

PAYROLL GIVING POLICY BRIEFING

100 YEARS OF CAF

INTRODUCTION

This policy briefing explores the history of Payroll Giving, highlighting trends in its popularity as a way to donate to charity over time. It draws on data from HMRC and the Association of Payroll Giving Organisations and examines the public's views and knowledge of Payroll Giving through recent YouGov polling.

Since its launch in 1987, Payroll Giving, also referred to as workplace giving or Give As You Earn (GAYE), has raised over £2bn for charitable organisations across the UK. However, as this briefing sets out, the number of employees and employers taking advantage of this scheme has dropped in recent years. The result is that, while many still benefit, charities missing out on convenient and regular income.

While the data explored here is a cause for concern, the briefing also identifies where there are opportunities to engage new employees, to revitalise Payroll Giving and to generate donations to good causes. With that in mind, this briefing makes recommendations for both employers and the Government about how the uptake of Payroll Giving could be increased. Supporting this, CAF, as a leading Payroll Giving Agency (PGA), recognises that it and partners in the sector have a key role in driving awareness and engagement.

SUMMARY

- Payroll Giving has been in decline for almost a decade. Since 2015/16, the amount donated has fallen 15% after accounting for population and inflation. Data for the most recent year available shows the absolute cash amount donated through Payroll Giving fell from £137m in tax year ending 2021 to £128m in tax year ending 2022. The number of people giving through Payroll Giving has also fallen over time, falling 13% in just two years between 2020 and 2022.
- However, there are opportunities to turn this around. Younger people are less likely to have heard of Payroll Giving, but more likely to want to do it if offered. Some 59% of people have not heard of Payroll Giving, pointing to a significant opportunity to increase knowledge and understanding.
- Beyond concerns about affordability, people are most likely to be encouraged to participate in Payroll Giving if they know they can easily opt in and out, their employer matches their donations, and they can easily change their donation amount and chosen charities.

RECOMMENDATIONS

What government can do

- Encourage those employers that do not offer Payroll Giving to do so.
- Refresh HMRC guidance on Payroll Giving, making it clear and user friendly, supporting employers who want to use the scheme and setting out what they can do to encourage take-up.
- Run a campaign to raise awareness of Payroll Giving among taxpayers and encourage them to sign up if their employer offers it – and to ask their employers to offer Payroll Giving if they do not.
- Develop a national strategy for philanthropy and charitable giving to address broader trends including stagnating donations, rising costs for charities, and rising demand for charitable services.

What employers can do

- Offer a Payroll Giving scheme and support it with employer matching. Employers can choose to match donations in full, in part, or include a monthly matching cap to suit all budgets.
- Bring people together to give. For example, a festive matching campaign is a great way to engage employees and support good causes.
- Drive a positive culture of Payroll Giving from the top down. Talk about Payroll Giving both internally and externally and provide clear and accessible information.
- Employers can also seek support in driving awareness in their schemes by working with a Professional Fundraising Organisation (PFO) who will host bespoke site visits and campaigns to drive engagement.

WHAT IS PAYROLL GIVING?

Payroll Giving, also referred to as workplace giving or Give As You Earn, is a simple and tax-efficient method of making regular donations to UK charities straight from employees' gross pay. There are a number of different Payroll Giving Agencies available, which charge a small admin fee for this service.

Employees can donate to the UK charitable organisation of their choice. Both registered and unregistered charities are eligible for donations. You can give to any organisation recognised by HMRC as charitable, including:

- Churches
- Health authorities
- Hospitals (not private)
- Scout and Girl Guide groups
- Universities and schools
- Parent Teacher Associations
- Community groups

BENEFITS FOR EMPLOYEES

Payroll Giving offers a fantastic opportunity for employees to support the charities they are passionate about. It is a highly tax efficient way of giving because donations are taken from pay or company/personal pension after your National Insurance contributions are removed, but before Income Tax is calculated and deducted. This means you get tax relief, depending on the rate of tax you pay.

BENEFITS FOR EMPLOYERS

Payroll Giving provides an opportunity for companies to demonstrate their commitment to supporting staff, the community and wider stakeholders and can play a key role in responsible business initiatives. It is cost-effective and flexible, with the option of covering the administration fees on behalf of employees. Plus, any matching payments or costs associated with running the scheme can also be offset against profits, thereby reducing Corporation Tax.

BENEFITS FOR CHARITIES

This method of giving provides a dependable source of income that enables charities to set effective future plans and concentrate on achieving their charitable goals. Additionally, it simplifies the administrative burden for charities as they don't need to claim Gift Aid, allowing them to focus more on supporting good causes.

THE TAX BENEFIT EXPLAINED

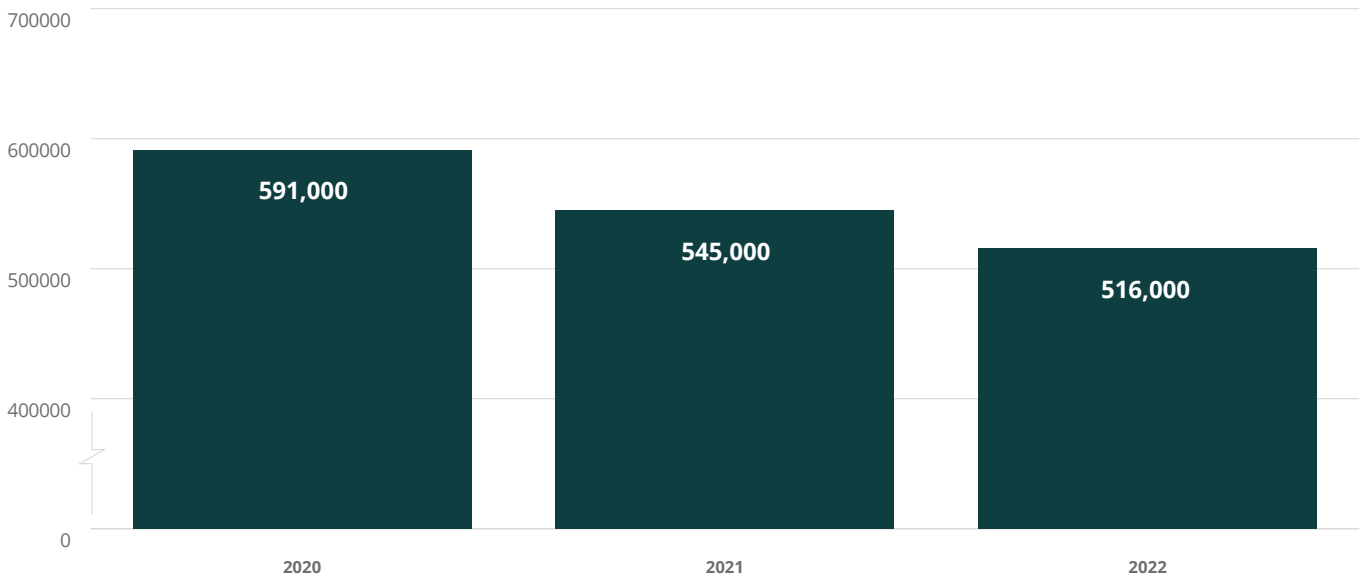
An employee's donation of £20 through this scheme costs a basic-rate taxpayer £16, a higher-rate taxpayer £12 and an additional rate taxpayer £11; less if you are a Scottish taxpayer.

