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Recessionary Times and Philanthropy: Establishing the Pathway of Charitable Donations during the Irish Economic Downturn

Marina Power

Evening B.A.

Ireland has a strong tradition of philanthropy, and charity has played a significant part in the development of modern Ireland. Charitable giving in Ireland has, however, changed considerably over the past 15 years. This paper analyses charitable giving in Ireland by using the general population of the Mid-West region of Ireland as a sample of the entire Irish population. A self-completion questionnaire is used to examine people's altruistic behaviour, in order to determine whether the recent economic downturn has had an impact on their attitudes towards charity. This paper concludes that financial stability is not the sole determinant of an individual's ability to make donations to charity. Irish philanthropy is very reactive and spontaneous in nature; therefore the level of donations is unlikely to fluctuate greatly between periods of both strong and weak economic activity.

Introduction

Charity plays an important role in modern society. It makes a positive contribution to social need, education, environment, arts and culture. There will always be those who are vulnerable or who are victims of injustice, who need and deserve the help of those who have been more fortunate. The topic of philanthropy and charitable giving has been receiving attention internationally for several decades and a large number of studies have been carried out on the subject. Philanthropy and charitable giving have been observed and examined from a variety of perspectives. This paper will look at the issue of charitable giving from a socio-economic perspective.

The aim of the paper is to examine the impact of the recent economic downturn on the charitable giving patterns of the general population in the Mid-West region of Ireland to determine whether their attitudes towards charity have changed. In order to achieve this objective, the following questions are addressed: How do people value charitable giving in contemporary society? Do people trust non-profit organisations? Do people think giving to charity is a moral obligation? Do economic conditions impact on people's decision to give to charity? This paper is not concerned with the personal motivations underlying the individual's decision to donate to charity. Nor is its aim to collect empirical data about the number, frequency and amount of charitable donations. It seeks to determine people's attitudes towards charitable organisations and to charitable giving in general. In order to achieve this, it looks at people's charitable giving patterns – defined by Allen (1990, p.189) as giving voluntarily to those in need - and examines them in the context of the recent economic downturn.

The development of charitable organisations in Ireland

Charity has played a significant part in the development of the modern Ireland. A strong tradition of philanthropy can be traced as far back as the late 1700s and initially it was of a religious character. The clergy, both Protestant and Catholic, was heavily involved in the social welfare field, particularly in the care of institutionalised orphans, in prison work, the establishment of hospitals and in improving education among the poor (Luddy 1995). In addition, communities, galvanised by pressing social issues such as poverty and the lack of healthcare, had formalised and structured their activities and formed organisations designed to deal with these issues with the help of the church and the community but without relying on help from the government. As a result the responsibility for social welfare was placed exclusively in the hands of the basic societal units such as the family, local communities, and the church. The

state became involved in the field of social welfare much later. While the government did provide some limited funding for the education and health sectors, the majority of hospitals only became state funded in the 1930s and most secondary education remained fee-based until 1967. However, from the 1970s, state support of voluntary provision in the areas of social housing, services for older people and childcare improved substantially following the establishment of a Community Development Programme (Donoghue 2001, pp.3-5).

Overview of trends in charitable giving in Ireland

Despite the increased funding of social issues by the state, there are nevertheless 1,798 charities currently registered with the Revenue Commissioners (2009) and clearly the role of charitable organisations continues to be of significance both to the Irish economy and to society. However, despite the large number of registered charities, Ireland is still in the early stages of developing a culture of philanthropy. The non-profit sector in Ireland is generally associated with charity balls, fundraising events or direct mail runs (O'Connor 2008, p.50). Charitable giving in Ireland is generally characterised by one-off, responsive, spontaneous cash donations, rather than structured, planned or regular strategic giving (Prospect23 2009, p.4; Philanthropy Ireland 2008, p.1). The concept of philanthropy is not as well developed in Ireland as in some other countries. While Ireland is ahead of France, Germany, New Zealand and the Netherlands in its level of charitable giving, it is far behind such countries as the United States, the United Kingdom and Australia (Prospect23 2009, pp.4-5).

From the late 1990s until 2007 Ireland experienced unprecedented economic growth and this led to a corresponding growth in living standards and an increase in private wealth of individuals (Prospect23 2009, pp.2-3). However, the level of charitable donations did not keep pace with rising income levels

over the past decade (Ruddle and Mulvihill 1999). The Irish Gross Domestic Product grew by 93% from 1994 to 2000 according to the Household Budget Survey, but the level of charitable donations only increased by 18% during the same period (Central Statistics Office 2001 and 1996). In fact, during this period, the average donation per household actually decreased by 0.25% relative to disposable income. It appears that as Irish households became wealthier over the 1990s and early 2000s they donated relatively less of their income to charity (Carroll *et al* 2005, p.239).

