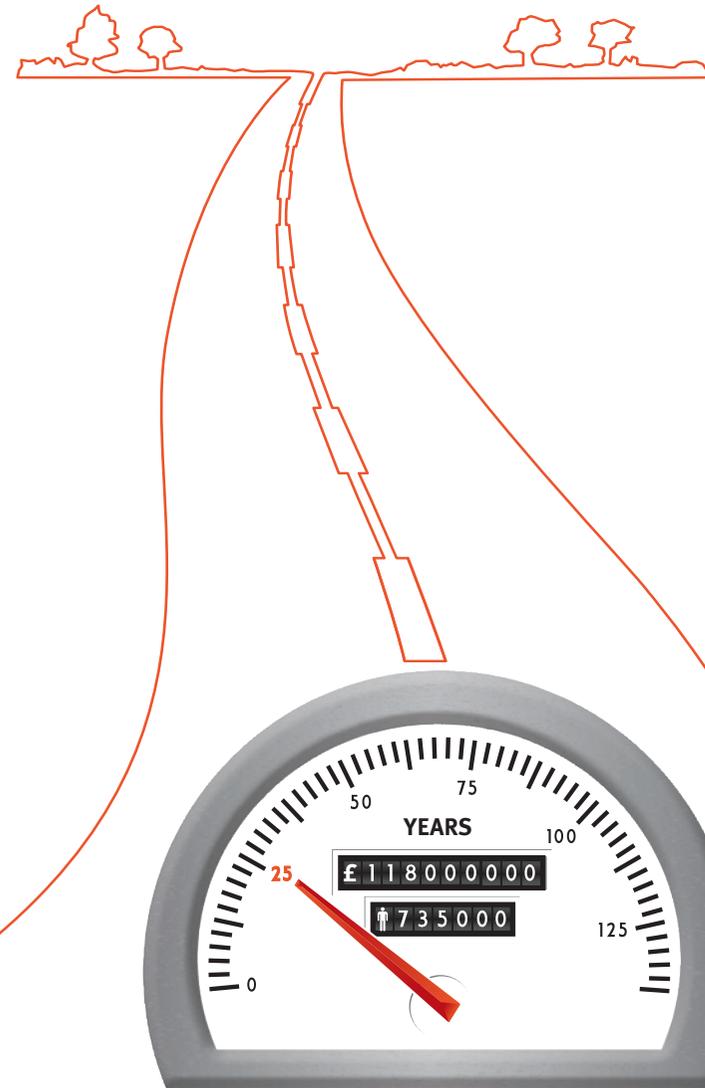


THE JOURNEY SO FAR...

Insights into 25 years of Payroll Giving

December 2012



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Foreword

Never before have our nation's charities needed the support of corporate organisations and their staff as much as they do now.

Our research shows that donations declined by 20% in real terms during the 2011/12 financial year. During the same period, public funding for charities was cut as part of the Government's austerity programme.

As a result of this situation, many charities are having to dip into their reserves to keep going, others are having to close vital frontline services, while more still face the risk of closure. Ironically, this comes at a time when demand for their services is higher than ever.

Fortunately, the UK is one of the most generous countries in the world. One factor in this continuing generosity is the fact that charities have worked closely with successive governments for many years to ensure that the tax system supports and encourages charitable giving.

Payroll Giving is a crucial part of this landscape – encouraging staff to give at source, raising in total more than £1bn for a range of crucial causes, both at home and overseas – such as the running of hospitals and hospices, the provision of medical research, and support for vulnerable children.

Give As You Earn, and many other similar schemes, have not only generated desperately needed support for charities, but have also allowed thousands of companies to help their staff feel good about where they work. They have also provided millions of donors with a simple and tax-effective way to give in what is an increasingly complex world where so many of us are time-poor.

This report provides a comprehensive overview of how Payroll Giving has performed and the difference it can make. It also provides unequivocal evidence that it could be an even more powerful tool – if it were to be promoted far more proactively. Given the challenges charities are now facing, rolling it out further should be a top priority both for the Government and the fundraising community alike.



Dr John Low
Chief Executive
Charities Aid Foundation

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1 Introduction

What is Payroll Giving?

Payroll Giving enables UK employees to make regular, tax-effective donations to registered charities. Payroll Giving is tax-free because donations are taken directly out of an employee's pay, before any income tax has been deducted. The system was introduced in the UK in 1987 and is open to all employed (and some retired) taxpayers, as long as their employers are registered with a Payroll Giving agency. There are currently 15 different Payroll Giving schemes¹ that are approved and monitored by HM Revenue & Customs (HMRC) in the UK.

The scheme offers various benefits for those involved. For donors, a major benefit of Payroll Giving is the convenience of the system; once an account is set up, donations are processed automatically until the donor instructs otherwise. For higher-rate taxpayers, Payroll Giving is the simplest way to receive full tax relief on their donation because gifts are made out of pre-tax income. Examples of donations and costs for employees on different tax rates are as follows:

- For additional-rate (50%) taxpayers, a pre-tax payroll donation of £10 costs the donor only £5.
- For higher-rate taxpayers (40%), a pre-tax payroll donation of £10 costs the donor only £6.
- For basic-rate (20%) taxpayers, a pre-tax payroll donation of £10 costs the donor only £8.

For charities, the regularity of Payroll Giving donations helps with planning and forecasting. In addition, recruiting and retaining a Payroll Giving donor costs a charity less than recruiting numerous one-off donors. For the companies whose employees take part, Payroll Giving forms an important aspect of their corporate social responsibility and employee engagement efforts.

Although Payroll Giving offers various benefits, it is not without opportunities for enhancement.² These include increasing the speed at which donations are processed, providing charities with more sight of donor information, increasing awareness among Pay As You Earn (PAYE) employees, increasing engagement from companies, and reducing the high attrition rates seen when individuals switch employer.

What is the aim of this paper?

This paper aims to enhance the understanding of Payroll Giving by providing a concise, factual view of relevant data that has been published since the scheme was created. For the first time, Payroll Giving revenues are published in real terms for the entire 25-year period. The report brings together hard facts and a timeline of events that may have had an impact on the Payroll Giving sector over that time. It has been written primarily for the benefit of those who are closely involved with Payroll Giving, such as the Payroll Giving agencies and professional fundraising organisations, those in the Government who are interested, and the thousands of companies whose employees take part in the scheme. This report serves as an update of CAF's Analysis of UK Payroll Giving, July 2005³ briefing paper.

From where has this information been sourced?

The paper brings together data that has been produced by various organisations between 1987 and 2012. The sources are: HMRC, Payroll Giving Centre, Office for National Statistics, Charities Aid Foundation (CAF) and Association of Payroll Giving Organisations (APGO). Where sample sizes allow, charts in this report show data trends year on year.

1 HMRC: www.hmrc.gov.uk/businesses/giving/payroll_agencies.htm (accessed on 22/11/2012)

2 Review of Payroll Giving, May 2008, Payroll Giving Centre: www.payrollgivingcentre.com/attachments/Payroll%20Giving%20Review.pdf

3 Payroll Giving, July 2005, CAF: www.cafonline.org/pdf/PayrollGiving2005.pdf

2 Key findings

Growth rates

Donations through Payroll Giving have shown, in real terms, a compound annual growth rate of 9.7% since 1990/91. The equivalent figure for growth in employee numbers since this time is 5.9%. Since 1998/99, the number of employers has shown a compound annual growth rate of 7.5%.

Per capita donations

Over the period, the average annual donation per Payroll Giving donor has doubled in real terms, from £82 in 1990/91 to £161 in 2011/12. At its highest, the average figure was £221 per donor per year.

High points

In real terms, the year that saw the highest donations was 2007/08 (£125 million). However, the year with the highest number of Payroll Giving donors was eight years before, in 1999/00, when 760,000 employees were registered as part of a Payroll Giving scheme. The highest recorded number of enrolled companies recorded was 8,752 in 2007/08, the year after the Small and Medium-sized Enterprise (SME) Grants Programme⁴ had ended.

Phase of greatest change

1998/99–2002/03 was a period of exceptional growth for Payroll Giving. Accounting for inflation, donations nearly tripled, rising from £42 million to £115 million.

