving in more religiously diverse neighbourhoods is less clear

What if we measure diversity based on religious background? In this respect, Canada is extremely diverse. While many Canadians describe themselves as Catholic or Christian, an increasing share of the population is affiliated with non-Christian denominations.

An increase of 0.1 in religious diversity decreases giving by \$20. But this estimate is less precisely measured and so it is harder to draw strong conclusions on the effects of changes in religious diversity on giving.

Policy implications

As communities continue to diversify, this diversity may lead to significant and sizeable effects on charities. This could lead to more diversification across charities if they try to specialise in ways that will promote greater affinity with the members of the communities in which they operate. Alternatively, the decline in charity revenues could lead to greater pressure from charities to receive more direct support from the government.

Yet, other research suggests that the public provision of public goods also declines with increases in diversity. Because donors are also voters, if donors decrease their support for charities as their neighbourhoods become more diverse, their voting behaviour could also signal to the government less interest in providing public support for the charities. So whether government support alone could counter the effects of changing neighbourhoods is not certain.

This article summarises 'Diversity and Donations: The Effect of Religious and Ethnic Diversity on Charitable Giving,' by James Andreoni, Abigail Payne, Justin Smith and David Karp, CMPO Working Paper No. 12/289 (<http://www.bris.ac.uk/cmipo/publications/papers/2012/wp289.pdf>).

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