It should be pointed out that this newfound wealth was not evenly distributed across all levels of the Irish society. A significant portion of this wealth was concentrated in the hands of the higher income groups. It was estimated that there were 33,000 millionaires in Ireland in 2006 with the top 1% of the population holding 34% of the total wealth, and 5% of top earners holding 40% of all the wealth in the country (Bank of Ireland Private Banking 2006, p.16). In fact in 2004 Ireland was second only to the United States in inequality among Western nations on the human poverty index scale (United Nations Development Programme 2004, p.151). As a result people's propensity to give to charity varied considerably.

Pharoah and Tanner's study (1997) on the trends in charitable giving carried out in the UK indicated that household income is a key determinant of whether or not people give to charity. This study showed that the gap between rich and poor in the UK widened dramatically during the 1980s. Like Ireland in the 1990s, there was a recorded fall in the number giving to charity among rich and poor alike. The increase in income inequality is a sign of an unsustainable, volatile economy and therefore leads to greater uncertainty among people about their future levels of income. This uncertainty may cause an increase in

precautionary savings and diminish people's altruistic feelings (Pharoah and Tanner 1997, pp.438-439).

A further possible reason as to why the rise in income levels did not lead to the increase in charitable contributions was the change in human morals and values. The rapid economic and social change that took place in Ireland over the past decade had a negative effect on such values as compassion and the sense of social responsibility. All these factors led to a shift in priorities and had a negative effect on the Irish citizen's outlook on charity (Carroll 2005, pp.9-15).

In September 2008 Ireland became the first country in the EU to officially enter recession (Central Statistics Office, 2008). The rising level of unemployment and the increasing cost of living appear to have had a detrimental effect on the public's ability to maintain the usual level of donations that most charities depended on. Individual giving is the single most important source of income for many charities and the economic downturn happened at a time when the demand for the services offered by the various charities was on the rise (Prospect23 2009, p.4). Major Irish charities such as Trócaire, Oxfam, Concern and Focus Ireland have reported a drop in donations by as much as 10% (McBride 2008).

While this is a worrying development for the Irish charities some international studies show that charitable organisations appear to experience economic downturns differently, depending on their missions and fundraising programmes. Historically, in times of recession there is always a drop in giving of approximately 0.7% but donations never stop completely. While some charitable organisations see a decline in the level of donations during economic downturns, others, such as human-services oriented charities, may see significant increases (Centre on Philanthropy at Indiana University 2008, pp.1-16).

Methodology

The task to examine the impact of the recent economic downturn on the charitable giving patterns of the general population in the Mid-West region of Ireland to determine whether their attitudes towards charity have changed was carried out using the quantitative research method by the way of a self-completion questionnaire. The sampling strategy chosen for this research was the non-probability quota sampling.

The purpose of the questionnaire was to test people's attitudes towards charity and charitable organisations, and to examine whether their personal financial circumstances had an impact on their charitable giving patterns. The questionnaire was distributed between October and November 2009 to 75 people residing in counties Limerick, Clare and Tipperary. Five age groups were represented in equal numbers in this research. Although, this sample was not fully representative, the answers from the 75 respondents have generated interesting findings about people's views and attitudes towards charitable giving and helped to determine whether or not the recent economic downturn had an impact on their charitable giving patterns.

Results and Discussion

A study carried out by Bennett (2002, p.12) suggested that demographic factors such as gender, age and occupational status influenced people's inclination to donate to charity. Therefore the questionnaire began with establishing these factors. As previously mentioned, the sample included 75 people in total, with 15 people representing each of the following age groups: 18-30, 31-40, 41-50, 51-64, and over 65. Accordingly, 58.7% of the sample was male and 41.3% were female. The occupational status of those surveyed stood at 66.7% employed, 18.7% retired, 5.3% self-employed, 4% in full-time education, 2.7%