Current situation

The latest figures for 2011/12 show that £118 million is currently given by 735,000 donors across the UK. The most recently recorded number of companies enrolled in Payroll Giving schemes stands at 8,286, the fourth highest on record.

Gender

The relative involvement of men and women in Payroll Giving has changed significantly since 2001. The proportion of men who claim to be part of a Payroll Giving scheme has fallen dramatically from 5.3% to 3.4%. The proportion of women who state the same has remained relatively stable, falling from 2.3% to 2.2%.

Age

Payroll Giving donors are most likely to fall in the 30–49 years age bracket; 4.5% of employees in this age group claim to be part of a Payroll Giving scheme. The second-oldest age group (50–64 year olds) are the next most likely to be enrolled in a scheme (3.9%). However, individuals in the youngest (under 30 years) and oldest (aged 65 and over) groups are far less likely to be enrolled in a Payroll Giving scheme.

Geographic region

Northern Ireland is the region with by far the highest penetration of Payroll Giving donors, at 8.3%. All other regions were found to have between 2.8% and 5.3% of their employees enrolled in a Payroll Giving scheme.

Income

The higher a person's income, the more likely they are to use Payroll Giving. Those in the "highest 20%" of earners were nine times more likely to be enrolled than those in the "lowest 20%" of earners.

Occupation

People employed in more senior positions are more likely to donate via Payroll Giving. However, a higher incidence of Payroll Giving involvement was found among "Intermediate" (4.5%) and "Lower Managerial & Professional" workers (4.4%) than among the higher tier of "Higher Professionals" (4.1%).

⁴ SME grants programme report, April 2004, Payroll Giving Centre: www.payrollgivingcentre.com/attachments/SME_Grants_Programme_Report_20508.pdf

3 *Main findings*

3.1 Comparison of total donations, employee numbers and key events since 1987/88

Figure 1 and 2 shows the amount donated, the number of people giving and the key events⁵ occurring over the 25 years that Payroll Giving has been in operation. The three are shown together in order to give an overarching view of the market so that rounded conclusions can more easily be drawn. Comparison of the two data streams of income and employee numbers points to a significant surge around the turn of the millennium, and a smaller burst in 2007/08. Looking at the timeline holistically, four distinct phases emerge:

Phase 1: 1987/88–1991/92

Limited data still exists for the first phase (the four earliest years of Payroll Giving); CAF was unable to locate any data for 1988/89 and 1989/90. Figure 1 shows that after four years, £19 million was being given through Payroll Giving and the number of employees who were enrolled in the scheme was rising rapidly, despite the onset of recession. Even between the financial years 1990/91 and 1991/92, the number of people enrolled in a scheme grew from 208,000 to 300,000.

Phase 2: 1991/92–1998/99

In the years following the end of the early 1990's recession, donations through Payroll Giving increased steadily, if unspectacularly. In the equivalent of today's money, total receipts more than doubled in this second phase, from £19 million in 1991/92 to £42 million in 1998/99, at a compound annual growth rate of 12%. The rate of growth in total donations accelerated, particularly after 1995/96; however, the number of employees enrolled in the scheme wavered, falling to as low as 240,000 in 1995/96 before accelerating in 1996/97 and rising to 400,000 by 1998/99. CAF could find no record of any notable events that took place during this window.

Phase 3: 1998/99–2002/03

The third phase is the most compelling of the four. The millennial period proved a turning point for Payroll Giving, with income almost tripling in just a four-year period. The most striking element of the entire data series is the spike in the number of employees recorded as being part of a scheme, this rose from 400,000 in 1998/99 to 760,000 in 1999/00. The impact on donations of this sharp rise in employees was immediate; the following year Payroll Giving income grew by £23 million or (43%), more than any other year in terms of percentage change. The following two years also showed remarkably sustained growth, with increases of a further £23 million and £16 million respectively. As the timeline shows, this phase happened to be a time when four key initiatives were in operation:

- The Children's Promise scheme⁶ encouraged employees to give the value of the last hour of the working day in 1999 to a range of children's charities.
- The £1,200 annual limit in the amount that donors could give was eliminated in 2000, (in line with the removal of the cap on Gift Aid).
- The Government offered a 10% supplement to Payroll Giving donations for four years from April 2000.
- The Government and the voluntary sector launched the Giving Campaign in July 2001.

⁵ Details on the key events and incentives are detailed in the 'Incentive since 1987' section of Chapter 6.1 of this report, page 24

⁶ More information on this campaign is detailed in CAF's Analysis of UK Payroll Giving, July 2005: www.cafonline.org/pdf/PayrollGiving2005.pdf

Phase 4: 2002/03–2011/12

The final fourth phase is characterised by subtly differing trajectories for the two datasets shown. Income at the beginning of this period was £115 million and, at the end, had only risen by 3% in real terms, to just £118 million. Employee numbers, however, rose by 41% over this period, from 520,000 in 2002/03 to 735,000 in 2011/12. Both datasets, however, show a burst in 2007/08, with employees rising to 758,000 and donations rising to £125 million.

The event timeline shows that during phase 4:

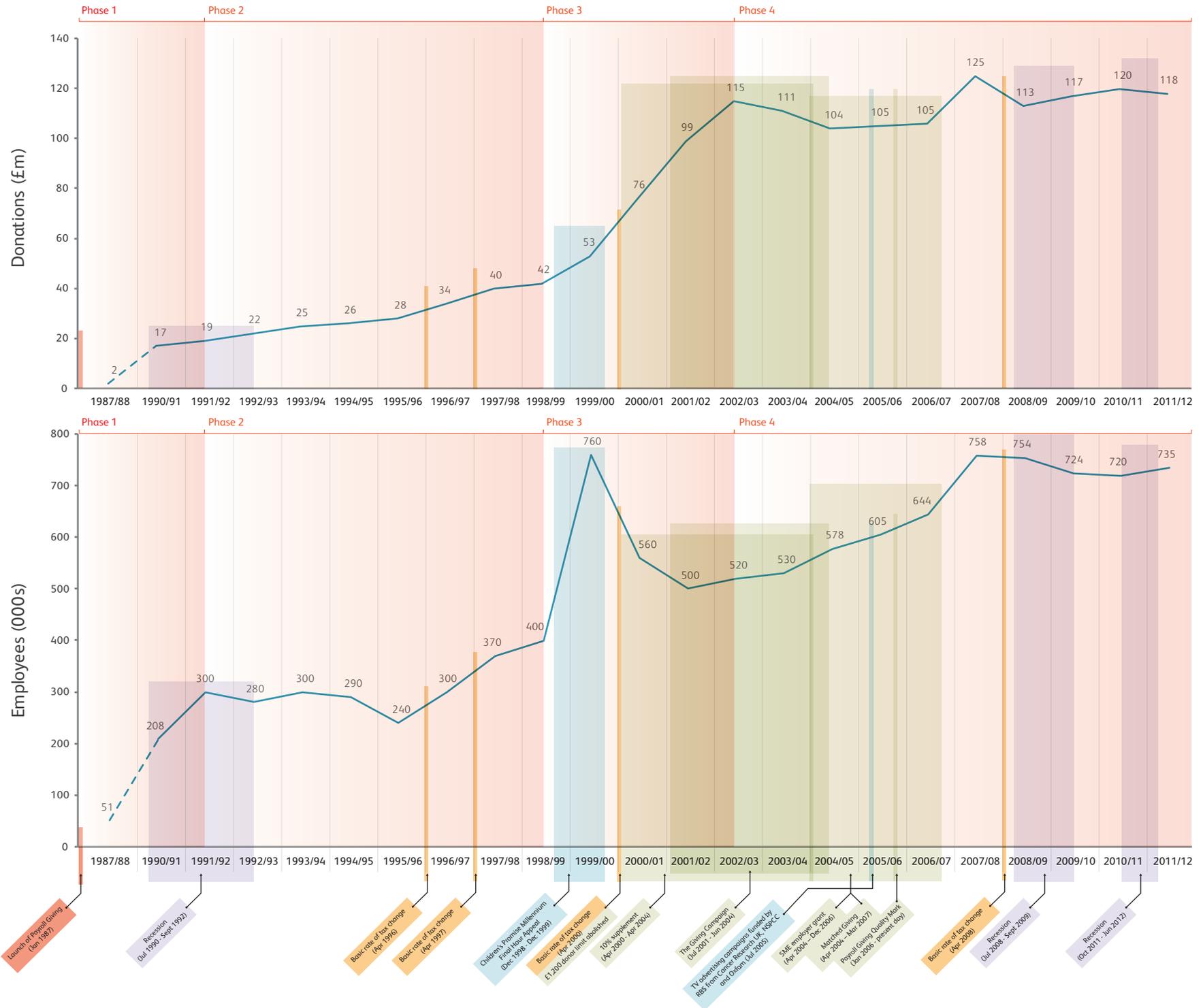
- The SME grants incentive, which encouraged SMEs to offer Payroll Giving to their employees, had been launched and had ended.
- The Payroll Giving Quality Mark, which recognises and rewards organisations for making Payroll Giving available to their staff, had been launched.
- The Matched Giving programme, which had started in April 2004, ended in March 2007.
- The Giving Campaign, which had started in July 2001, ended in June 2004.
- Funded by the Royal Bank of Scotland (RBS), television advertising campaigns were launched by Cancer Research UK, the NSPCC and Oxfam to encourage Payroll Giving in July 2005.

