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Centre for Charitable Giving  
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# The new state of donation: Three decades of household giving to charity 1978 – 2008

## Executive Summary

Edd Cowley, CMPO, University of Bristol  
Tom McKenzie, CGAP, Cass Business School  
Cathy Pharoah, CGAP, Cass Business School  
Sarah Smith, CMPO and Dept of Economics, University of Bristol

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**As we face a time of economic uncertainty and reduced public spending, what is the current state of charitable giving in the UK? This paper presents a summary of the results of a new analysis of the main trends in household giving to charity over the last three decades, drawing on the ONS Living Costs and Food survey. The research finds that fewer households are giving now than in 1978, but that donors give more. Overall, giving as a share of total spending has been remarkably stable over more than twenty years – reassuring for charities whose funding depends on it, but challenging for fundraisers and policy-makers trying to generate a step-change in philanthropy.**

## Context

Donations from individuals account for around one quarter<sup>1</sup> of the total income received by charities which fundraise in the UK. Up-to-date understanding of patterns and trends in individual giving is consequently of immense value to those charities whose survival depends on it. More broadly, however, giving to charity is perceived as one of the significant ways in which people express their concern for others and get actively engaged in meeting community needs. For government and policy-makers, levels of individual giving are one indicator of social engagement, and of increasing importance as a source of support for voluntary and community organisations at a time when statutory funding is being cut back (Cabinet Office, 2010a, 2010b).

To assess the current state of donation, a comprehensive analysis of the main trends in household giving to charity over the last three decades, a time of growth in tax incentives for giving, the professionalization of fundraising, huge technological change, and several periods of recession. The analysis uses data from the ONS Living Costs and Food survey.

## Main research questions

- What proportion of households give to charity, how much do they give, and how have participation and generosity changed over the period?
- What are the main economic and social factors that affect giving?
- What messages for future giving can be learned from a study of long-term trends and the factors which might influence them?

## Key findings and implications

### **The Millennium year marked a turning point in the proportion of households giving to charity**

The latest evidence suggests that the long-term decline in the proportion of households giving to charity has been halted. The Millennium year marked the turning point. The proportion of households giving to charity during a two-week period fell from 32 per cent in 1978 to 25 per cent in 1999. Over the period 2000-2008, participation has averaged over 28 per cent with little evidence of any clear trend. Further analysis indicates that rising participation among younger age-groups may help to explain the change.

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<sup>1</sup> Total individuals donations were £8 billion in 2009, out of total income of nearly £36 billion (National Council of Voluntary Organisations, 2010)

## **Donations have increased in real terms over the three decades**

Average donations have increased over the last three decades. Looking at the whole population (i.e. including non-givers), they have more than doubled. Looking only at givers, they have gone up three-fold.

## **But, achieving a step change in giving could be challenging**

While average donations have increased, the rise in giving over the past two decades has only broadly been in line in with GDP growth. As a share of their total spending, households today give 0.4 per cent – this is the same as it was in 1988.

Over the same period, there have been increases in the generosity of tax relief, big changes in the way people give to charity and the professionalization of charity fundraising. These changes may have prevented giving from falling, but there is little evidence that they have affected how much people give. The relative stability is both good and bad news for the sector. It means charities can rely on donors, even in times of recession (as we show below), but it also indicates the huge scale of the challenge in raising levels of charitable giving.

## **Giving is largely recession-proof**

Over the last three decades, the value of giving has typically grown in times of economic growth, and has not fallen at the same rate as the economy during recessions. However, there are two caveats. First, our dataset does not extend to the end of the latest recession. Second, giving appeared more volatile in the current recession than in previous ones.

## **Charitable giving increasingly depends on elderly donors**

The over-65s now account for 35 per cent of all donations, compared to 25 per cent in 1978. Participation and donations have grown among older age groups, contrasting with falling participation over the whole period among almost every other age-band. Higher giving among older age groups reflects particular generational factors, including values or beliefs.