PARTICIPATION IN PAYROLL GIVING IS FALLING

Payroll Giving has been through periods of rapid growth, particularly in the late 1990s. However, the latest HMRC data shows a falling number of employees giving in recent years.

THE NUMBER OF EMPLOYEES PARTICIPATING IN PAYROLL GIVING HAS FALLEN IN RECENT YEARS

Number of employees participating in Payroll Giving



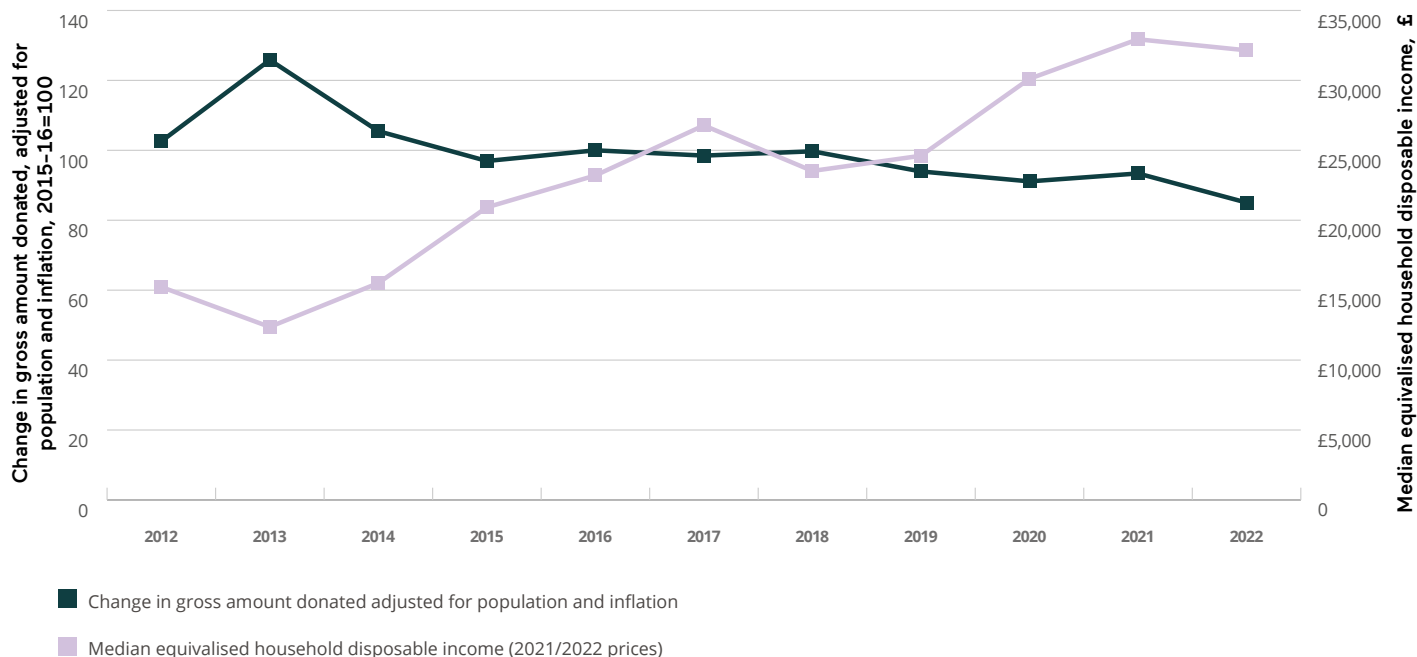
Source: HMRC

Note: Data presented for most recent years for which comparable data are available.

ADJUSTED FOR POPULATION AND INFLATION, THERE HAS BEEN A 15% FALL IN PAYROLL GIVING DONATIONS SINCE 2015

While household incomes and the UK population have been gradually rising, the amount given through Payroll Giving has not kept up. There are currently 30m people on PAYE who are eligible to give through Payroll Giving. Yet just 2% of donors surveyed since May 2016 had given through Payroll Giving in the last 12 months (Base 58,203).

Change in gross amount donated through Payroll Giving and household income growth



Source: CAF analysis of HMRC and ONS figures.

Note: In 2012-13 Changes in data collection methods, Payroll Giving Agencies' systems, and work by HMRC to collect better data create a spike in recorded giving.