CAF is also aware of some specific employer activities that generated additional giving in 2007/08 that may have contributed to the rise. The decline in employees shown in 2008/09 may well be linked to the broader economic context; Britain officially entered into recession in January 2009.

Looking back across the timeline, donations through Payroll Giving show a real-terms annualised growth rate of 9.7% since 1990/91 (a point at which the scheme effectively became established). Growth in employee numbers over the same period stands at a lower figure of 5.9%. A total of 735,000 people across the UK now give £118 million through their payroll.

Figure 1:
Comparison of total donations (adjusted for inflation) through Payroll Giving with the number of employees using the scheme, with key events, 1987/88 - 2011/12

Source: HMRC and CAF
Adjustments for inflation are to the mid-point of the financial year, they have been inflated to September 2011/12



3.2 Comparison of employer numbers and key events since 1998/99

Figure 2 shows the number of employers offering a Payroll Giving scheme to their staff. Data is only available from 1998/99 but, fortunately, this does cover the key period around the millennium. The surge shown leading up to the millennium mirrors the data shown at the beginning of the third phase in Figure 1 for employees. The number of employers enrolled in a Payroll Giving scheme almost doubled from 3,469 in 1998/99 to 6,679 in 2001/02, an increase of 93%. The rise in donations between these three years was higher at 136% but the rise shown in employees was far lower in this period at 25%.

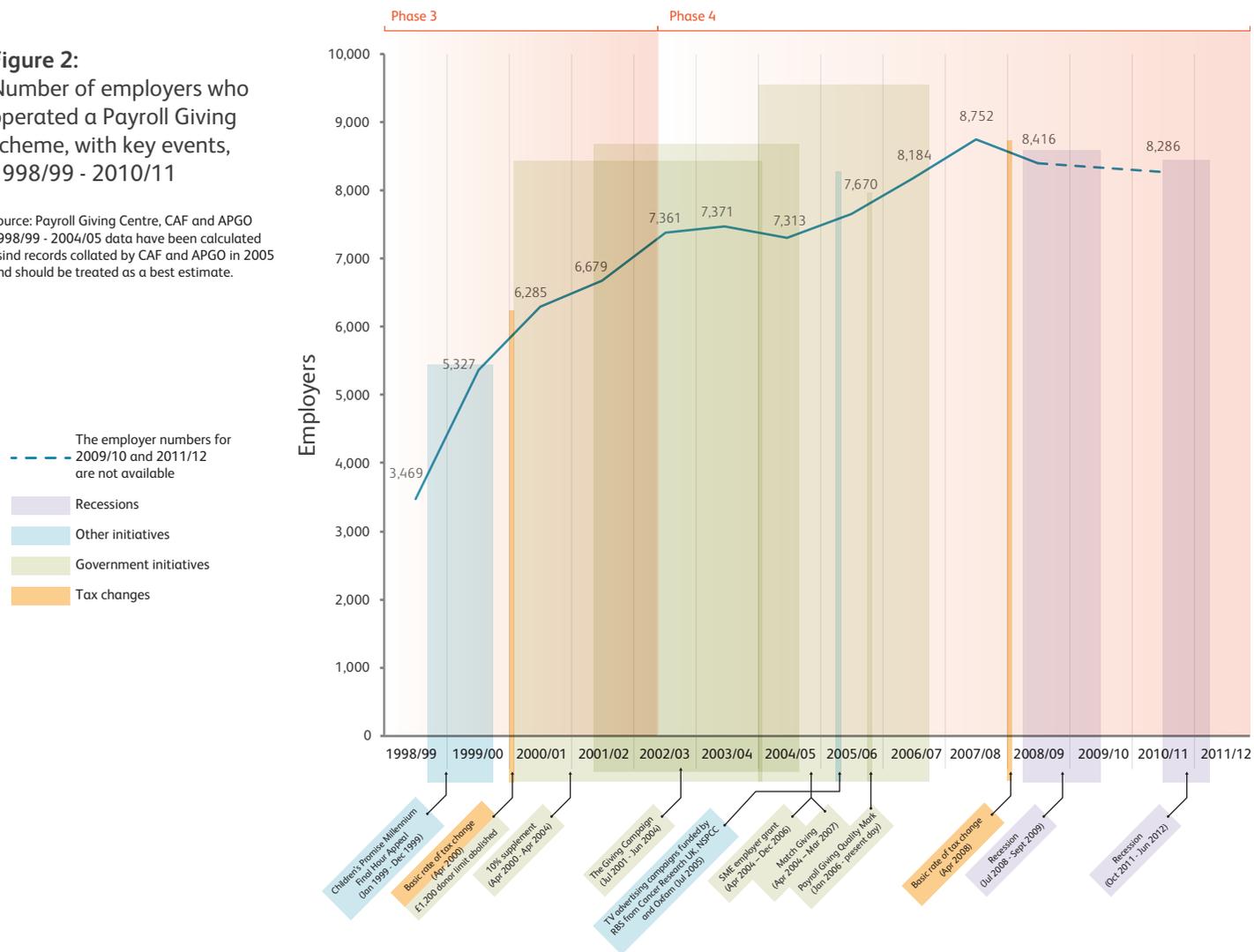
Figure 2 shows that the number of employers operating a Payroll Giving scheme rose steadily until 2003/04. A small decline was experienced in 2004/05, but after this point the number of employers continued to increase until reaching a peak of 8,752 in 2007/08. In terms of relevant events at this time, as referenced on the previous page, the SME grants incentive was launched in April 2004 and lasted until December 2006. This was designed to encourage SMEs to offer Payroll Giving to their employees.⁷ It seems likely that this incentive contributed to the continued growth in employer numbers seen between 2004/05 and 2007/08.

Analysis of the entire period from 1998/99 to 2010/11 indicates that the number of employers has shown an annualised growth rate of 7.5%. In 2010/11 there were 8,286 companies in the UK that were enrolled in the scheme, almost 500 fewer than the number enrolled in 2007/08, the year before the UK officially entered recession.

⁷ Details on this incentive are detailed in the 'Incentive since 1987' section of Chapter 6.1 of this report, page 24

Figure 2:
Number of employers who operated a Payroll Giving scheme, with key events, 1998/99 - 2010/11

Source: Payroll Giving Centre, CAF and APGO
1998/99 - 2004/05 data have been calculated using records collated by CAF and APGO in 2005 and should be treated as a best estimate.



3.3 Analysis by gender since 2001

Data in the following sections is drawn from the ONS' *Expenditure and Food Survey* and *Living Costs and Food Survey*. The data is collected by calendar, not financial, year. The most recent, full year for which data is available from this survey is 2010.

