
CGAP Briefing Note 7

How generous is the UK? Charitable giving in the context of household spending

April 2011

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How generous is the UK? Based on data for 214,670 households pooled from 31 years of the national Living Costs and Food Survey (LCF),¹ this briefing note considers relative levels of generosity in the UK by looking at the connection between household budgets and donations to charity. Generosity is defined as a household's likelihood of donating, combined with donations as a proportion of its budget. The key findings are:

- a household's propensity to donate increases with its other spending;
- more households at the top end of the expenditure distribution donated to charity in recent years than did in the late 1970s/early 1980s;
- their share of total donations also rose significantly, meaning that charities became more reliant on fewer, better-off households for their donations;
- this reflects a general trend towards a more unequal distribution of household expenditure;
- among households that donate, households on lower budgets give more as a percentage of their spending than do households on large budgets.

Charitable giving in the United Kingdom

The proportion of UK households donating to charity declined from 32.5 per cent in 1978 to 27.4 per cent in 2008.² However, the average amount given by a donor household rose over the same period from £3.12 in 1978 to £8.81 in 2008.³ Taken

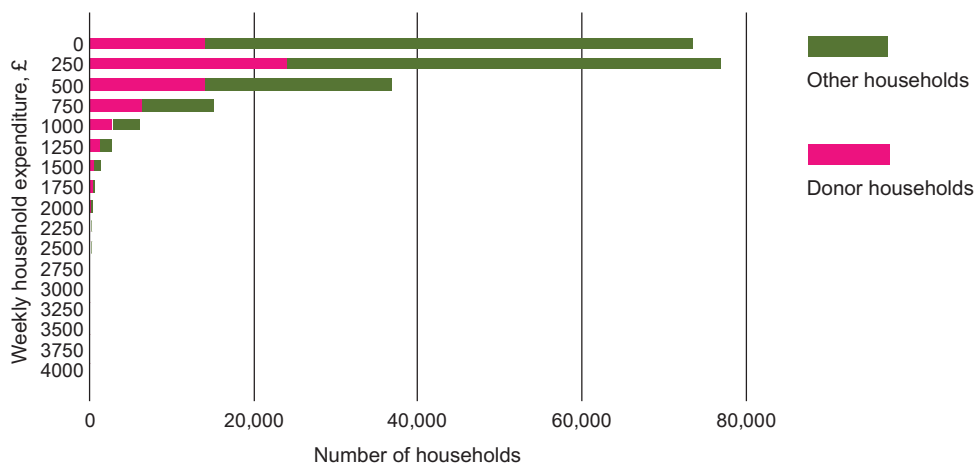
together for the population as a whole, the average weekly donation made by a UK household rose from £1.02 in 1978 to £2.42 in 2008, representing a 138 per cent rise in giving, after accounting for inflation. It might appear that the UK population became more charitable over the past three decades, but we show in this briefing note that these figures represent part of a more general trend towards increased spending. We first address levels of participation and then amounts given as a proportion of spending.

Expenditure and giving

Previous studies have demonstrated strong positive relationships between levels of income, the propensity to make a donation, and the amount of money donated. In the USA, Havens et al. (2006) report that both the participation rate of households in charitable giving and the average family contribution increase in line with income and wealth. For earlier evidence of similar patterns in the UK, see Banks and Tanner (1999). Here, we focus on expenditure rather than income as the expenditure data are more compatible with the data on charitable donations.⁴