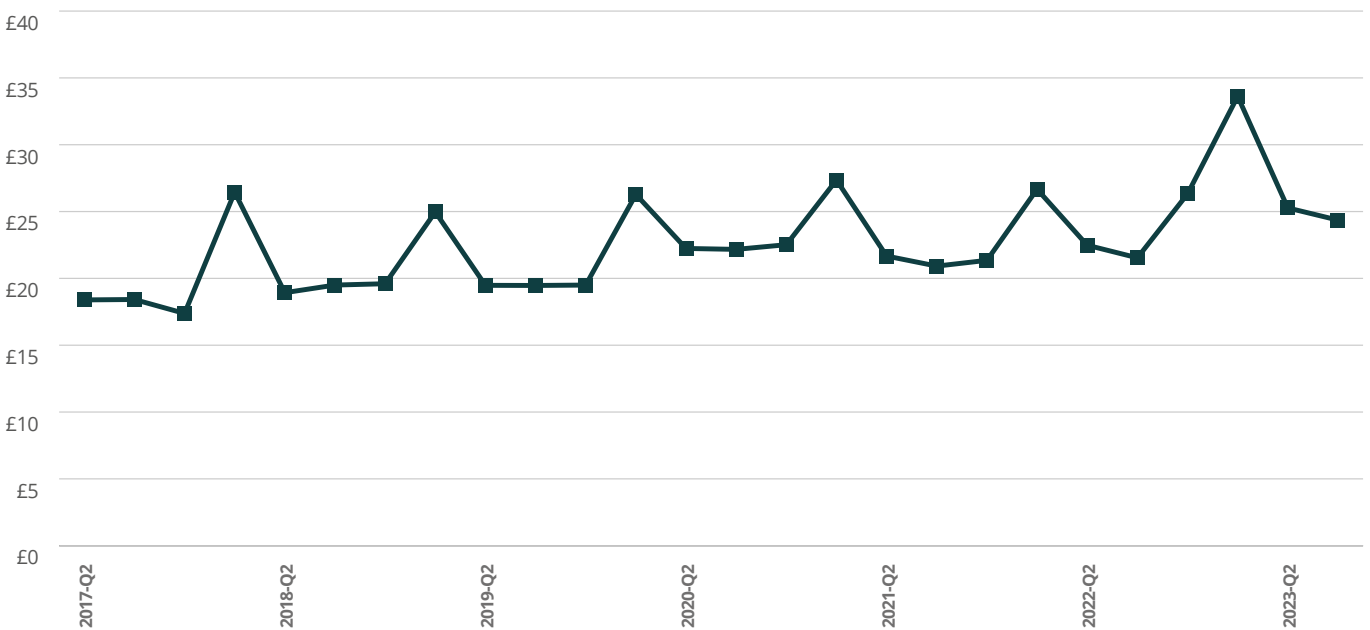
THE AVERAGE MONTHLY DONATION THROUGH PAYROLL GIVING IS INCREASING

One particular benefit of Payroll Giving schemes is the flexibility they offer; employees can opt to change the amount and frequency of their donation from month to month, as well as which charity they wish to support. Employees also have the flexibility of making a one-off donation through Payroll Giving if they prefer not to commit to a regular monthly donation, or opt to donate more following receipt of a bonus or incentive payment. Typically, the first quarter of the year sees the greatest overall donation amounts. This can largely be attributed to trends around festive donating and additional one-off donations made from bonuses.

Payroll Giving appears to be mirroring wider giving trends in society with fewer individuals overall now making donations. It is likely this is in part driven by employees who had been giving smaller amounts stopping entirely due to the cost-of-living crisis. It is also worth noting that, although the average has increased, its value to charities will have been eroded by inflation.

THE AVERAGE MONTHLY DONATION IN Q1 2023 WAS £33.62, UP FROM AN AVERAGE OF £26.67 IN Q1 2022.

Average monthly donation



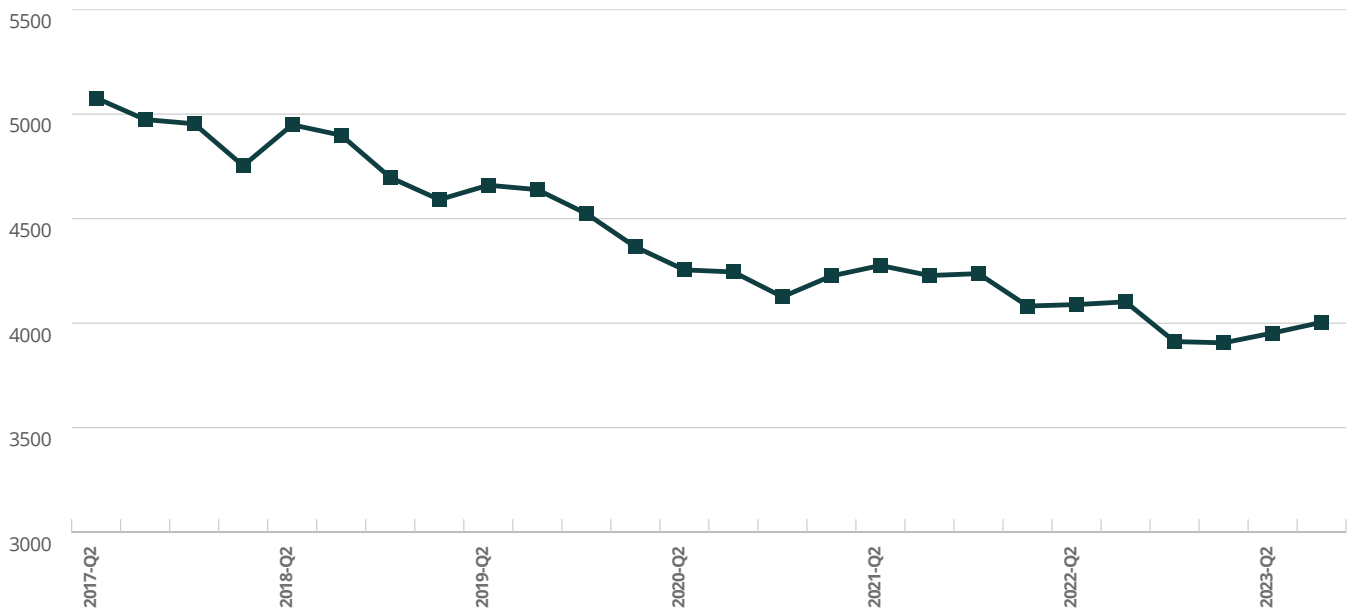
Source: APGO. Data for the most recent quarters may be subject to subsequent revisions.

EMPLOYER ENGAGEMENT WITH PAYROLL GIVING IS FALLING

CAF has analysed Payroll Giving Agency data delivered by the Association of Payroll Giving Organisations (APGO) which collectively make up a majority of the market. This data was collated by the Payroll Giving Monitoring Services (PGMS). The in-depth data from these providers reveals some concerning trends.