Figure 3 shows the percentage of employees who donated through their payroll between 2001 and 2010, both in total and split by gender. It shows that the total percentage of employees who gave through their payroll fell from 3.8% to 2.8% over the period. HMRC data in Figure 1, however, shows clear increases in the number of employees that gave through Payroll Giving schemes. Further analysis has been undertaken by CAF to try to explain this inconsistency. Analysis of data available on the number of PAYE employees suggests that the inconsistency is not explained by a change in the number of people employed under PAYE over the period.⁸

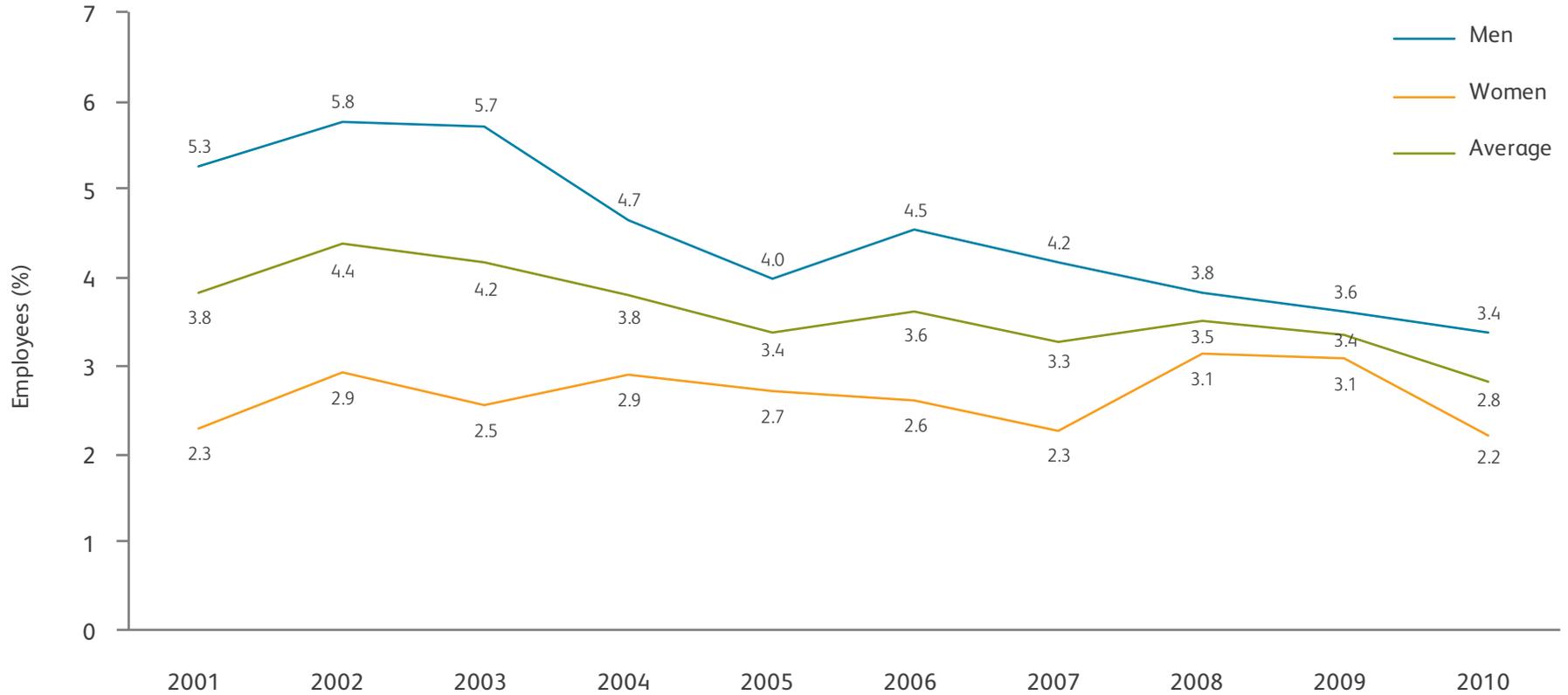
Crucially, the data shows a significant shift in the balance of male and female participation in Payroll Giving. The proportion of men donating through Payroll Giving schemes is shown, in Figure 3, to have declined from 5.3% in 2001 to 3.4% in 2010. The percentage of women using Payroll Giving meanwhile has proven relatively consistent overall, being 2.3% in 2001 and 2.2% in 2010. The difference of three percentage points in 2001 between the

genders has more than halved to just over one percentage point difference in 2010. Despite this shift, the proportion of men using Payroll Giving still remains higher than that of women, even widening slightly in 2010, against the general trend. For every two women who give through their payroll, three men do so. This mirrors data published by CAF, which shows that men are also significantly more aware of Payroll Giving (45%) than women (38%).⁹

⁸ Tax tables, 2012, HMRC: www.hmrc.gov.uk/stats/tax_receipts/table1-4.pdf

⁹ The public bond with tax-effective giving in the UK, CAF, April 2009: www.cafonline.org/pdf/PublicBond_Report.pdf

Figure 3: Percentage of people in employment who donated through Payroll Giving, by gender, 2001 - 2010



Source: Expenditure and Food Survey and Living Costs and Food Survey, Office for National Statistics
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 Survey asks about Payroll Giving in a 12-month period and does not capture money donated through pensions.

3.4 Analysis by age since 2001

Figure 4 explores the variation in the likelihood of different age groups to donate through Payroll Giving. Based on data drawn from across the 2001–2010 period, marked differences are shown in how employees at different life stages engage with the scheme.

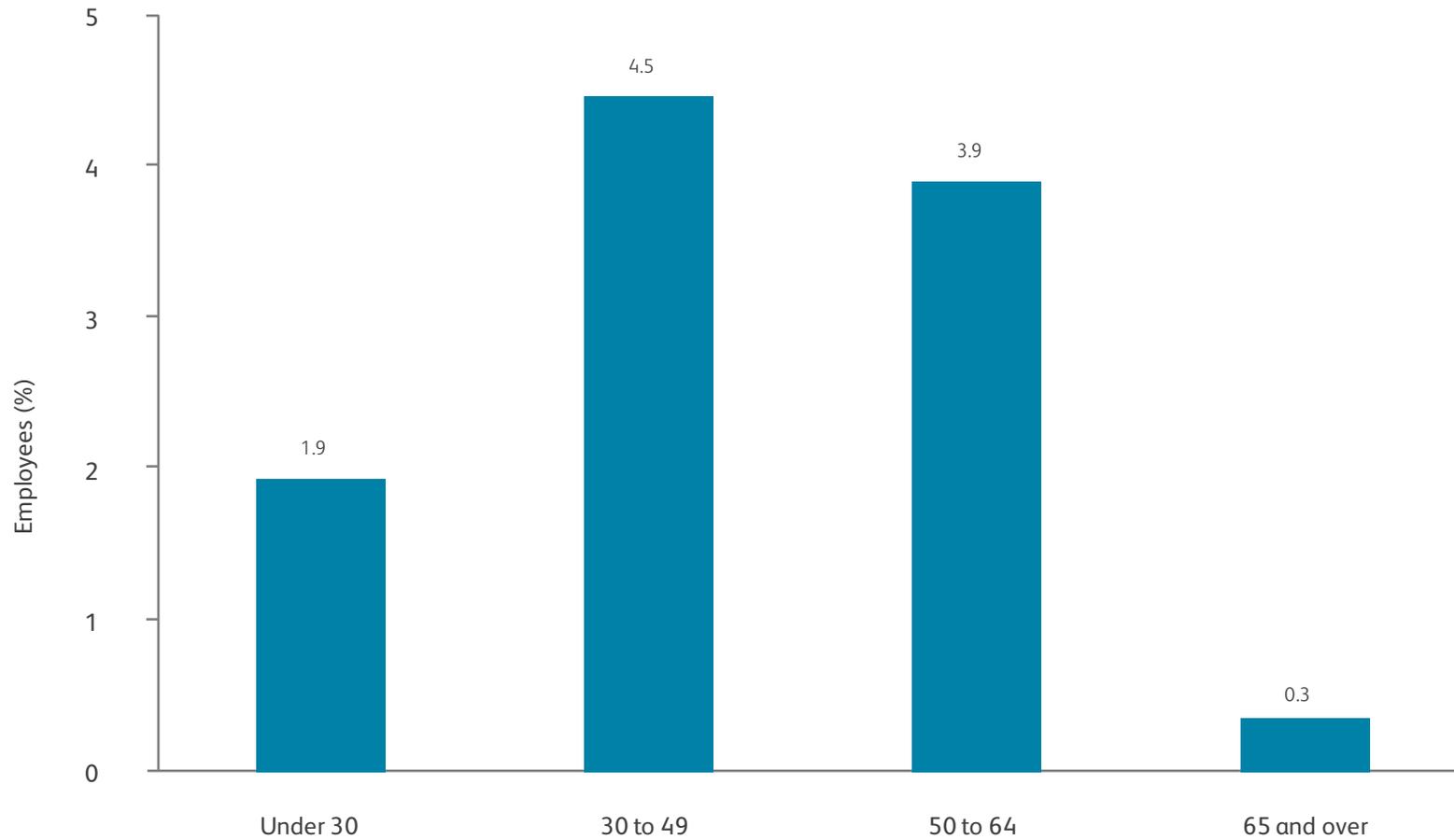
Less than 2% of those aged under 30 are part of a Payroll Giving scheme. This figure more than doubles to 4.5% for the next age group (30–49 years), which constitutes those most likely to be part of a scheme. The incidence then drops to just under 4% among 50–64 year olds, and stands at 0.3% among those aged 65 and over.