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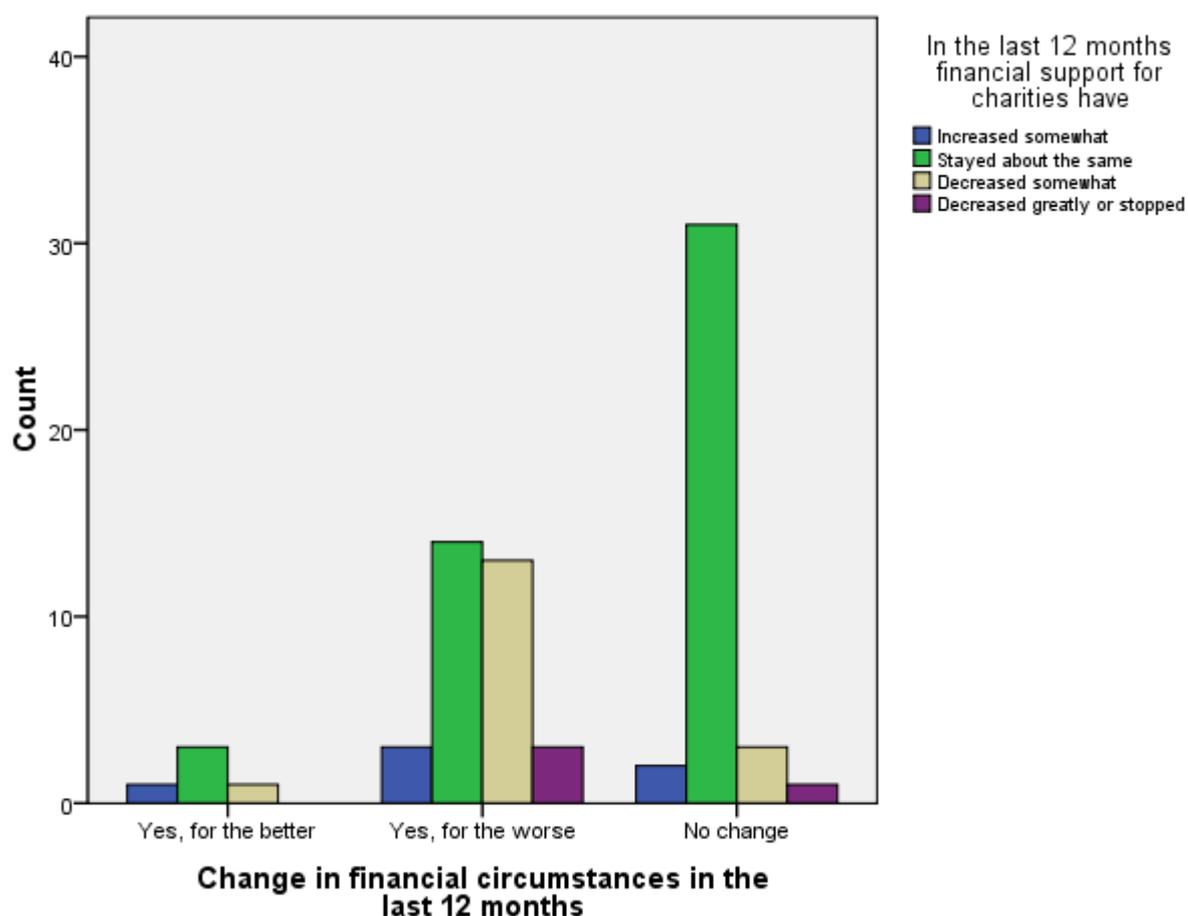
unemployed while homemakers and people unable to work due to disability were equally standing at 1.3% each.

As outlined earlier, the aim of this research was to examine the attitudes to charity among people in the Mid-West region of Ireland. The aim was not to collect empirical data about the number, frequency and amount of donations but to carry out a small probe into people's altruistic behaviour and to examine it in the context of the recent economic downturn. That is why this study did not seek to establish the precise income levels of the respondents but was rather interested in ascertaining whether or not they have experienced a change in their financial circumstances in the last twelve months. The results showed that 50.7% of the respondents experienced no change, 42.7% experienced change for the worse, and 6.7% experienced change for the better.

An interesting finding emerged when the respondents were asked to indicate whether their financial support for charities has increased, stayed the same, or decreased in the last twelve months. The results showed that 65.3% kept their charitable contributions at the same level as before, 26.7% have decreased their contributions, and 8% have increased them. When these figures were further dissected it emerged that 60% of those who indicated that their financial circumstances have changed for the better indicated that their contributions to charity stayed the same, while only 20% increased their charitable contribution, and another 20% have decreased them. There was almost an even split between those who indicated that their financial circumstances have changed for the worse, with 43.8% indicating that they kept their charitable contributions at the same level and 40.6% have decreased them. Interestingly 9.4% have increased their contributions despite the fact that their financial circumstances have changed for the worse (Figure 1).

Figure

1



When those who had decreased their financial support for charities were asked about the reasons for doing so 52.4% indicated that they did not have enough money to spare, 14.3% felt that it is Government's responsibility to do what charities do, and another 14.3% indicated that they felt that not all charities were honest.

Another aim of this study was to establish what people's attitudes towards charitable giving were. In order to do that it was necessary to determine general perception of non-profit organisations among the Irish population. According to the data collected, 74.6% agreed that charities are credible organisations that provide quality services. This survey also revealed that 84% of the respondents

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agreed with the statement that charities could make a real difference to people's lives, and that's why it makes sense to support them. The respondents were also largely in agreement that the work of charities is important and vital and that charities promote altruism. However, the perception of non-profit organisations was not uniform. Negative images of non-profit organisations are usually connected with the idea that charities use a large proportion of donations to fund their operating costs, and 48.6% of respondents subscribed to this view. Non-profit organisations are also often accused of being established to fulfil the ambitions of their founders rather than to serve the public and this view was shared by 37.3% of respondents.