THE NUMBER OF EMPLOYERS USING PAYROLL GIVING HAS FALLEN 18% BETWEEN Q3 2017 AND Q3 2022

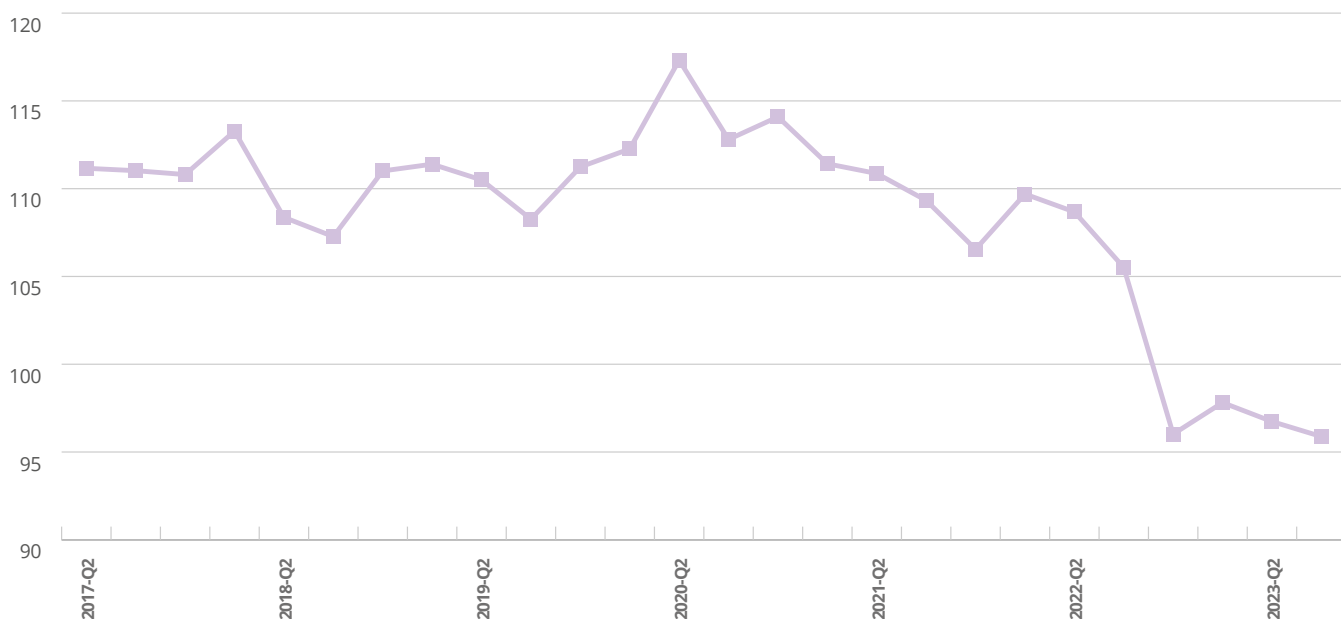
Number of employers using Payroll Giving



Source: APGO. Data for the most recent quarters may be subject to subsequent revisions.

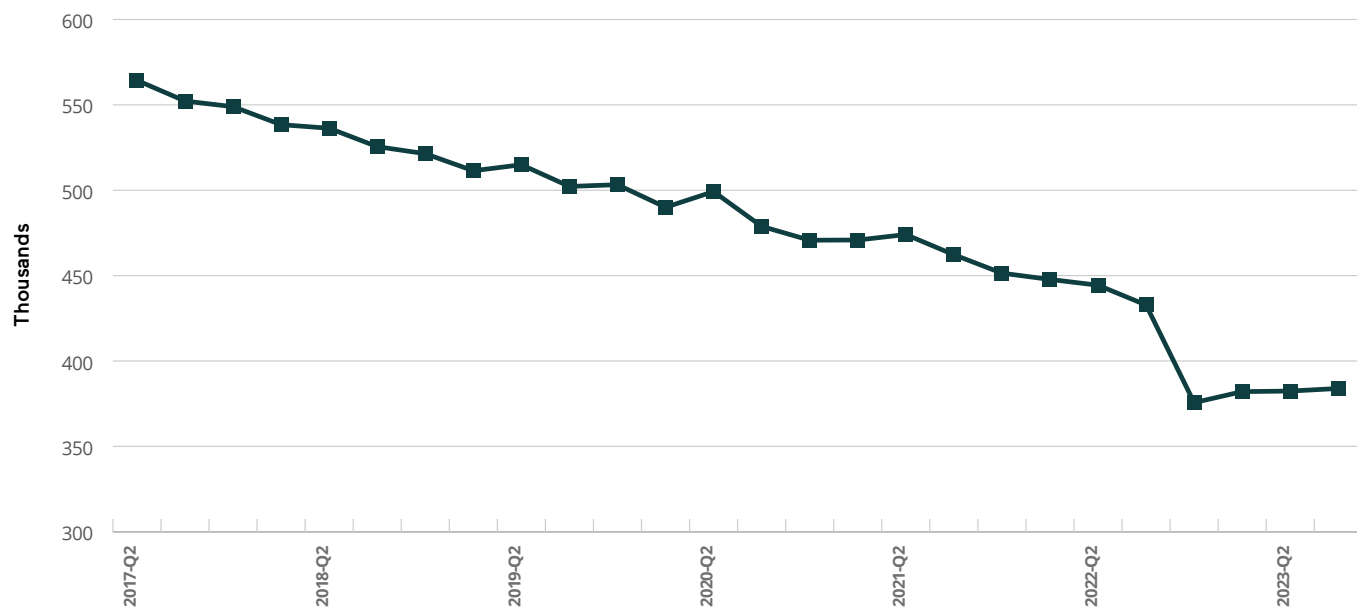
THE AVERAGE NUMBER OF EMPLOYEES PER EMPLOYER SCHEME HAS ALSO FALLEN IN RECENT YEARS

Average number of donors per employer



THE NUMBER OF EMPLOYEES GIVING HAS FALLEN STEADILY IN THE LAST FIVE YEARS

Number of donors (quarterly)



Source: APGO. Data for the most recent quarters may be subject to subsequent revisions.

AWARENESS AND USAGE OF PAYROLL GIVING IS LOW

Recent public polling has identified some key trends and opportunities for boosting Payroll Giving. CAF's monthly UK Giving survey, run by YouGov, asks people the ways in which they have donated to charity.

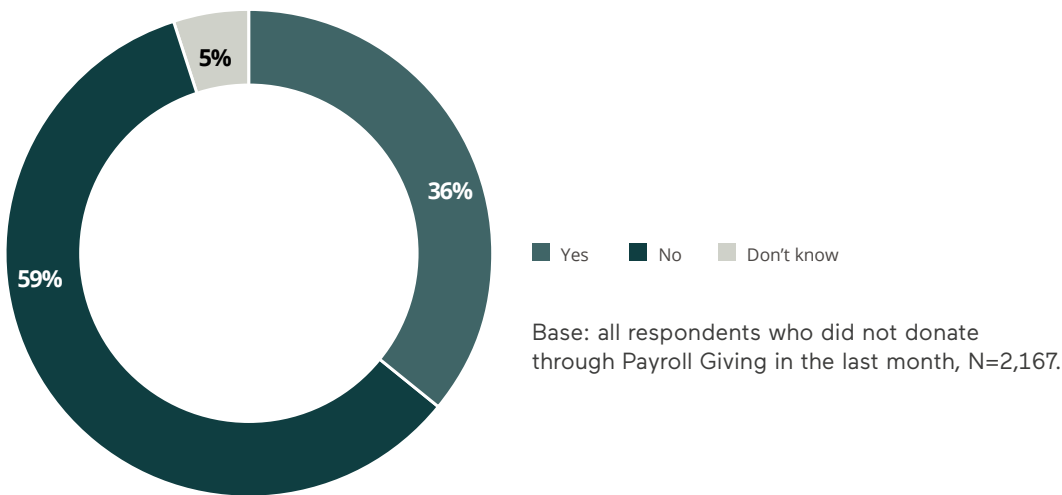
Just 2% of donors surveyed since May 2016 had given through Payroll Giving in the last 12 months (Base 58,203). In October and November 2023, we asked people what they thought about Payroll Giving. Some 36% of people told us they had heard of Payroll Giving, 59% had not. Ensuring more people have heard of Payroll Giving is key to increasing uptake.

