The state of donation: long-term trends in UK charitable giving

How can the level of charitable donations in the UK be increased? *Edd Cowley* and *Sarah Smith* explore evidence on the public's generosity over the past three decades to shed light on the government's ambition to boost giving.

The government's recent 'Giving White Paper' states its desire to increase the level of giving – of both time and money – as part of creating a 'big society'. Our research with colleagues at the Centre for Charitable Giving and Philanthropy has analysed long-term trends in charitable donations to consider whether – and how – this desire might become a reality.

The research focuses on giving by the whole population, but it is worth noting that measures targeted at the very wealthy may be more effective at increasing total donations than anything directed at everybody. The government has not been clear whether its objective is simply to increase donations, to increase the number of donors or both. In terms of donations, one Bill Gates would be worth millions of households, but focusing on major philanthropists may be less in keeping with the idea of the 'big society'.

The research uses data from the Living Costs and Food Survey (formerly the Family Expenditure Survey) to carry out a comprehensive analysis of the main trends in giving to charity over the last three decades, 1978-2008. The survey does not capture major donors. It also covers a two-week period and is consequently likely to under-report the proportion of people who ever give to charity in a year.

But the main strength of the survey is that it provides reliable and consistent information on charitable giving among the general household population over a long period of time, allowing us to examine the main trends in giving. It also has detailed information on household characteristics that can shed light on the drivers of change.

> The way people give to charity has been transformed but there has been little change in the share of their total spending that they give

Our first finding is that fewer households give to charity now than three decades ago: 27% of households reported that they had given to charity in the last two weeks in 2008, down from 32% in 1978. More encouragingly, the millennium seems to mark a turning point in a long-term downward trend after giving reached its lowest point in 1999 (see Figure 1).

Second, average donations have increased in real terms over the last three decades. An increase in donors' giving has compensated for falling participation rates. Looking at the whole population (including givers and non-givers), donations have more than doubled. Looking only at givers, they have gone up threefold (see Figure 2).

But measured as a share of total spending, households are giving exactly the same as they were in 1998 and 1988 (0.4%). While the last 20 years have seen short-term increases in giving – in response to the Asian tsunami, for example, and in the millennium year – the spending share has been remarkably constant over a long period.

Figure 1: Proportion of UK households giving to charity in a two-week period

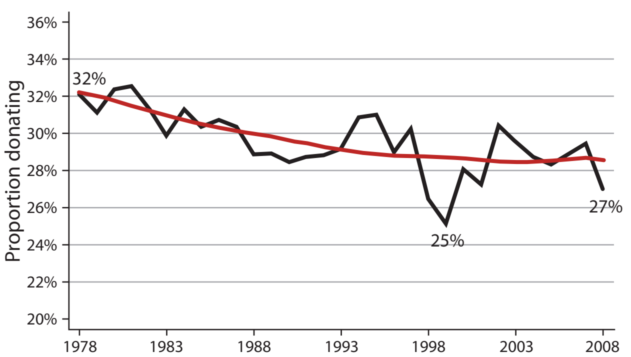
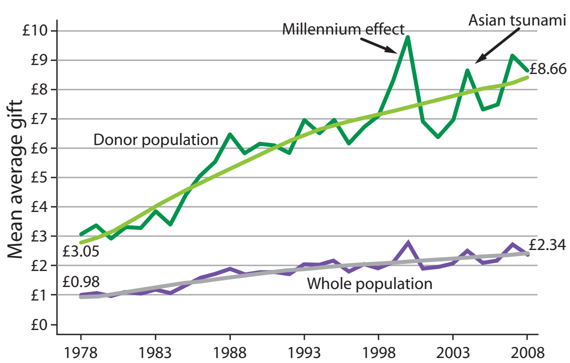


Figure 2: Average donations (£ per week)



Encouraging all donor households to give as much as the most generous households would be a very effective way of raising total donations

The relative stability in giving as a share of total spending is both good and bad news for the sector. Charities can rely on donors, even in times of recession, for example. The data show that over the last three decades, the value of giving has typically grown in times of economic growth, but has not fallen at the same rate as the economy during recessions (although our dataset does not extend to the end of the latest recession).

But the evidence from the past suggests that achieving the kind of step change in giving suggested by the Giving White Paper is likely to be a challenge. Over this period, there have been changes to tax relief (such as the introduction of Gift Aid), changes to giving technology (direct debit and online) and changes to fundraising. These changes may have prevented giving from falling, but there is little evidence that they have led to an increase in giving.

The White Paper highlights the potential of technology to drive increases in giving. But the evidence from the past suggests caution about whether technology can really transform whether and how much people give – or just changes the way they give.

The past 25 years has seen a big growth in donating through 'pre-committed' methods, including direct debits, standing orders and deductions from pay. The proportion of households giving in this way almost doubled – from 36% in 1983 to 63% in 2008 – and the share of total donations given in this way grew two and a half times – from 18% of total donations in 1983 to 46% in 2008.

The way in which people give to charity has been transformed, yet at the same time there has been little change in how much people give as a share of their total spending. The key test for new technology to increase giving is not just whether it is adopted but the extent to which it reaches new givers and/or encourages people to give more.

Our research also finds that older givers and richer givers now account for a larger share of total donations than 30 years ago. The over-65s give 35% of all donations now, compared with 25% in 1978. While this partly reflects the growing share of the over-65s in the population, levels of participation and generosity have increased most among older age groups.

This is partly a generational effect – those who are currently in their 60s and 70s have given relatively more at all ages than younger generations. At least in part, these generational patterns are likely to reflect differences in values and beliefs. The White Paper is therefore right to highlight social norms as an important driver of giving behaviour, although understanding what shapes such norms is far from clear.

Increases in both participation and donations among the richest of households over time have meant that they account for an increasing share of total donations: up from 16% in 1978-82 to 22% in 2003-08. But among households that give, poorer households are much more generous in terms of the proportion of their total budgets given to charity: giving comprises 3.3% of total spending among the poorest 10% of givers, compared with 1.1% for the richest 10%.

If all donor households gave the average spending share (1.8% of total spending), it would increase total donations among the household population by a third. If all donor households gave the same spending share as the poorest 10% of donors (3.3% of total spending), total donations among the household population would more than double.

Encouraging current donor households to give more – and to give as much as the most generous households – could be a very effective way of raising total donations, although it would not meet any government objectives of raising levels of participation across the population as a whole.

This article summarises 'The New State of Donation: Three Decades of Household Giving to Charity, 1978-2008' by Edd Cowley, Tom McKenzie, Cathy Pharoah and Sarah Smith (http://www.bris.ac.uk/cmpo/publications/other/stateofdonation.pdf)

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