One potential opportunity for the Payroll Giving community may be to seek to equalise the levels of involvement by age, focusing on those under 30 and targeting the drop-off of individuals over the age of aged 50–60.

The drop found among those aged 50–64 years may reflect a shift to other forms of giving (such as planning for legacy giving), or it may be caused by some of the limitations¹⁰ of Payroll Giving. Further research is necessary however to test such hypotheses, to explore what lies behind the pattern shown in Figure 4, and to provide an informed view on any opportunities for the Payroll Giving community.

¹⁰ Review of Payroll Giving, May 2008, Payroll Giving Centre: www.payrollgivingcentre.com/attachments/Payroll%20Giving%20Review.pdf

Figure 4: Average percentage of people in employment who donated through Payroll Giving, by age, 2001 - 2010



Source: Expenditure and Food Survey and Living Costs and Food Survey, Office for National Statistics
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Survey asks about Payroll Giving in a 12-month period and does not capture money donated through pensions.

3.5 Analysis by region since 2001

Figure 5 shows the proportion of employees, in each region of the UK, who give through their payroll. Northern Ireland has enjoyed a far higher incidence of Payroll Giving donors (8.3%), on average, since 2001 than any other region. Employees in this region were twice as likely to donate using Payroll Giving than those in most other regions.

Three percentage points behind Northern Ireland is Merseyside (5.3%). Scotland finds itself in third position, with 4.2% of those employed in this region donating to charity through their payroll. For all other regions the proportion of people who used Payroll Giving is below 4%, with London emerging as the region least likely to use this method, at 2.8%.

The ranking of regions by Payroll Giving participation shown in Figure 5, differs considerably from the ranking of regions by income levels across the UK.¹¹ To understand and explain the regional variations further analysis has been undertaken.

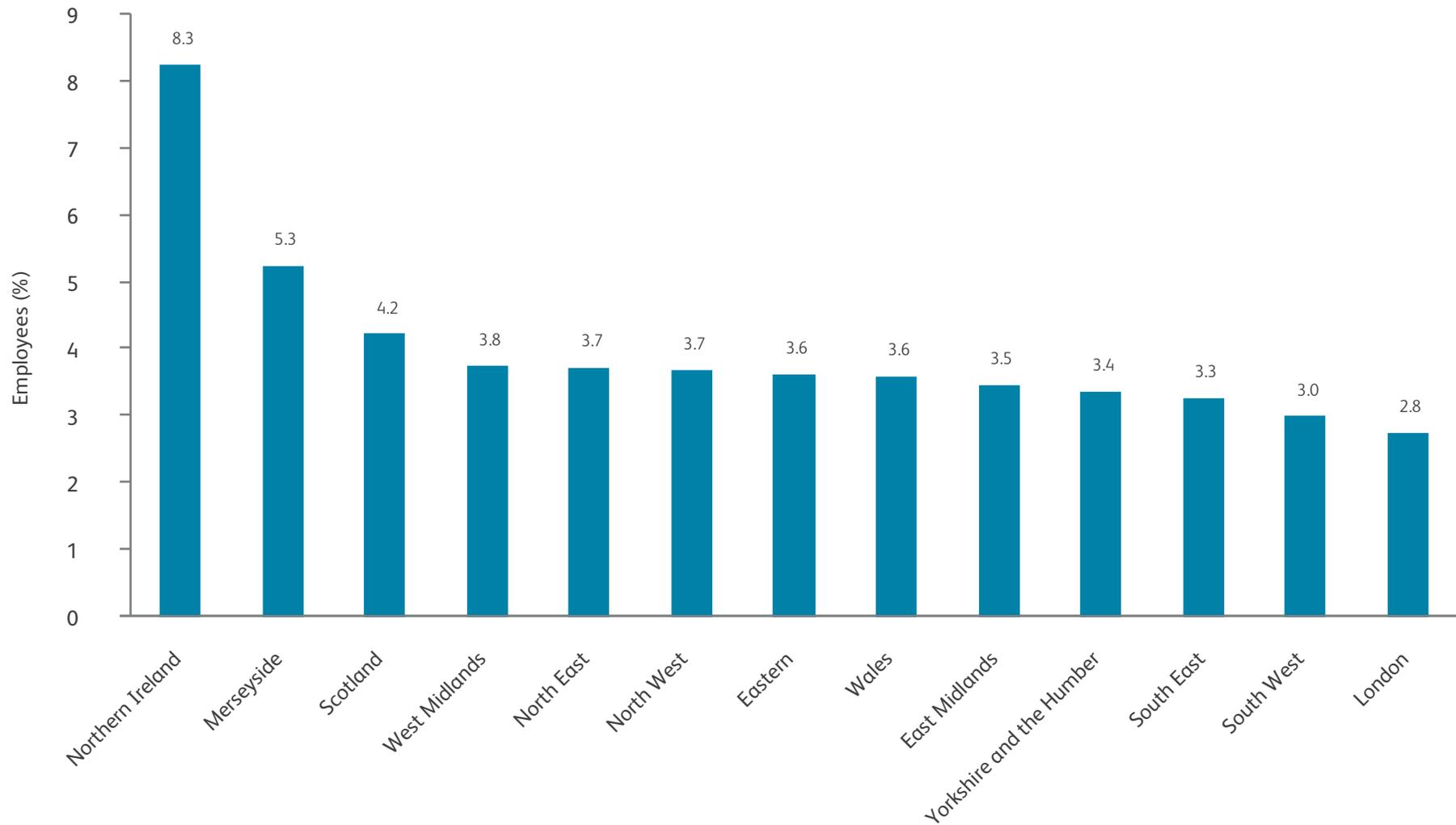
Analysis was undertaken of the balance of private versus public-sector jobs in each region; this analysis, presented in the Appendix 6.3 (Table 4), shows that regions with greater participation rates tend to have a higher relative balance of public-sector jobs.

Other potential explanations include the location and reach of professional fundraising organisations and Payroll Giving agencies (for example, two of the 15 agencies are based in Liverpool¹²), and the prevalence and accessibility of suitable companies. It is not possible to conclude from this research, whether variations in types of job offered (ie, part-time and temporary) in different regions has some bearing on this picture.