There is greatest awareness of Payroll Giving in the Finance, Insurance, Real Estate and Tech sectors, with over 50% of participants from these sectors having heard of Payroll Giving. These sectors may have more employers who offer Payroll Giving schemes; other sectors could learn from this example.

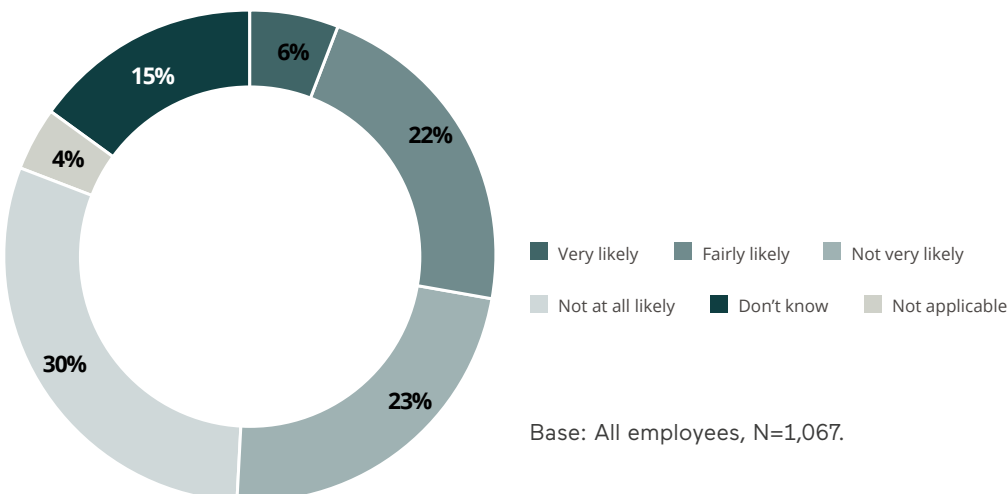
Importantly, more than one in four (28%) of employees say that they are likely to donate via Payroll Giving in future.

SOME 36% OF PEOPLE TOLD US THEY HAD HEARD OF PAYROLL GIVING, 59% HAD NOT

Have you heard of Payroll Giving (also known as 'Workplace Giving' or 'Give As You Earn')?



How likely would you be to donate via Payroll Giving in the future?

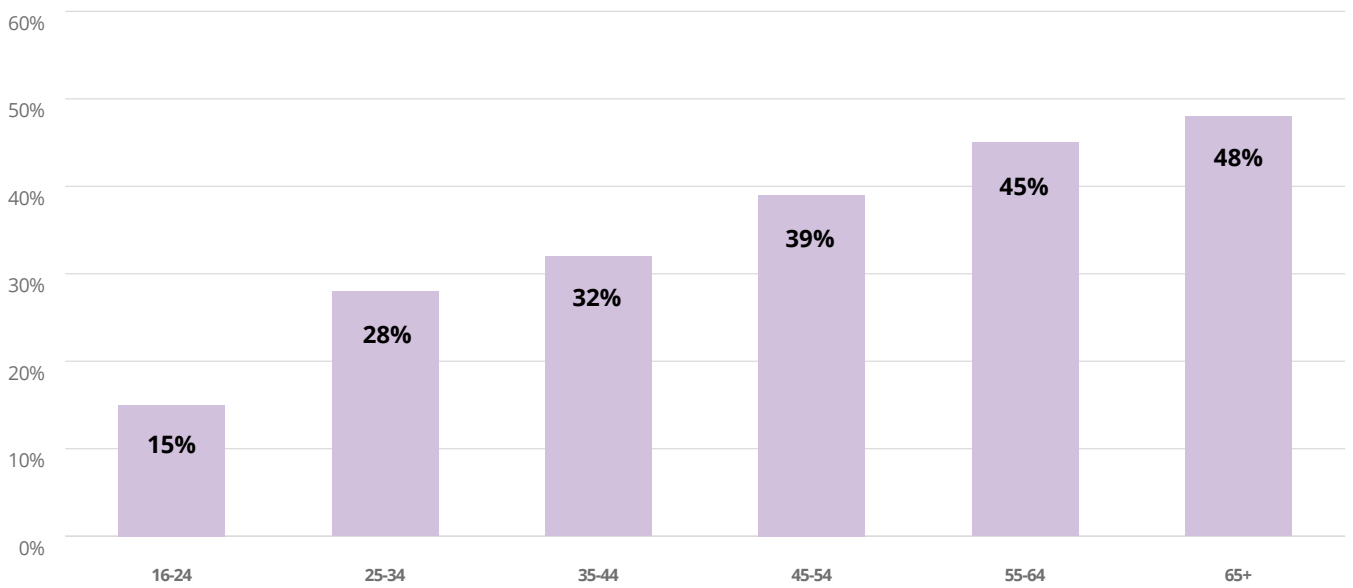


MILLENNIALS AND GEN Z ARE MOST LIKELY TO CONSIDER USING PAYROLL GIVING

Our research shows that awareness of Payroll Giving increases with age. Our research also found differences between men and women. Men are more likely to say that Payroll Giving isn't something that interests them, compared to women (20% versus 12%). This echoes broader trends: our UK Giving Report in 2023 women are more likely to report giving frequently to give to charity than men (30% versus 25%). Significantly more women (46%) than men (34%) say that they cannot afford Payroll Giving.