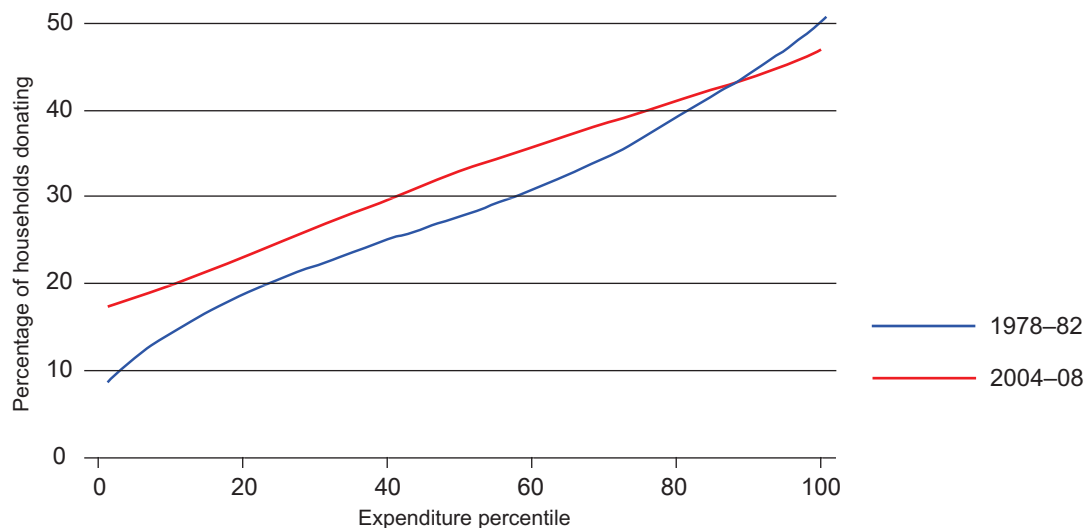
Household expenditure (total spending of all members of the household) in the LCF varies widely, ranging from £0 to £34,000 per week, with the vast majority (92 per cent) of households in the sample observed to spend under £1,000 per week. The following chart depicts the distribution of household budgets in the sample. The pink bars represent the numbers of households within each expenditure group that are observed to donate to charity; their distribution is less skewed towards the lower expenditure groups than that of all households (pink and green combined). This reflects the fact that participation in donating is positively related with a household's budget.

Levels of UK household expenditure, 1978–2008



Sorting households by year and expenditure and dividing them into one hundred equally sized groups (expenditure percentiles) per year, we now look more closely at the pattern between donating and budgets. In the graph below, the lines represent the underlying trend in participation by expenditure percentile for the United Kingdom in the first five years (1978–1982) and the last five years (2004–2008) of the dataset.

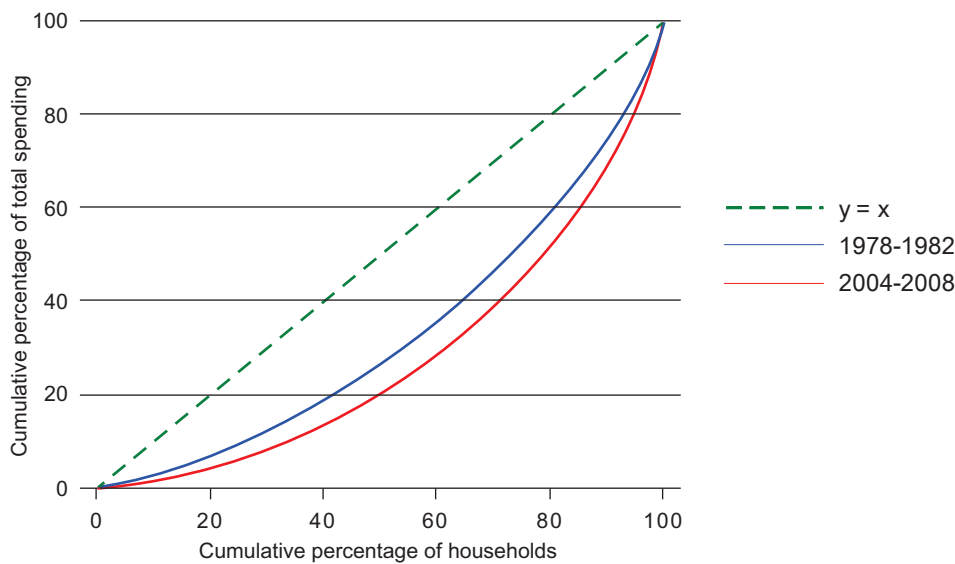
Participation in charitable giving in the UK



Between 1978 and 1982, over 18% of households in the 10 lowest expenditure percentiles (bottom decile) were observed to donate compared with around 45% of households in the 10 highest expenditure percentiles (top decile). By the latter years 2004–2008, fewer than 15 per cent of households in the bottom expenditure decile were donating while close to 50 per cent of those in the top decile gave to charity. The increase in the slope of the trend line indicates that better-off households became more generous relative to worse-off households between the periods 1978–82 and 2004–08, in terms of whether or not they donated to charity.