¹¹ Annual Survey of Hours and Earnings, 2011, ONS: www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/ashe-results-2011/ashe-statistical-bulletin-2011.html#tab-Regional-earnings

¹² Approved Payroll Giving agencies, 2012, HMRC: http://www.hmrc.gov.uk/businesses/giving/payroll_agencies.htm#c10

Figure 5: Average percentage of people in employment who donated through Payroll Giving, by Government Office Region, 2001 - 2010



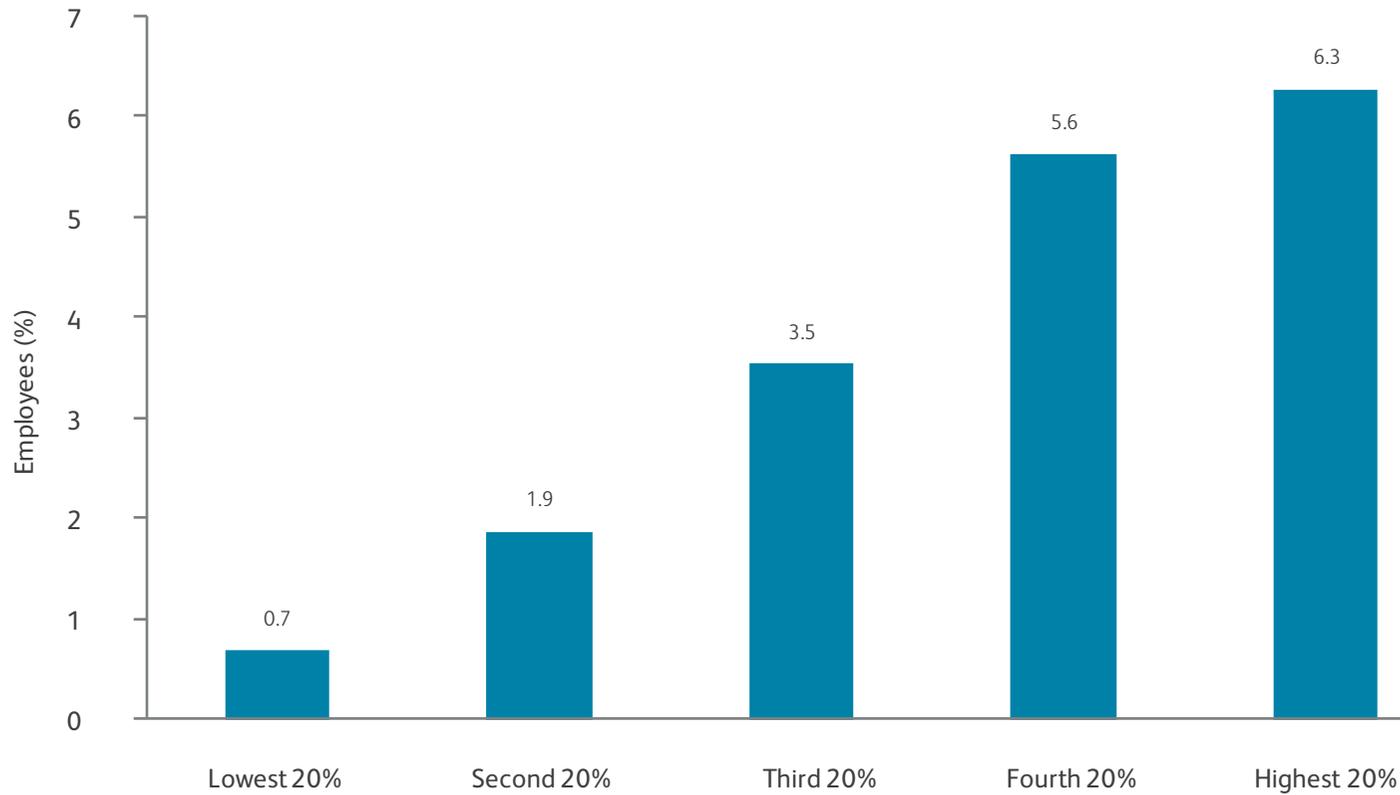
Source: Expenditure and Food Survey and Living Costs and Food Survey, Office for National Statistics
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Survey asks about Payroll Giving in a 12-month period and does not capture money donated through pensions.

3.6 Analysis by income since 2001

Figure 6 explores the extent to which people at different points of the income spectrum engage with Payroll Giving. The chart reveals a clear and linear relationship between income and propensity to use Payroll Giving.

Such is the strength of this relationship that those in the highest income band are nine times more likely to use Payroll Giving to donate than those in the lowest income band. Just over 6% of those in the highest band of earners donate through their payroll, compared with just 0.7% of those in the lowest income band.

Figure 6: Average percentage of people in employment who donated through Payroll Giving, by income group, 2001 - 2010



Source: Expenditure and Food Survey and Living Costs and Food Survey, Office for National Statistics

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Survey asks about Payroll Giving in a 12-month period and does not capture money donated through pensions.

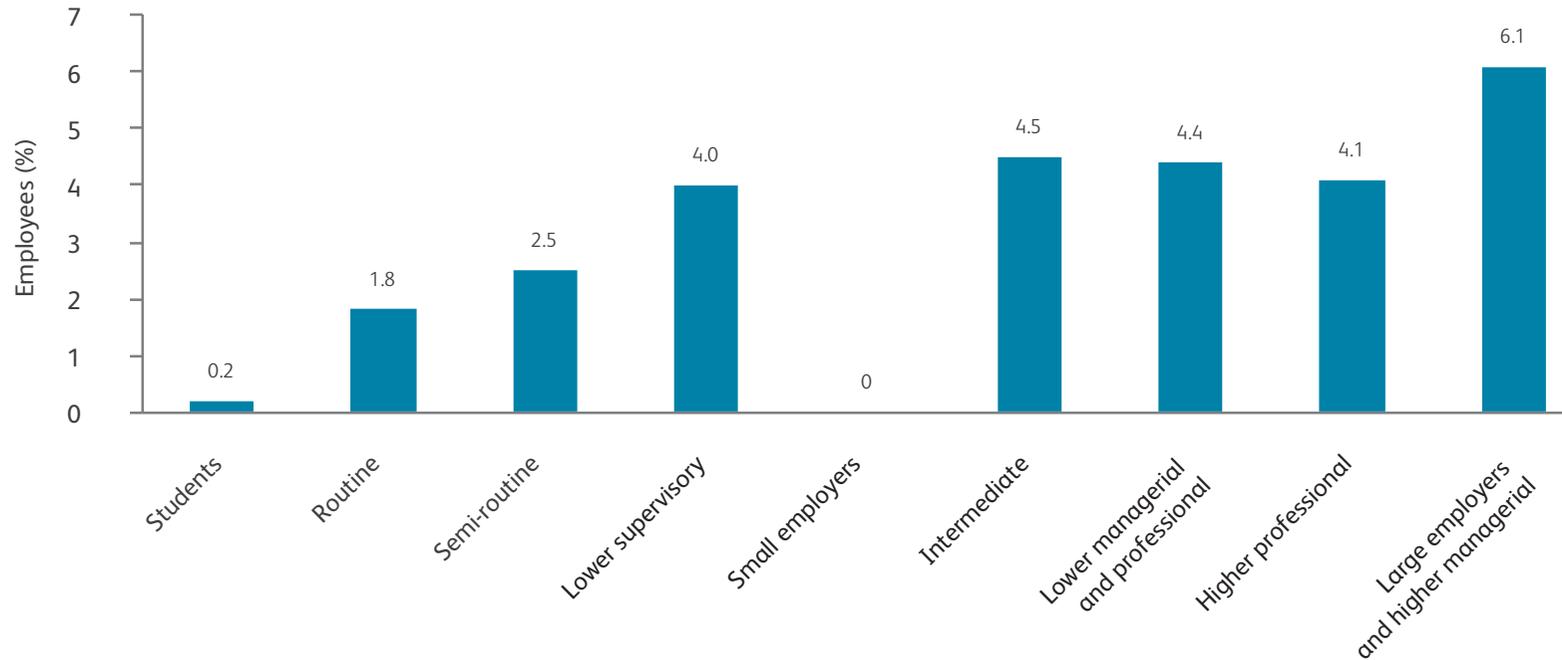
Each year households are ranked into five groups according to their gross income, with each group representing 20% of all households. For example, the 20% highest paid households are categorised as the "highest 20% of earners" group. In 2010 the income brackets from the lowest group to the highest were as follows: lowest 20% of earners had an income of up to £223 a week; second 20% of earners had an income of £223-£332 a week; third 20% of earners had an income of £333-£454 a week; fourth 20% of earners had an income of £455-£670 a week; and the highest 20% of earners had an income of £671 and over a week.