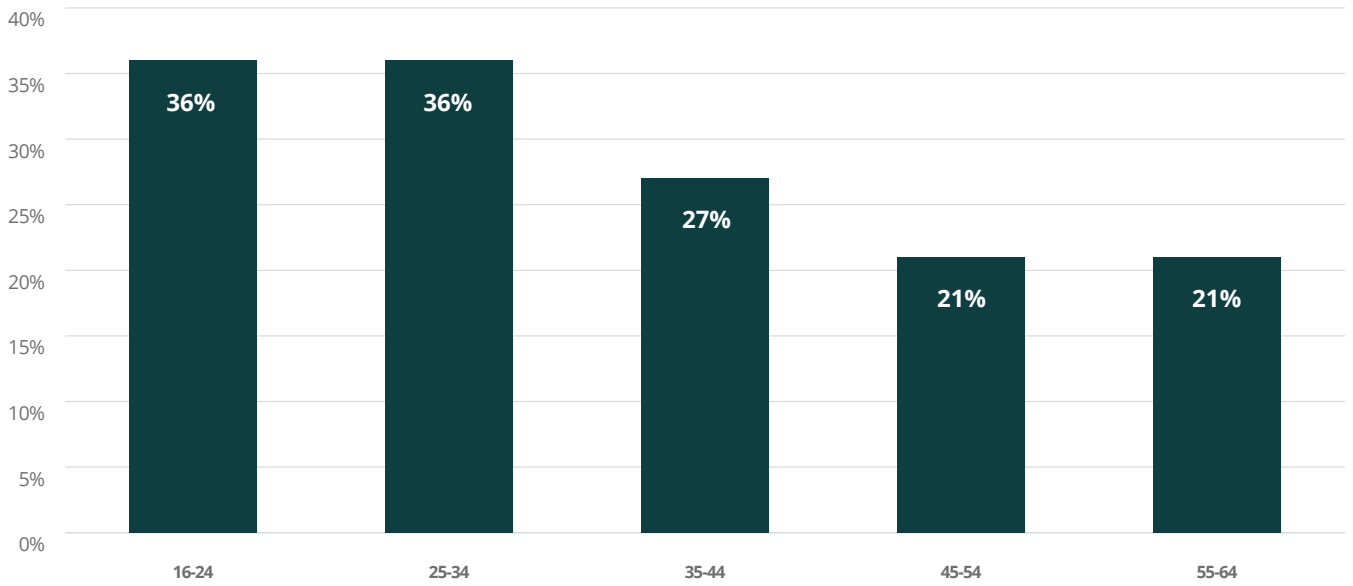
YOUNGER PEOPLE ARE LESS LIKELY TO HAVE HEARD OF PAYROLL GIVING, BUT MORE LIKELY TO WANT TO DO IT IF OFFERED

Percentage of people who have heard of Payroll Giving, by age



Q. Have you heard of Payroll Giving (also known as 'Workplace Giving' or 'Give As You Earn')? Base: all respondents who did not donate through Payroll Giving in the last month, 16-24(N=242); 25-34(N=360); 35-44(N=349); 45-54(N=248); 55-64(N=340); 65+(N=528).

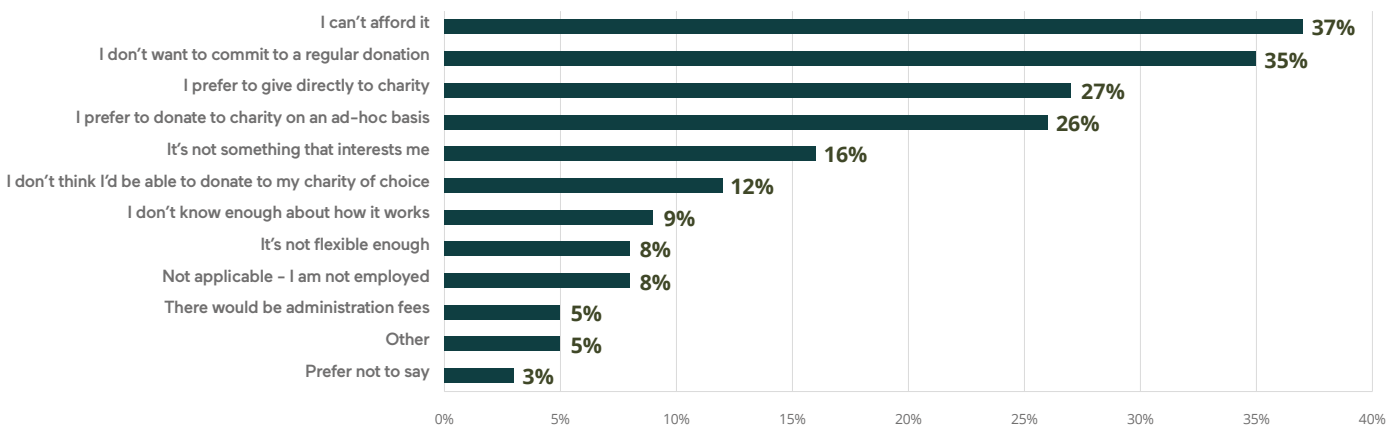
Percentage of employees likely to donate through Payroll Giving, by age



Q. If this were offered as an option to you, how likely would you be to donate via Payroll Giving in the future? Base: all employees who did not donate through Payroll Giving in the last month, 16-24(N=105); 25-34(N=270); 35-44(N=261); 45-54(N=216); 55-64(N=172). *Note: base size of 65+ employees too low

PEOPLE WHO WOULD NOT DONATE THROUGH PAYROLL GIVING MOST OFTEN SAY THIS IS BECAUSE THEY CANNOT AFFORD IT, DO NOT WANT TO COMMIT TO A REGULAR DONATION, OR PREFER TO GIVE DIRECTLY TO CHARITY

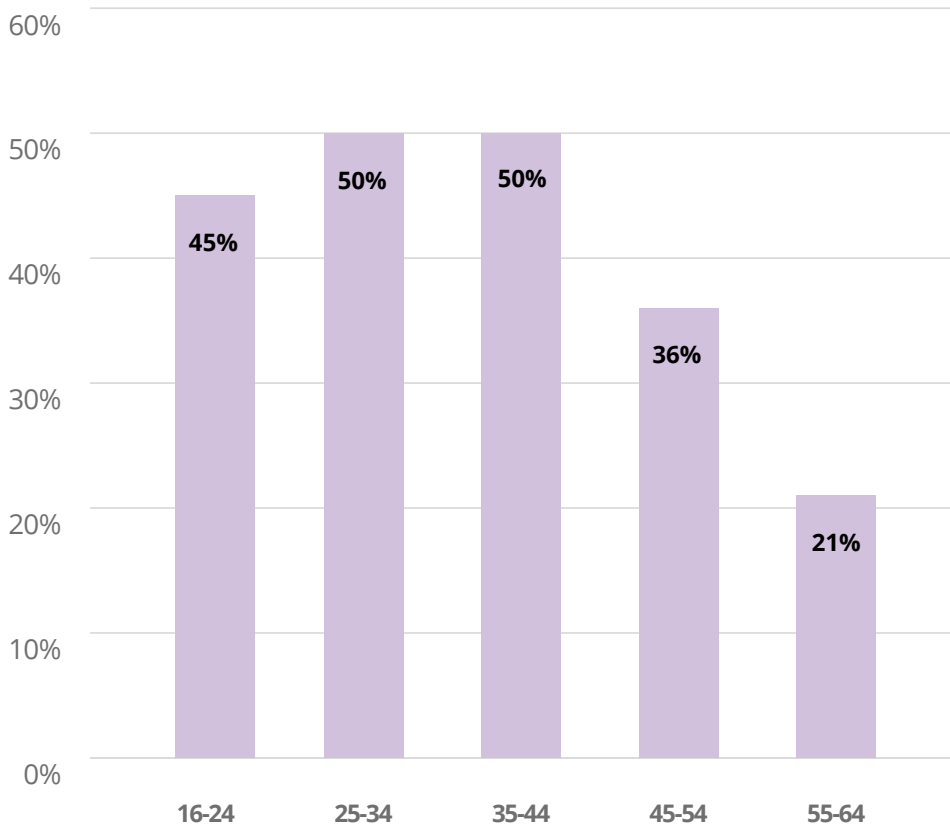
Why are you not likely to donate by Payroll Giving?



