The impact of the recession on charitable giving in the UK

Key findings

- In the UK over half the adult population (54%) continue to donate to charity in an average month. Whilst there has been a slight decline in the proportion of adults giving, levels are equivalent to what they were in 2006/07.

- The total amount of charitable giving has declined during the recession, down by 11% from 2007/08. A combination of fewer people giving and smaller average donations has led to the decline.

- The recession has had a similar impact in the United States, where charitable giving declined by 6% between 2007 and 2008.

- Historic evidence suggests that the length and severity of a recession will impact on the levels of charitable donations, but that not all causes will be affected equally.

- Legacy donations have decreased in value during the recession, although there has been an increase in the number of legacies received.

- Individual motivations for charitable giving go beyond personal finances: charities should continue to ask for support during an economic downturn.

Introduction

This briefing paper is part of NCVO/Charities Aid Foundation’s UK Giving research programme. Now in its fifth year, UK Giving provides essential robust analysis of long-term trends in individual charitable giving.

To access the UK Giving 2009 report or to download other briefing papers in this series visit [www.ncvo-vol.org.uk/research/giving](http://www.ncvo-vol.org.uk/research/giving) or [www.cafonline.org/ukgiving](http://www.cafonline.org/ukgiving). We would like to acknowledge the contribution of Anjelica Finnegan for researching and drafting this paper during an internship at NCVO.
People continue to give what they can…

In 2007/08 individual giving reached a peak of £10.6 billion. However, this figure fell by 11% in real-terms to £9.9 billion in 2008/09. This fall in giving coincides with the UK economy entering a recession in the second quarter of 2008, as measured by negative growth in Gross Domestic Product (GDP).

The NCVO/CAF UK Giving survey measured charitable giving among the adult population between June 2008 and February 2009. Results from the survey show that both the proportion of adults giving and the mean monthly donation amount have declined from the previous year, both contributing to a decline in the overall amount donated to charity.

Average UK individual giving donations during the past four weeks, 2006/07 – 2008/09

<table>
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<th>2006/07</th>
<th>2007/08</th>
<th>2008/09</th>
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<tbody>
<tr>
<td>Proportion of adults giving (%)</td>
<td>54</td>
<td>56</td>
<td>54</td>
</tr>
<tr>
<td>Total number of donors (millions)</td>
<td>26.8</td>
<td>27.7</td>
<td>26.9</td>
</tr>
<tr>
<td>Estimated total annual amount donated, inflation adjusted (£billion)</td>
<td>10.3</td>
<td>11.2</td>
<td>9.9</td>
</tr>
<tr>
<td>Mean amount per donor</td>
<td>£29</td>
<td>£33</td>
<td>£31</td>
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<tr>
<td>Median amount per donor</td>
<td>£10</td>
<td>£11</td>
<td>£10</td>
</tr>
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Source: CAF/NCVO

However as the table above shows, despite the recession, over half (54%) of the adult population in the UK still donate to charity every month. The median monthly donation has remained relatively stable over the past three years and stands at £10 per donor in 2008/09. A stable median coupled with a slight fall in the mean donation size suggests that during the economic downturn there has been a reduction in larger donations. This signals that people are still trying to give what they can, but that this amount has decreased. This conclusion is supported by a recent survey of online donors where 82% of respondents claimed to “still give, but a little less”. The recession seems to have caused people to reconsider their giving habits, with 8% of respondents to the same survey considering making significant reductions in their level of giving.

… but donations from professionals and higher income earners have declined

The NCVO/CAF UK Giving survey has found that during the recession donations from people in managerial and professional occupations have declined, as well as giving by people in the top-half of the income distribution. A reduction in giving by these groups has a disproportionate

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1 ‘UK Giving 2009’ NCVO/CAF, 2009
3 ‘Donor attitudes to giving in the credit crunch: the second monthly monitor’ Just Giving, 2009
effect on the total amount given, as on average they donate larger amounts. However donors on higher incomes continue to account for a significant proportion (61%) of the total amount given.

Research by Barclays Wealth of 500 wealthy individuals in the UK and the US found that three-quarters (75%) of those surveyed had not reduced their contributions to charity. In fact more than one in four had increased their giving in the last 18 months. Respondents explained that they would cut back on holidays abroad and luxury items rather than cancel donations to charity. Tomorrow’s Philanthropist reported that wealthy donors believe solutions to future social problems created by the increasing constraints on government spending will become their responsibility.

What is happening to charitable giving elsewhere?