However, it is important to note that the distribution of household budgets became more concentrated over that time period too. The chart below displays Lorenz curves for the distribution of household expenditure from 1978 to 1982 and from 2004 to 2008. If expenditure were evenly distributed (if each household spent the same amount) then the Lorenz curve would coincide with the green dashed diagonal ($y = x$). The further away the Lorenz curve is from the diagonal, the more uneven the distribution.

Change in the distribution of money Lorenz curves for expenditure in the UK



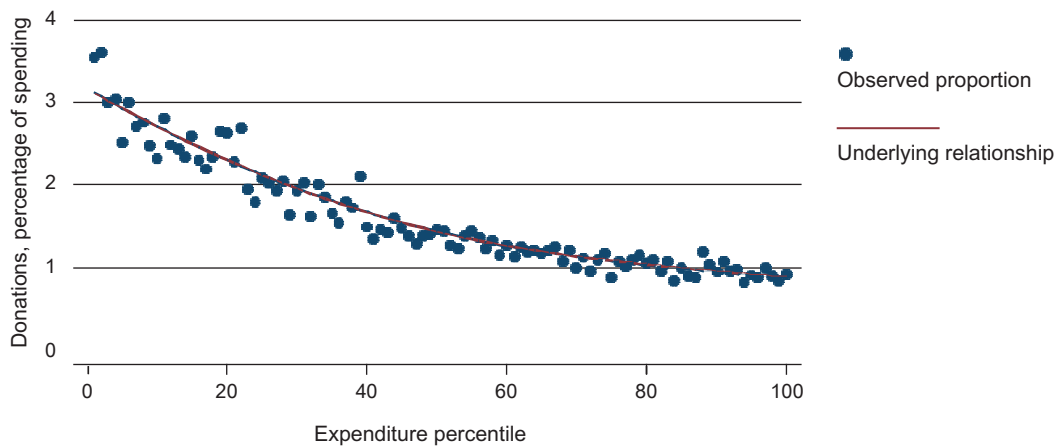
The red Lorenz curve for 2004–2008 is further from the diagonal than the blue Lorenz curve for 1978–1982, reflecting the widening gap between richer and poorer households. For example, between 1978 and 1982, the bottom 50 per cent of households accounted for roughly 26 per cent of expenditure. By the latter period 2004–2008, the bottom 50 per cent accounted for only 20 per cent of expenditure.

This increase in the concentration of household spending helps explain why participation rates declined among poorer households and increased among richer households. Between 1978 and 1982, households in the bottom expenditure decile accounted for more spending in general than they did between 2004 and 2008. More of the households in the bottom expenditure decile would therefore be expected to participate in charitable giving between 1978 and 1982 than in the later period. Similarly, between 2004 and 2008 households in the top expenditure decile accounted for more spending overall than they did between 1978 and 1982 so it is not surprising to find that more of them donated to charity in the later period. In the next section we consider how much money households give to charity as a proportion of their budgets.

Measuring generosity

Making reference to Aristotle, the Science of Generosity project at the University of Notre Dame states that ‘generosity is proportionate to one’s resources, so it is not contingent on possession of great wealth’.⁵ We now measure generosity by looking at the percentage of the household budget given away in the form of charitable donations. We first consider those households that are observed to have made a donation.

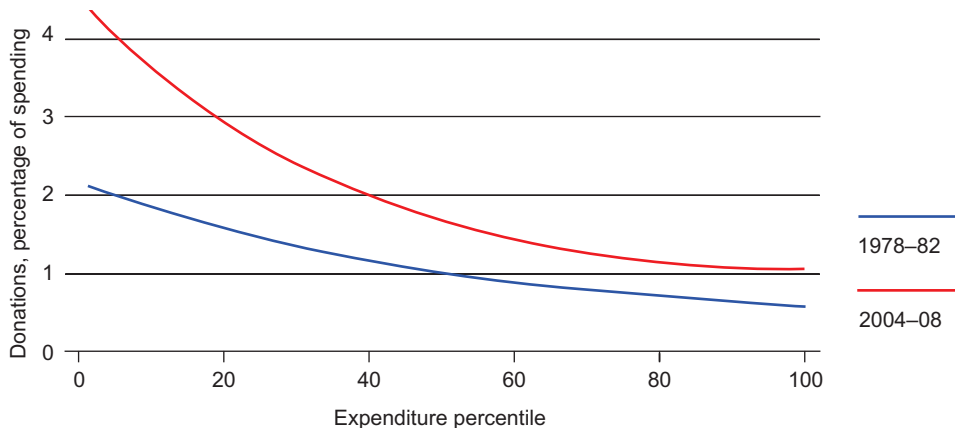
Donations as a proportion of spending
Donor households only, UK, 1978–2008