Base: All employees who did not donate through Payroll Giving in the last month and would not be likely to do so, N=567.

YOUNGER PEOPLE ARE MORE LIKELY TO SAY THEY CANNOT AFFORD TO GIVE THROUGH PAYROLL GIVING THAN OLDER PEOPLE

Respondents answering "I can't afford it" by age



Base: All employed respondents who did not donate through Payroll Giving in the last month because they can't afford it: 16-24(N=56); 25-34(N=122); 35-44(N=140); 45-54(N=126); 55-64(N=103); 65+not shown due to small base size.

COMPANIES CAN ENCOURAGE MORE PAYROLL GIVING BY USING FLEXIBILITY AND MATCHING

Beyond the issue of affordability, people cite two consistent motivating factors that could be used by proactive employer schemes to encourage participation in Payroll Giving: flexibility and matching.

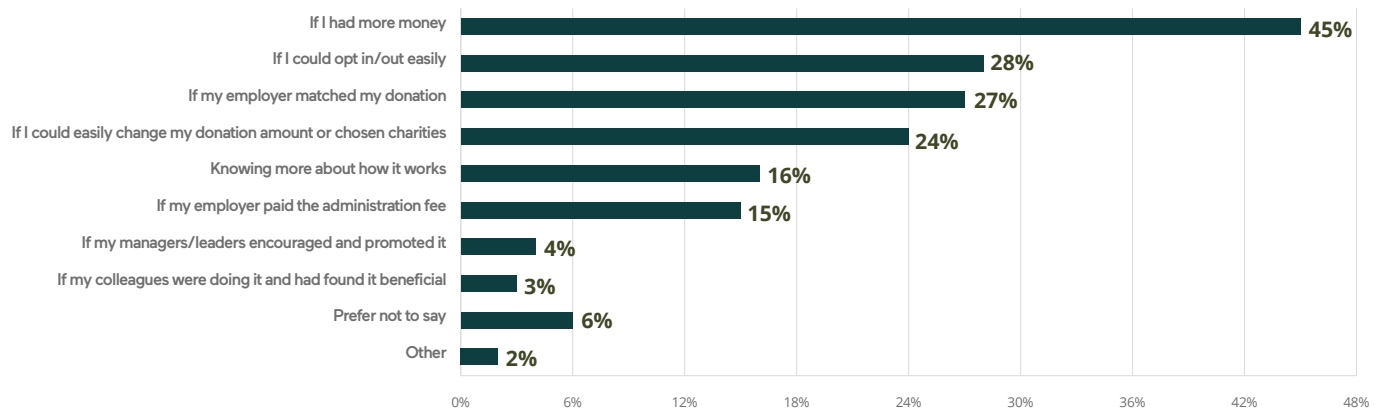
Employers that can promote the flexibility of Payroll Giving for employees - that they can start and stop at any time or make one-off ad hoc donations - will see far more success with employee sign-ups. Being able to opt in and out easily was the second most popular answer in terms of what would encourage employees to participate in Payroll Giving (28% citing it).

Employers that choose to match charitable donation increase employee engagement, engender loyalty, and signal a commitment to the wider community. It was the third most popular answer when asked alongside other aspects that could encourage participation (27% citing this).

When given the direct statement “I would be more likely to donate to charity if my employer encouraged it by matching my donations” more than four in ten employees in every working-age group agreed with this statement. We know that people want to work for responsible employers and supporting employee giving sends a clear message that an employer shares employees’ values.

BEYOND AFFORDABILITY, BEING ABLE TO OPT IN AND OUT EASILY AND EMPLOYER MATCHING ARE THE MOST LIKELY TO ENCOURAGE EMPLOYEES TO PARTICIPATE IN PAYROLL GIVING

What would encourage you to participate in Payroll Giving?

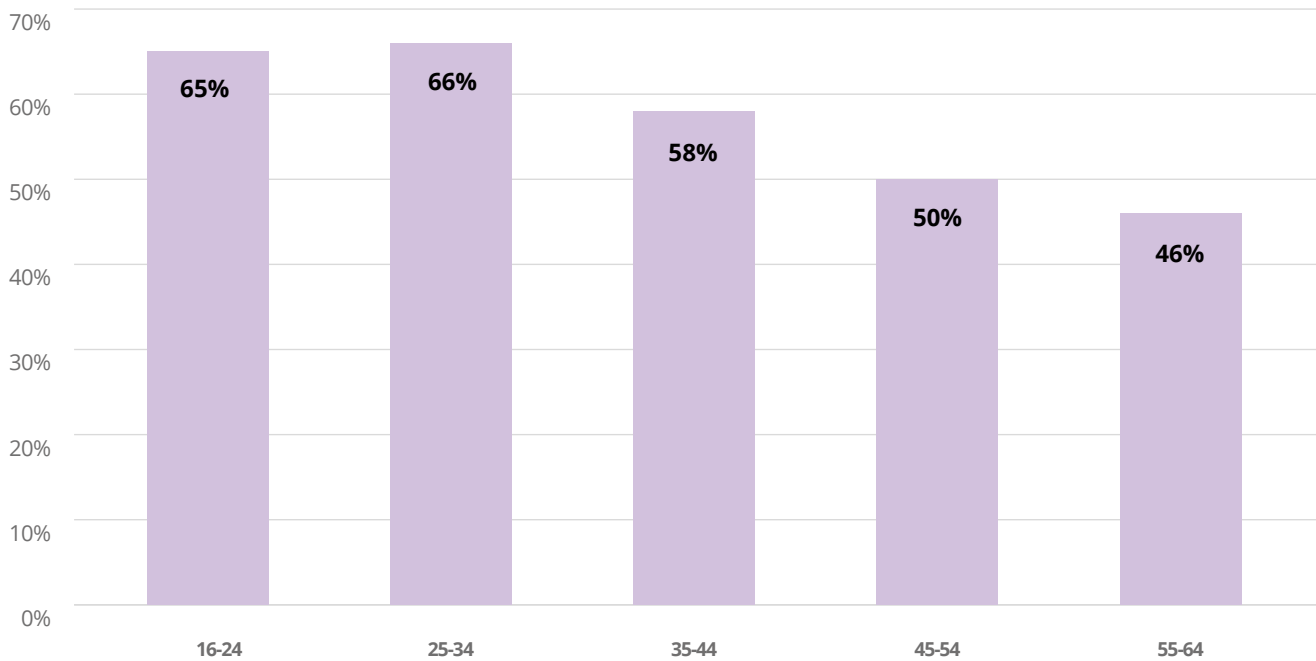


Base: All respondents who did not donate through Payroll Giving in the last month, N=2167.