3.7 Analysis by socioeconomic classification since 2001

Figure 7 assesses how likely employees in different socioeconomic grades are to give through their payroll. The bars are ranked from higher to lower grade, as defined by ONS data tables, in order to highlight clearly any grades that fall out of line with this ranking. With a couple of exceptions, the findings align with those in Figure 6, in that those in higher-earning positions are more likely to be part of a scheme.

Those employed in “higher managerial” roles by larger companies are, by some margin, the most likely to use Payroll Giving. While 6.1% of this group give through their payroll, all other groups were measured at 4.5% and below. Although “higher professionals” and “lower managerial and professional” are ranked second and third in the ONS classification, they were fourth and third most likely, respectively, to use Payroll Giving. Significantly lower figures are observed among “semi-routine” and “routine” employees, and students.

Figure 7: Average percentage of people in employment who donated through Payroll Giving, by socio-economic classification, 2001 - 2010



Source: Expenditure and Food Survey and Living Costs and Food Survey, Office for National Statistics

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Survey asks about Payroll Giving in a 12-month period and does not capture money donated through pensions.

Full-time students can record donations to charity through payroll if they are working as well as studying, for example, have a part-time job.

The socio-economic classifications from the Government's hierarchy of categories from the lowest to the highest is as follows: Students, routine, semi-routine, lower supervisory, small employers, intermediate, lower managerial and professional, higher professional and large employers and higher managerial.

4 *Conclusions*

Payroll Giving has enjoyed steady growth

A 10% year-on-year annualised growth in donations over a 25-year period represents strong growth.

Payroll Giving has evolved through four distinct phases

The first 25 years of Payroll Giving can be divided into four phases, each lasting between four and nine years.

Payroll Giving reacts to stimuli

The report shows clearly that both around the millennium and around 2007, when significant specific investments were made in Payroll Giving, donations and engagement grew. This suggests not only that Payroll Giving reacts to stimuli, but also that it can be further enhanced.

Another donation surge is viable and necessary

In just four years following 1998/99, Payroll Giving income practically tripled in real terms, from £42 million to £115 million. The surge was likely caused by a combination of the 10% supplement, the Children's Promise campaign and the elimination of the annual limit in 2000. Since then, there has been little innovation, donations have been relatively flat and charitable giving has come under pressure.¹³ There has been a welcome increase in levels of discussion within the charitable sector around how another surge can be achieved. It is essential that this discussion is converted into tangible action.

The local environment impacts on how Payroll Giving flourishes

Although the report shows that participation in Payroll Giving is influenced by demographic factors, particularly income, it also shows that the geographic nature of local regions also has a marked impact. The greatest concentration of Payroll Giving donors is found away from areas of the UK that are known to have the greatest personal wealth. Also, the regions where Payroll Giving is more prevalent tend to have a higher balance of public-sector workers.

In recent years, fewer Payroll Giving donors have given more

Although in recent years the number of employees donating through Payroll Giving has declined, the amount being donated by these employees has increased. The average donation per capita has risen from £82 in 1990/91 to £161 in 2011/12.

Payroll Giving revenues appear to have been dampened by the economy

Evidence suggests the economic downturn had a dampening effect on the value of donations as well as the number of employers and employees using the scheme. There has been a decline on key measures in recent years.

The Payroll Giving gender gap has shrunk, but persists

There has been a significant shift in the gender profile of Payroll Giving donors. The proportion of men donating through Payroll Giving has undergone an overall decline, whereas the percentage of women has remained fairly constant, closing the gap between the two groups. The closing of the gender gap should be seen as positive. The vision must be for men and women to have an equal chance of involvement in Payroll Giving.

The income imbalance is of concern

Those at the upper end of the income scale are nine times more likely to be enrolled on the Payroll Giving scheme than those at the lower end. Although there may always be greater engagement with those who benefit most from the system – ie, those who pay more tax – this is a degree of skew that merits some form of corrective action.

¹³ UK Giving, November 2012, CAF and NCVO: www.cafonline.org/publications/2012-publications/uk-giving-2012.aspx

5 Recommendations

The Government, employers and charities should work together to increase the use of Payroll Giving amongst young people and those on lower incomes

Young people and those on lower incomes have very little engagement with Payroll Giving, as shown by this report. The charitable sector must not simply resign itself to the idea that this is because young people tend to earn less or that Payroll Giving is less appealing to those in lower tax bands. Emphasis should be placed on enhancing the strengths and addressing the weaknesses of Payroll Giving in order to broaden the appeal beyond the current core user base – namely the middle-aged individuals with a higher income. Evidence-based strategies should be put in place by charities and the Government to enhance uptake among young people and those on lower incomes in particular.

The Government should look to communicate widely the findings of its behavioural insights experiments into Payroll Giving

Behavioural economics (or “nudge theory”) is increasingly used to look at the way in which the design of systems and interactions (the so-called “choice architecture”) can prompt particular desired behaviours. The Government and CAF are engaging with academics and using behavioural insights to drive learning of how Payroll Giving uptake and usage could be enhanced.¹⁴ Payroll Giving will benefit from this sort of approach, as it is a complex field involving various stakeholders with differing triggers and motivations. The findings of these experiments will provide a refreshing insight into how the Payroll Giving community should develop at a strategic level. Allocation of resource, ideally to fuel both publicity and events, will ensure maximum benefit to the Payroll Giving community.

The Government and the voluntary sector should work together to streamline Payroll Giving through technology

Payroll Giving was created pre-internet, at a time when many people still collected weekly salaries in cash. That is no longer the case for most people, but the system has not developed to reflect this social change. Payroll Giving infrastructure is thus out-of-step with the way people work and live their lives, and calls for modern solutions to be welcomed.¹⁵ CAF’s view is that technology can and should be harnessed to create a more nimble and frictionless system that works better for donors, companies and charities.

The Government and employers should both match employee donations through Payroll Giving, as an incentive to use the scheme

The data suggests that the 10% supplement matching scheme that was implemented between 2000 and 2004 played a role in the surge in Payroll Giving donations in the third phase (1998/99–2002/03) of Payroll Giving’s first 25 years. Government and the corporate sector clearly share a desire for Payroll Giving to prosper, and as a proven incentive to uptake and use matched-giving programmes should be a key part of their approach.

Payroll Giving providers should work together to collect data on an annual basis in order to ensure a firmer evidence base

The Payroll Giving community should act to agree a framework and put a process in place to ensure that data is provided on an annual basis, in the way that is most useful for the various stakeholders in the scheme. The collection of consistent data can form the basis for qualitative and quantitative primary research, and allow the development of evidence-based policies designed to overcome some of the known challenges facing Payroll Giving. These include; understanding why young people are less engaged with the scheme, why the average amounts given per donor have increased; potential solutions to the portability issue; and broad attitudes to Payroll Giving.

¹⁴ Government team to trial ways to encourage Payroll Giving, October 2012, Civil Society: www.civilsociety.co.uk/fundraising/news/content/13476/governments_bit_team_to_trial_ways_to_encourage_payroll_giving?topic=&print=1

¹⁵ Nick Hurd seeks ideas on Payroll Giving, July 2012, Third Sector: www.thirdsector.co.uk/news/1139181/Nick-Hurd-seeks-ideas-payroll-giving/?DCMP=ILC-SEARCH

6 Appendices

6.1 Payroll Giving sector context

Initiatives since 1987

In December 1998, the New Millennium Experience Company, sponsored by Marks & Spencer, launched a millennium fundraising scheme called the Children's Promise: The Millennium Final Hour Appeal. The scheme encouraged staff to donate their final hour's pay of 1999 through Payroll Giving to the campaign. In total, £21 million was raised and distributed between seven major UK charities. The appeal had a large positive effect on Payroll Giving; this had, however, waned by 2001/02.

In April 2000, the Government made two key changes to encourage greater participation in Payroll Giving: the annual upper limit of £1,200 was removed and, for the following four years, Government supplemented Payroll Giving donations by 10%.