Better-off donors also now account for an increasing share of total donations. Increases in both participation and donations among the richest ten percent of households over time have meant that they account for an increasing share of total donations – up from 16 per cent in 1978-82 to 22 per cent in 2003-2008. However, it remains the case that, focusing on givers, poorer households are much more generous in terms of the proportion of their total budgets given to charity. Giving comprises 3.6 per cent of total spending among the poorest 10 per cent of givers, compared to 1.1 per cent for the richest 10 per cent.

## **Household influences on giving are changing**

Levels of expenditure and age are increasingly strongly and positively related to giving. The presence of women and of children in the household still have positive effects on giving amount and participation, but are reducing. The same is true of higher education. Those with mortgages are giving (relatively) less than they were. Explanations may lie in the increasing number of small, women-only, and single-parent households, the expansion of higher education, and the higher costs of mortgages, but the overall implication is that fundraising targeting and approaches may need to change.

## **Headline results and main trends**

### **Participation in giving**

- The long-term decline in household participation in giving, from 32 per cent in 1978 to 25 per cent in 1999, ended in 2000. Since then, the participation rate has averaged over 28 per cent with little evidence of a clear trend. Participation rates have been more volatile since 2000.
- There is some national variation in these trends; the decline in participation in giving by households in Wales and Scotland has been steeper than by those in England (albeit from a higher base).

### **Amount given**

- There has been a real rise in the average weekly donation across 31 years, more than doubling in the population as a whole from £0.98 in 1978 to £2.34 in 2008<sup>2</sup>.
- An increase in donors' giving compensated for falling participation rates. Amongst donors, the average donation nearly trebled from £3.05 in 1978 to £8.66 in 2008. Most of this growth occurred in the 1980s.
- There was a marked rise in donating at the time of the Asian Tsunami disaster, but its effects on the level of total donating were short-term.
- Giving is heavily skewed towards donors giving larger amounts: in 2003-2008, the top 50 per cent of households (ranked by donation size) accounted for 92 per cent of all giving. This has remained remarkably constant over the three decades.

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<sup>2</sup>All figures are given in 2010 values

## **Generosity**

- Generosity among donors, which we measure by donations as a proportion of total spending, has increased over the period from an average of 0.9 per cent (1978-1982) to 1.6 per cent (2003-2008).
- Most of the increase took place in the 1980s: since 1990 donations have only risen in line with the general increase in total household spending.
- Looking at donations as a share of total spending for the whole population – i.e. including non-givers – the expenditure share has been fairly constant for the last twenty years. Charitable giving was 0.4 per cent of total household spending in 2008 and in 1988.

## **Method of giving**

- There has been 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 throughout the period (from 36 per cent in 1983 to 63 per cent in 2008), and the share of total donations given in this way grew two and a half times (from 18 per cent of total donations in 1983 to 46 per cent in 2008).

## **Giving and the economic cycle**

- Total giving is positively correlated with GDP growth, but this positive relationship is driven by boom times – in particular by the 1980s boom.
- Giving appears fairly recession-proof, and does not fall at the same rate as economic growth in times of recession, though it may have held up less well in the most recent recession.
- The economic cycle affects how much money people give but does not affect participation significantly.

## **The relationship between giving and households’ standards of living**

- As would be expected, giving is skewed towards richer households. The top 50 per cent of households (ranked by expenditure) accounted for 64 per cent of the value of all giving in 2008.
- The share of donations by value given by the better-off has increased over the period. For example, the richest ten per cent of households accounted for 22 per cent of total donations in 2003-08, compared to 16 per cent in 1978-82.
- This is driven by rising participation and donations among the better off. Participation has risen among the richest 10 per cent of households (from 45 per cent in 1978-82 to 47 per cent in 2003-08), in

contrast to a sizeable fall in participation among the poorest 10 per cent of households (down from 17 per cent in 1978-82 to 10 per cent in 2003-08).

- However, poorer households that donate tend to give a higher proportion of their expenditure than the better-off. The poorest 10 per cent of households that donated gave 3.6 per cent of their total spending in 2008, compared to 1.1 per cent among the richest 10 per cent.