YOUNG PEOPLE ARE ESPECIALLY INCENTIVISED BY MATCHING INITIATIVES

65% of 16-24 year old employees and 66% of 25-34 year old employees agreed that they would be more likely to donate to charity if their employer encouraged it by matching their donation.

I would be more likely to donate to charity if my employer encouraged it by matching my donations



Q. To what extent would the following make you more likely to donate your money or time to charity in the next 12 months, or would it make no difference? Base: All respondents in October and November wave; 16-24(N=402); 25-34(N=1110); 35-44(N=1065); 45-54(N=952); 55-64(N=721); 65+not shown due to small base size.

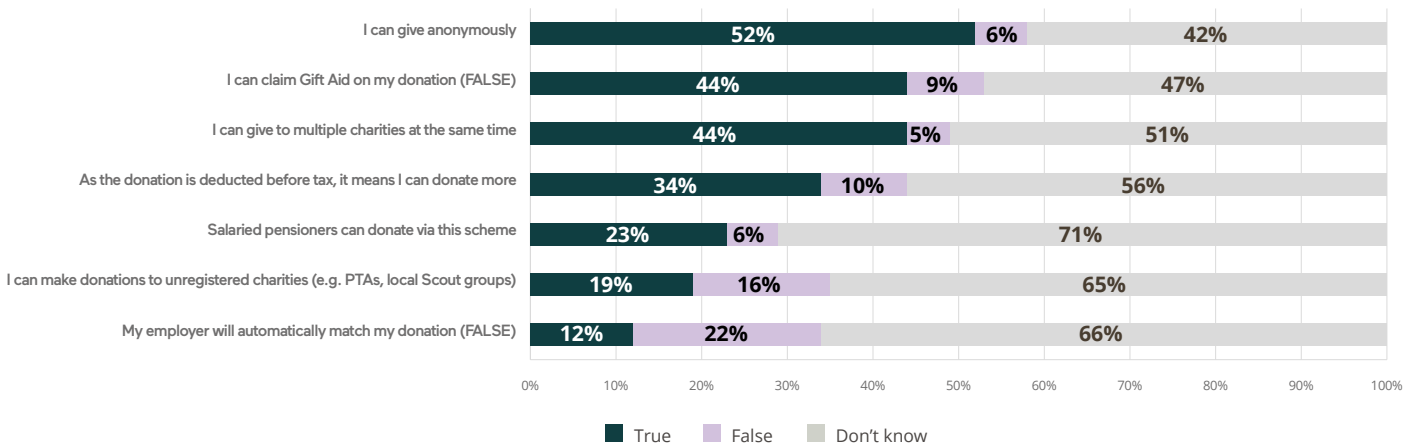
MISCONCEPTIONS COULD BE HOLDING BACK DONATIONS

Our research suggests that understanding of the mechanisms and benefits of Payroll Giving is low. For all bar one of the statements we gave the public about Payroll Giving, the most popular answer was “Don’t know”.

Some 51% of individuals surveyed did not realise that they could support multiple charities each month through Payroll Giving, while 71% did not know that salaried pensioners could continue to make donations through the scheme. Only 19% of people were aware that it is possible to make donations to unregistered charities such as community support hubs, Parent Teacher Associations and hospitals.

KNOWLEDGE ABOUT PAYROLL GIVING IS LIMITED

What do people know about Payroll Giving?



Q. Regarding Payroll Giving, do you think the following statement is true or false? Base: All respondents, N=1,079.

More must be done by employers, Payroll Giving Agencies and the Government to ensure that employees understand the variety of options available through Payroll Giving, so that they can make an informed decision on whether they wish to make tax-effective donations through Payroll Giving.

CONCLUSIONS

The data on Payroll Giving is a cause for concern. Low awareness of Payroll Giving appears to correlate with falling participation, and, recently, falling overall donations. Over £2bn has been donated to charity through Payroll Giving to date so declining engagement may have longer term implications for charity income.

However, this is also a clear opportunity. Working together, employers and the government can take steps to boost participation in Payroll Giving.

By making sure that employees, particularly the younger generation, have all the facts about Payroll Giving employers can encourage their staff to give. And offering matched giving is likely to provide a significant boost to donations. Employers taking these steps will ensure they can support charities, demonstrate their commitment to responsible business and strengthen employee engagement.

For its part, government can make it easier for employers to offer Payroll Giving schemes, help with awareness raising and spearhead a strategic approach to charitable giving and philanthropy across the UK.

ACKNOWLEDGEMENTS

CAF is grateful to Charities Trust and Charitable Giving for their permission to use data for this report and to the Payroll Giving Monitoring Services (PGMS) UK for collating this data, representing members of the **Association of Payroll Giving Organisations (APGO)**.

Polling on attitudes comes from our UK Giving survey, run by YouGov. CAF has run the UK Giving survey in its current form since 2016. The survey is conducted online and collects responses from around a thousand people each month. The sample is constructed in such a way that it is nationally representative of the UK in terms of respondents' sex, age, region/nation and social grade. All figures, unless otherwise stated, are from YouGov Plc. The survey was carried out online and the figures have been weighted and are representative of all UK adults (aged 16+).

Additional data in this report is publicly available data from His Majesty's Revenue and Customs (HMRC) and the Office for National Statistics (ONS).

ABOUT CAF

We help people and businesses support the causes they care about by providing giving infrastructure and expert advice, and for charities, we provide simple and straightforward day-to-day banking and fundraising services, freeing them up to concentrate on the real work of making a difference. We also understand and influence the wider environment for charities and civil society across the UK and beyond via our research, policy and campaigns work. **CAF Give As You Earn** is the UK's biggest Payroll Giving scheme.

100 YEARS OF CAF



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