Trust in non-profit organisations plays an important role in people's attitudes toward charitable giving. The results of the survey showed that people generally trust non-profit organisations with 76% of respondents disagreeing with the statement that they don't trust charity organisations and therefore won't give them any support. Respondents also largely agreed that charity organisations can help the person in need better than an individual due to their expertise, with 62.2% agreeing with this statement; however 25.7% were unsure, and 12.2% disagreed. The results of an investigation into people's attitudes to individual giving to charity showed that people believe in the moral value of philanthropy. This view was held by 82.4% of the respondents, who agreed that giving money to people in need is morally right.

Another set of questions looked at the public's view of who is responsible for financing non-profit organisations: entrepreneurs, the government or the general public. Although a large proportion of the respondents disagreed with the idea that charities should be financed exclusively by entrepreneurs and the government, some agreed, but many were undecided. The view that charities should be financed by firms and entrepreneurs but not by general public was

shared by only 12.2% of respondents, 71.7% disagreed, and 16.2% were undecided. Similarly, only 20.3% agreed with the statement that charities should be financed by the government but not by general public, while 58.1% disagreed, and 21.6% were again undecided. When analysing these results it becomes clear that the respondents believe that it is mainly the responsibility of the general public to support the non-profit sector. The reason for this could be that Irish people don't want to see the non-profit sector being supported from the public purse, which would mean higher taxes. But despite the fact that respondents weren't united on their opinion related to financing of charities, 89.2% of them disagreed with the statement that charity belongs to the 19th century and is not needed in modern society.

A separate section of the questionnaire was dedicated to determining the reasons why people donate to charity and by what methods. The data collected from this section revealed some interesting patterns. It emerged that 97.3% of all respondents had put money into collecting tins and purchased charity raffle tickets, 93.2% had supported a fundraising event, 79.7% gave money to a collection at a place of worship, and the same percentage had sponsored someone. All of these donation methods could be described as spontaneous and reactive; the decision to donate is instant and there is no prior planning involved. The least popular methods of donation were payroll giving, at 8.1%, and regular donations by cheque or credit/debit card, at 13.5%. It could be argued that this is because these methods require prior planning. When asked about the reasons for making a charitable contribution the most common reason was 'spontaneously felt like giving' at 82.7%, followed by 'it is the ethical thing to do' at 77.3%. This once again proves that respondents recognise the moral value that charity brings to society, however the decision to donate is driven by a momentary impulse.

Conclusions

This study reflects the fact that philanthropy has always been recognised and valued in Irish society. However, in accordance with previous studies, the level of charitable donations has failed to keep pace with rising incomes over the last decade (Ruddle and Mulvihill 1999; Donoghue 2001, pp.3-5). Despite the fact that Irish households became wealthier over the 1990s and early 2000s, they donated relatively less of their income to charity (Carroll *et al* 2005, p.239). Accordingly this study has revealed that while the financial circumstances of 42.7% of respondents have changed for the worse, there has been no drastic fall in the overall level of financial contributions to charity. In fact 65.3% of all respondents indicated that their support of charities stayed the same, regardless of whether or not there has been a change in their personal finances.

It is, therefore, evident that while financial stability is important to an individual's ability to make donations to charity, it is not the only determinant. As seen, the level of charitable giving did not grow in proportion to people's rise in income. This study proposes that it is not going to fall in proportion with decreasing income levels during the economic downturn. The reason for this is the nature of Irish philanthropy, which is characterised by one-off, responsive, spontaneous cash donations, rather than structured, planned or regular strategic giving (Prospect23 2009, p.4; Philanthropy Ireland 2008).

This is very evident from the findings of this survey. The results of the survey revealed that the most popular giving methods chosen by those surveyed are those that require minimum planning and are spontaneous and reactive in nature. Likewise the least popular methods are those that require a certain degree of planning. Fundraising methods that rely on spontaneity are generally not going to raise major sums; people are not going to suddenly donate large amounts of money if they are doing so impulsively. Therefore this study

ascertains that members of general population in the Mid-West region of Ireland will continue to make financial contributions to charity at the same level as before but perhaps with relatively smaller amounts of money.

This paper has demonstrated that while many people are experiencing decline and uncertainty in their financial situation their attitudes towards altruism, philanthropy and giving to charity remain positive and their support of charitable organisations stays strong. Charitable organisations have established their place in the Irish society, and the public opinion of them is generally positive.

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