### **The relationship between giving and age**

- Participation is now higher among the over-65s than it was among the same age group at the start of the period. For the over-75s, for example, participation increased from 27 per cent (1978-82) to 31 per cent (2003-08). This is in contrast to lower levels of giving now than at the start of the period among all younger age groups. The level of generosity has also grown faster amongst older people than among younger age groups.
- Rises in participation and donation size led to an increase in the share of total donations given by the over 65s which rose from 24 per cent in 1978-1982 to 35 per cent in 2003-2008.
- However, the decline in participation seen amongst younger age-groups between 1978 and 2002 appears to have been reversed in the period 2003-2008. The rise in participation among younger age groups may help to explain why the earlier long-term decline was halted.

### **The relationship between giving and other household characteristics**

#### ***Participation***

- The strong positive link between overall household expenditure and likelihood of giving has become even stronger: the premium on a 10 per cent increase in expenditure grew from an average 1 per cent at the beginning of the period to 1.6 per cent at the end.
- The positive link between age and likelihood of giving has become stronger over time.
- The positive link between households with a higher proportion of adult women and likelihood of donating has not changed over time.
- Households with children are more likely to donate, but the increase in probability of donating fell from an average 7.3 per cent to 5.9 per cent in the middle of the period.
- Over the period the average effect of higher education is almost to double the amount given, but the premium fell from 113 per cent at the outset to an 81 per cent increase by the end.

- There is a strong link between being employed and likelihood of donating, but the link weakened over time, partly because there is less fall-off amongst the retired.
- At the beginning of the period, households in Scotland and Wales were more likely to donate than those in England. The difference between Scotland and England has now reduced somewhat, while households in Wales are now less likely to donate than those in England.

### ***Amounts given***

- The positive link between expenditure and amounts given grew stronger: a 10 per cent increase in expenditure saw the premium grow from 6.1 per cent more to 8.1 per cent.
- The positive link between age and amounts given has become stronger over time. The positive link between proportion of adult women and amount given has weakened.
- Home-owners give 48 per cent more than those who rent, but over the period the link between having a mortgage and giving more weakened, from a 38 per cent premium to 17 per cent.
- The link between employment and giving higher amounts remained the same over the 31 years, with unemployed donors giving 21 per cent less than those employed.
- Households in Scotland gave on average 46 per cent more than those in England and Wales over the 31 years, but over the period Scotland's lead fell from 69 per cent more to 25 per cent more.

## In conclusion

Clear trends emerge from the research, which should inform practice, policy and research in charitable giving going forward. A long-term decline in participation appears to have been halted, and the reversal in the steep downward trend amongst the 20-25 age-band will be particularly welcome to those who believe that the future health of charities depends on habits of giving amongst the young. This may not be the case, and it is possible that the interest in giving, and the leisure and resources to do so, develop after families are grown up, careers established and mortgages paid off. Certainly the results of the study showed that participation and donations have grown among older age groups, contrasting with falling participation among almost all others. There is a steadily increasing dependence on larger donations from the better-off. Yet richer givers still give much less as a share of their total spending than poorer givers. In general, giving has only risen in line with economic growth. This, coupled with the finding that giving is relatively 'recession-proof', indicates that habits of giving may be relatively unchanging. Innovation in fundraising may help maintain giving, but does not necessarily bring higher giving overall. While this study provides greater insight into the determinants of giving, our understanding of how it could become more deeply embedded in people's lives remains limited.

**The Living Costs and Food Survey:** The LCF survey has existed since 1957, although much information is available on a consistent basis since 1978. The survey samples nearly 6,500 households annually, on a rolling basis over the year. All individuals in participating households are asked to record all items of expenditure in a diary over a two-week period. In addition, household members are interviewed about income sources and other types of regular, less frequent spending, such as direct debits and deductions from salaries. [www.ons.gov.uk/about/surveys/a-z-of-surveys/living-costs-and-food-survey/index.html](http://www.ons.gov.uk/about/surveys/a-z-of-surveys/living-costs-and-food-survey/index.html)

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