It is clear from the graph that when put in the context of their individual budgets, donor households towards the lower end of the expenditure distribution tend to give away more of their money to charity than donor households in the higher expenditure percentiles. On this measure, poorer donor households are more generous than richer donor households, those in the bottom decile donating approximately 3 per cent of their budget compared with those in the top decile donating roughly 1 per cent.

The next graph shows how this relationship became more pronounced over time. From the graph it is also clear that the generosity of donor households in general increased between the early period 1978–1982 and the later period 2004–2008, throughout the expenditure distribution.

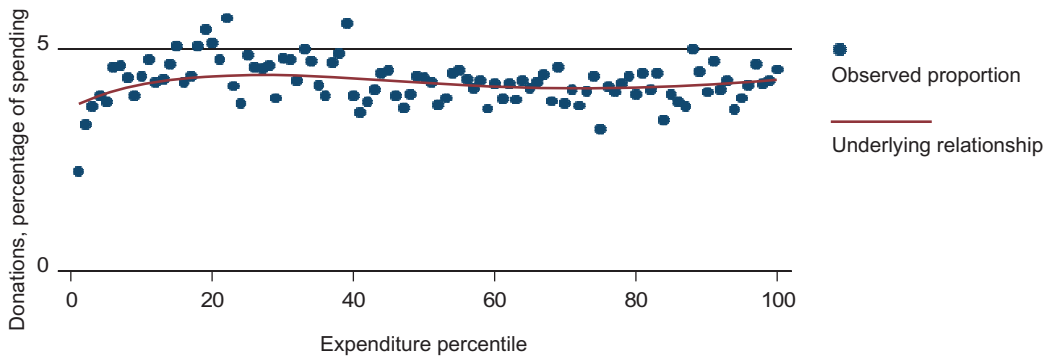
Donations as a proportion of spending
Donor households only, UK



However, as highlighted in the previous section, households on lower budgets are also far less likely to make a donation in the first place. Since the probability of donating is positively related to expenditure while the proportion of a donor household’s budget donated is negatively related to expenditure, when both these measures are combined, the effects cancel each other out. Thus overall, there is no clear correlation between a household’s position in the expenditure distribution and its generosity, as shown in the following graph where we include the households that were not observed to donate in

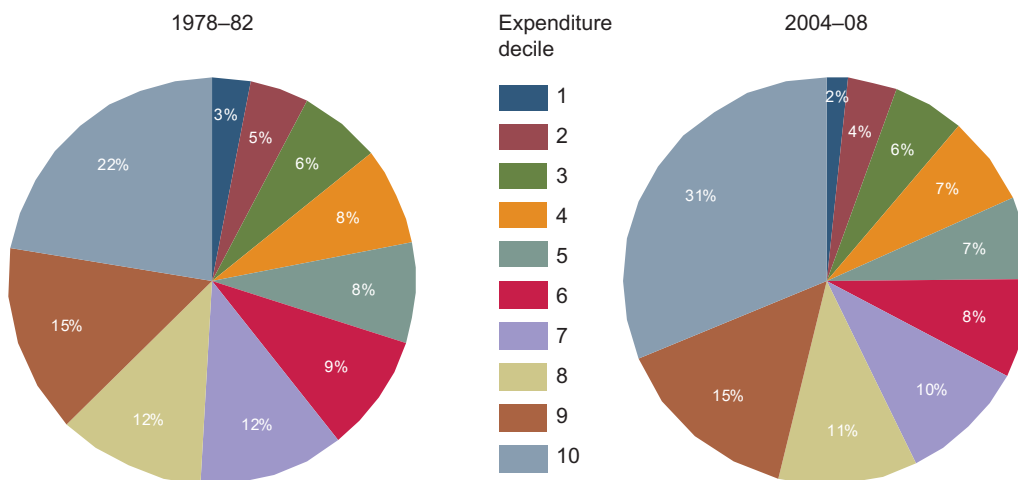
the LCF. Right across the expenditure distribution, based on the households observed, roughly 0.4 per cent of a household's budget is donated to charity.