In July 2001, the Government and the voluntary sector launched The Giving Campaign, an initiative that focused on raising the overall level of giving in the UK.

The initiative ran for almost three years and focused on targeting four areas: wealthy people, tax-effective giving, employers and employees and young people. It focused on Payroll Giving through five approaches:

- leaflets about tax-effective giving were distributed to three million higher-rate taxpayers
- tax-effective giving guides were distributed to over 20,000 fundraisers and 10,000 trustees
- training was given to more than 1,000 charities across the UK
- Payroll Giving toolkits for businesses were distributed to around 15,000 SMEs and 4,000 large companies
- a challenge to large companies was issued, encouraging them to aim for a 10% Payroll Giving employee-participation rate.

April 2004 marked the introduction of a Government-funded drive¹⁶ to boost Payroll Giving. In January 2005 the devised programme was delivered in partnership by the Institute of Fundraising and Business in the Community. The initiative mainly targeted SMEs to encourage them to make Payroll Giving available to their staff, thereby enabling a further 47% of the UK workforce to support charities through this method.

The initiative was available until March 2007 and had three main objectives:

- to increase the number of SMEs offering Payroll Giving
- to raise the number of employees using Payroll Giving
- to increase the number and value of donations to charities through Payroll Giving.

The programme consisted of three key elements:

- **SME employer grants:** a one-off grant provided to each SME that signed up to the scheme, tiered according to the number of people employed.
- **Matched Giving:** matched giving of up to £10 per month for the first six months for each SME employee.
- **Payroll Giving Quality Mark:** this recognised and rewarded employers that made Payroll Giving available to staff. Bronze, silver or gold accreditation was attained when employee participation levels reached 1%, 5% and 10% respectively. The Payroll Giving Quality Mark has seen success since its launch; it is funded by the Government, and administered and promoted by the Institute of Fundraising. In 2011 a record 3,631 certificates were distributed to employers, signalling an 8.5% increase on 2010.¹⁷

¹⁶ Payroll Giving Centre, SME Grants Programme Report, March 2007: www.payrollgivingcentre.com/attachments/SME_Grants_Programme_Report_20508.pdf

¹⁷ Press release, March 2011, Payroll Giving Centre: www.payrollgivingcentre.com/attachments/PRG%20QM%20latest%20stats%20-%20Mar%2011.pdf

The Government invested £8.3 million into the SME Grants Programme initiative but £4 million was returned because it could not be spent. Half of the SMEs that joined Payroll Giving failed to get more than one donor. The initiative aimed to attract 3,328 new employers and 71,892 employees; it succeeded in attracting 3,493 employers but, with just 15,917 new employees signing up, did not reach the employee target.

In July 2005, funded by the RBS, television advertising campaigns were launched by Cancer Research UK, the NSPCC and Oxfam. The adverts aimed at encouraging more employers and employees to take part in Payroll Giving. The theme of these adverts was similar: anyone can make a difference to the treatment of cancer, child abuse and world poverty through regular giving.

Current initiatives and challenges

In May 2011 the Government published a White Paper,¹⁸ which detailed its plans for Payroll Giving. These plans included:

- a national profile-raising campaign to encourage more businesses to take up and actively promote Payroll Giving
- working with the Institute of Fundraising to re-launch the national Payroll Giving Awards and associated Payroll Giving Quality Mark scheme
- looking to support innovative ideas that have the potential to help the aim of making Payroll Giving a social norm. For example, Government will continue to explore the idea of presenting employees with a simple opt-in/opt-out choice for Payroll Giving and work with organisations that run innovative schemes.

In October 2011, the Government confirmed its commitment to the National Payroll Giving Excellence Awards at an annual ceremony at 11 Downing Street. This included announcing that the award categories would be expanded in 2012 and a Platinum Payroll Giving Quality Mark introduced.

Since publishing the White Paper and consulting further with Payroll Giving stakeholders, the Government is also looking to effect and support changes to the Payroll Giving mechanism before launching the profile-raising campaign. At the time of writing this report, it was considering a number of options, including working to improve the current system, making changes to the Payroll Giving agency market and developing a centralised Payroll Giving infrastructure.

A key issue with Payroll Giving is that when people change employers, they have to re-register for the scheme. In the White Paper, it is highlighted that £71 million was lost to charities between 1999 and 2007 because of this barrier. The Government is therefore planning to work with agencies that administer Payroll Giving schemes to see if this problem can be reduced. Changes to the Payroll Giving mechanism have been welcomed by stakeholders, as has the opportunity for government support to raise the profile of Payroll Giving in its strengthened form.

Awareness is a continuing problem for Payroll Giving. In a survey of 1,056 UK adults on public awareness and usage of all tax-effective giving mechanisms, the percentage of people who thought of Payroll Giving when asked to name a tax-effective form of donating was just 7%.¹⁹ The percentage of Payroll Giving users who said they were satisfied with the scheme, however, was 84%. The survey also highlighted that the public had a low understanding of Payroll Giving, revealing that only 55% of those who were aware of the scheme were fully sure that it is tax effective. The absence of awareness and good understanding around Payroll Giving can restrict the potential growth of the scheme.

¹⁸ Giving White Paper, 2011, Cabinet Office: www.cabinetoffice.gov.uk/sites/default/files/resources/giving-white-paper2.pdf

¹⁹ The public bond with tax-effective giving in the UK, April 2009, CAF: www.cafonline.org/pdf/PublicBond_Report.pdf

6.2 Public and private-sector employment breakdown

Table 1: Public and private sector employment breakdown (2010) and Payroll Giving participation (2001-2010), by region

Region	Public sector employees	Private sector employees	Ratio of private to public sector employees	Payroll Giving participation rate (%)	Payroll Giving ranking from Figure 5
South East	691,500	3,010,400	4.4	3.3	11
London	810,700	3,279,600	4.0	2.8	13
Eastern	488,600	1,856,900	3.8	3.6	7
South West	483,600	1,773,600	3.7	3.0	12
East Midlands	408,000	1,453,000	3.6	3.5	9
West Midlands	524,300	1,756,200	3.3	3.8	4
North West	704,100	2,213,500	3.1	3.7	6
Yorkshire and the Humber	542,400	1,624,200	3.0	3.4	10
Scotland	639,500	1,671,500	2.6	4.2	3
North East	285,300	714,100	2.5	3.7	5
Wales	333,400	817,500	2.5	3.6	8
Northern Ireland	217,700	487,400	2.2	8.3	1
Merseyside	-	-	-	5.3	2

Source: *Business Register Employment Survey, 2010* (ONS), *Expenditure and Food Survey and Living Costs and Food Survey* (ONS) and CAF.
The public and private-sector employment breakdown was not available for Merseyside.

6.3 HMRC total donations through Payroll Giving numbers before adjusting for inflation

Table 2: Total donations through Payroll Giving, 1987/88-2011/12

Year	Donations (£m)
1987/88	1
1990/91	9
1991/92	11
1992/93	13
1993/94	15
1994/95	16
1995/96	18
1996/97	22
1997/98	27
1998/99	29
1999/00	37
2000/01	55
2001/02	73
2002/03	86
2003/04	85
2004/05	83
2005/06	85
2006/07	89
2007/08	109
2008/09	104
2009/10	106
2010/11	114
2011/12	118

Source: HMRC

These figures are not adjusted for inflation

6.4 Key findings from Analysis of UK Payroll Giving, July 2005

The research carried out in 'Analysis of UK Payroll Giving, July 2005'²⁰ concluded that:

- Both the value of Payroll Giving donations and the number of employers signed up for the scheme had doubled during the period in which the Government offered a 10% supplement on Payroll Giving donations, and removed an upper limit of £1,200.
- Payroll Giving was found to be responsive to promotional incentives. The April 2000 tax changes, a promotion by the Giving Campaign and the earlier one-off Children's Promise initiative all had a marked positive impact on the participation rates and the value of donations.
- Benefits, both social and for participating businesses, of placing Payroll Giving at the heart of corporate philanthropy programmes needed to be marketed more vigorously to employers.

²⁰ Payroll Giving, July 2005, CAF: www.cafonline.org/pdf/PayrollGiving2005.pdf

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