As in the UK, there has been a fall in charitable donations in the United States (US) during the recession. Individual giving was found to have declined by 6.3% in real-terms between 2007 and 2008. Less is known about other countries, although prior to the economic downturn charitable giving had been steadily increasing in some countries. In Australia from 2003 to 2007, taxation statistics show that tax deductible giving has increased by an average of 16% a year. A similar trend can be seen in Canada: Canadians donated a total of $10 billion in 2007, an increase of 12% in donations from $8.9 billion in 2004. The average annual donation increased by 9% (from $400 in 2004 to $437 in 2007). Individual giving in other countries is not widely monitored or reported.

With a lack of global up-to-date information, historic evidence from previous recessions can be informative. In the US it was found that giving slows slightly during recessions, rather than contracting proportionately to the fall in GDP. An individual’s ability to give is influenced more by their household income and net worth than by wider declines in the economy. The length and severity of the recession are likely to matter however, with longer recessionary periods correlating with a greater fall in giving. Not all charities will be affected equally by a recession: in the US giving to educational causes has dropped most steeply during recessions, while giving to human services increased and even showed higher rates of growth during a longer recession. Donors may respond to perceived need and continue to give to causes they feel are necessary during hard financial times. As has been stated in the UK, “there are no easy or universal generalisations about the impacts of adverse… economic circumstances.”

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What has happened to legacy donations during the recession?

Legacy donations represent a significant source of income to charities, representing £1.7 billion or 5% of total income. Legacies are often residuary in nature, ie, charities receive a proportion of the estate value, rather than a set amount. This has meant that in the past few decades charities have benefited from rising house prices. However as property prices have fallen during the recession, have charities experienced a decline in legacy income?

Research has found that in the twelve months to June 2009, charities representing over half of the legacy market had experienced a decline in legacy income of £20.2 million (or 2.3%). Falling house prices and stock market volatility have most likely contributed to this drop in legacy income. On a positive note, the fall in the average value of legacies was balanced by an increase in the number of legacies received (up by 4.3%).

A fall in legacy income is most likely to affect large charities (earning over £10 million), who receive 70% of legacy income to the sector. Charities working in certain sub-sectors are also more likely to receive legacy income – charities focusing on social services, the environment or research receive over two-thirds (67%) of legacy income to the sector. Once again, the recession will not have an equal impact across the sector.

Charities should continue to ask for support

In 2008 US charitable giving was estimated to be $307.7 billion, the second year in a row that donations exceeded $300 billion despite the economic climate. Donor motivation has remained constant. Rather than philanthropy being solely motivated by economic factors, it is primarily a social act. As illustrated below, there has been little change to the causes that people support in the UK. Medical research continues to receive a high level of support from donors, with one in five giving to medical research causes.

Research from the US found that in wealthy households a chief reason donors stopped giving was because they were “no longer feeling connected to the organisation”. Given that almost half (49%) of charitable giving in the UK comes from large donations (£100 or over), it is imperative that charities continue to try to connect with these high-level donors. The current financial crisis should not prevent charities

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from asking for donations. Professor McGregor-Lowndes, Director of the Centre of Philanthropy and Non-profit Studies at Queensland University of Technology, states “If charities decide to reduce their activities to ask for donations or reduce fundraising staff, then it may be a self-fulfilling prophecy.”\(^\text{20}\). The Charity Commission’s latest Economic Survey of Charities found that only 18\% of charity respondents had increased their fundraising efforts (up from 11\% in March 2009) to limit the effects of the recession\(^\text{21}\).

Proportion giving to charity by cause 2007/08 – 2008/09 (%)

Evidence from the US shows that while charitable giving may fall during a recession, the amount donated picks up again in non-recession years\(^\text{22}\). The trend over the past forty years in the US is of long-term growth in charitable giving, with short-term instability during a recession or economic slowdown. If the same pattern follows in the UK, we would not expect the current downward trend to persist beyond the recession. It seems that charitable giving can be resilient in the face of a recession and charities should take heart from this information, whilst also taking the necessary action to mitigate any falls in donation levels they are currently experiencing.

Source: CAF/NCVO

![Proportion giving to charity by cause 2007/08 – 2008/09 (%)](image)

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\(^{20}\) “Australia’s generosity breaks record” Queensland University of Technology, 2009

\(^{21}\) Economic Survey of Charities, Charity Commission, September 2009

\(^{22}\) “Giving during recessions and economic slowdowns” Giving USA Spotlight, issue 3, 2008

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