Donations as a proportion of spending
All households, UK, 1978–2008



Having established for the population at large that there is little variation in generosity across the distribution of expenditure, we turn finally to the absolute contribution of households in each expenditure decile to total donations. The pie charts show that households in the top tenth of the expenditure distribution account for a much larger share of all donations compared to those in the bottom tenth. Furthermore, the gap widened over time. Between 1978 and 1982, the richest ten percent of households donated 22 per cent of the total while the poorest decile provided 3 per cent. But between 2004 and 2008, donations from the richest decile made up 31 per cent of the total while those from the lowest expenditure decile only accounted for 2 per cent of all donations. This increase in the concentration of donations among fewer, richer households reflects the higher concentration of money among fewer households in the latter period.

Share of UK donations by expenditure decile



References

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Cowley E, McKenzie T, Pharoah C and Smith S (2011) *The new state of donation: Three decades of household giving to charity 1978–2008*, available at: <http://www.cgap.org.uk/uploads/reports/The%20new%20state%20of%20donation.pdf>

Havens J, O'Herlihy M, and Schervish P (2006) 'Charitable Giving: How Much, by Whom, to What, and How?', Chapter 23 in: W Powell and R Steinberg (eds): *The Non-Profit Sector: A Research Handbook*, second edition, Yale University Press, pp 542–67.

Acknowledgments

The authors are grateful to the Economic and Social Data Service (ESDS) for providing the data. The ESDS bears no responsibility for the further analysis and interpretation presented in this paper. All existing errors remain those of the current authors.

¹ The survey was originally called the Family Expenditure Survey (FES). In 2001, the FES was combined with the National Food Survey and renamed the Expenditure and Food Survey (EFS). In 2008 the EFS was included as a module within the larger-scale Integrated Household Survey under the name Living Costs and Food Survey. The cross-sections from 1978 to 2008 were pooled in collaboration with colleagues at the Centre for Market and Public Organisation, University of Bristol, for the report *The new state of donation: Three decades of household giving to charity 1978–2008*. The definitions of most of the variables remained the same over time and the data are weighted to account for differences between the sample and population.

² These participation rates are based on household expenditure recorded in a diary over a period of two weeks.

³ Figures in this briefing note have been adjusted using the quarterly GDP deflator and are expressed in 2010 (third quarter) pounds.

⁴ Some of the income data in the LCF are collected via a separate questionnaire, whereas total expenditure stems from the same spending diary as the donations. It is also appropriate to consider donations as a percentage of total expenditure rather than of income because many UK households spend more than they receive in income. For further details, see Cowley et al (2011, p19).

⁵ See <http://generosityresearch.nd.edu/about/>

About the authors

Tom McKenzie is a research officer specialising in economic analysis. At CGAP he focuses on patterns of giving in the UK using national household survey data. Tom graduated with a degree in economics from the University of Bonn and taught personnel economics at the University of Cologne before joining Cass Business School in 2009.

Cathy Pharoah is professor of charity funding at Cass Business School and co-director of CGAP Hub. Research work includes an annual report on family foundation giving, supported by the Pears Foundation, as well as the Charity Market Monitor published by CaritasData, an annual update on the finances of the UK's major fundraising charities. Cathy has published many other reports on aspects of charity funding. She is treasurer of the Voluntary Sector Studies Network (VSSN), and a member of the editorial board of *Voluntary Sector Review*.

About CGAP

The ESRC Centre for Charitable Giving and Philanthropy (CGAP) is the first academic centre in the UK dedicated to research on charitable giving and philanthropy. Three main research strands focus on individual and business giving, social redistribution and charitable activity, and the institutions of giving. CGAP is a consortium comprising Cass Business School, University of Edinburgh Business School, University of Kent, University of Southampton, University of Strathclyde Business School and NCVO. CGAP's coordinating 'hub' is based at Cass Business School. CGAP is funded by the ESRC, the Office for Civil Society, the Scottish Government and Carnegie UK Trust.

For further information on CGAP, visit www.cgap.org.uk