The State of Giving Research in Europe: Drawing an Interdisciplinary Picture

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On behalf of the European Research Network on Philanthropy (ERNOP):

Despite the long tradition of studying individual and corporate giving in the United States and the broad range of concepts and theories on philanthropic behavior that have developed out of it, research on philanthropy is almost absent in Europe. Up to now only in the United Kingdom and the Netherlands comprehensive and systematic research on charitable giving has been carried out for some decades. In all other European countries research on philanthropy has only recently emerged as a separate research topic. Scholars only just started conducting surveys to collect data and prepare first descriptions on the state of giving. One reason for this lack of philanthropic research might be the fact that most European countries are characterized by an extensive welfare state and a Third Sector that is predominately funded by government (Salamon 2004). As giving habits are closely linked to national cultures, to a country's history and to economic and political forces (Lloyd 1993), philanthropic giving by individuals or corporations, i.e. private responsibility for the public good, has been of minor importance so far (Powell/Barrientos 2004). Hence, studying charitable giving did not seem to be necessary.

In the last decades, however, in several western welfare states private responsibility for the public good has increased. Governments have cut back public funding for the Third Sector and new modes of funding (e.g. public-private-partnerships, corporate social responsibility, social entrepreneurship) have emerged. Hence, corporate, but as well private philanthropy turned up as intensively discussed topics and started to gain in importance. Against this backdrop, in 2008 the Center for the Study of Philanthropy at the VU University of Amsterdam launched the European Research Network on Philanthropy (ERNOP). It aims to advance, coordinate and promote excellence in philanthropic research in Europe and to study cross-country differences in philanthropic behavior. Furthermore, it intends to develop new and to amend existing theories on charitable giving to do justice to the distinctiveness of the European tradition and situation, as all existing theories are strongly U.S.-based. In detail, the network studies voluntary private contributions of money, time or other resources with a primary goal to benefit the public good. Up to now, more than 50 researchers in 18 European countries join in ERNOP's mission statement (cp. Wiepking, 2009).

The proposed panel on charitable giving in Europe will give insights in the ongoing research on individual giving behavior from different research projects in Europe in order to promote cross-country comparisons and to discuss different research approaches and methods. In addition to the international dimension (Austria, Belgium, Germany and the United Kingdom) in this panel individual giving behavior will be analyzed both from the economic as well as the sociological angle, as the researchers belong do different disciplines and are aware that interdisciplinary ways of research are necessary to study individual giving behavior: While the paper of Pamala Wiepking will discuss cross-country differences in charitable giving on the individual as well as on the national level, Sarah Borgloh will present factors influencing giving decisions from experiments in Germany. Furthermore, she discusses whether the choice of beneficiaries is made out of compassion or whether a reputational effect dominates. The paper prepared by Beth Breeze presents data on public perceptions regarding the nature of charitable
activity in UK. It argues whether charitable giving can be understood as a consequence of donors’ tastes rather than a consequence of donors’ assessment of, and response to, need. In the final paper Michael Neumayr discusses the relationship between income and giving against the backdrop of tax deductibility of charitable giving by the case of Austria.

In the general discussion of the panel the four papers will be linked in order to draw a picture of the state of the giving research in Europe. The panel aims to bring together international scholars on charitable giving and to exchange different research approaches, research topics, and methods in order to stimulate and strengthen coherent and coordinated research on philanthropic behavior.

References:


Compassion or reputation? – An experimental investigation of charitable giving

Economic approaches to explain voluntary giving are mainly focused on the US setting. Hence, the strong preoccupation of the empirical literature with US data and the scarcity of studies for European countries is a significant shortcoming. Moreover, experimental approaches to study the drivers of giving and fundraising have become more prominent in recent years.

Therefore, we add to the literature by studying the drivers of giving in Germany, a country with a strong welfare state tradition, using an experimental approach. To our knowledge, this is the one of the first experiments which studies charitable giving in a European country from an economist’s perspective. Our research question is twofold:

1. We try to establish whether donors prefer small or large charities, that is whether they prefer giving out of compassion (donations to small charities) or whether there is a reputational effect (large charities). The size of a charity is determined by its income.

2. We look at the interrelation of fairness preferences in terms of equally distributed incomes, which are measured by letting individuals play a dictator game, and giving behaviour.

Subject Pool

For subject recruitment around 2500 invitation letters had been randomly distributed in the city centre of Mannheim, Germany. The letter contained an invitation to take part in a scientific study and informed people that they would receive € 40.00 for participation. It was announced that there would be a kind of survey in which they could (voluntarily and anonymously) make consumption decisions. In the letter, we emphasized that the money was a reward for participation in the study in order to make people feel entitled to their endowment and to avoid a bias due to unexpected gift money. The experiment took place in July 2009 with a total of 223 participants. Participants in all treatments filled out a questionnaire with questions about socio-economic characteristics, general donation habits, and attitude toward their own social standing within society and governmental responsibilities.

Treatments

The experiment comprised six treatments. Each treatment contained a real donation stage where subjects simultaneously and independently decided how much (if any) of an endowment to donate to a certain charity. Subjects could choose one of four charitable purposes, namely disabled care, development aid, medical research, and animal protection, whereby subjects knew only the purpose but not the name of the organisations. The donation decisions were completely voluntary and anonymous. We used a double blind procedure in which neither other subjects nor experimenters came to know if, how much and to which purpose a subject donated. Subjects received a large envelope containing two small envelopes and the endowment of € 40.00. Subjects placed the amount they wished to donate in one of the small envelopes assigned to donations, labelled the envelope with their ID number and, in case they were willing to give a positive amount, the charitable purpose to which they wish to donate. The amount of money subjects wished to keep for themselves was placed in the other small envelope. Afterwards, subjects dropped the envelopes specified for donations in a box.

The baseline treatment solely involved the donation stage and afterwards the completion of the questionnaire. In three treatments, subjects were informed not
only about the charitable purpose of the organisations but also about their revenues taken by public subsidies, donations and membership fees in 2006. For each charitable purpose we offered two organisations, one relatively small organisation with revenues between € 40,000 and € 300,000 and one relatively large organisation with revenues between € 5 millions and € 11 millions. Thus, subjects in these treatments could choose one of eight organisations. All donations taken during the experiment were transferred in full to the respective organisations.

Four treatments contained a conventional dictator game besides the donation stage. In these treatments, subjects unexpectedly received an additional endowment of € 20.00. Subjects simultaneously and independently decided how much (if any) of this endowment to give to another participant. Recipients of this allocation were randomly selected from the treatments without dictator game. The procedure in the dictator game was the same as in the donation stage. Subjects did not receive any information about the receiver but only that he or she was a participant in another session. Subjects received a large envelope containing two small envelopes and the endowment of € 20.00. Subjects placed the amount they wished to allocate to the recipient in one of the small envelopes and labelled the envelope with their ID number. Subjects knew that these envelopes were given to randomly selected recipients even if the envelopes did not contain any money. In two of the dictator game treatments, the dictator game was at the start of the session followed by the questionnaire and the donation stage. In the other two dictator game treatments, sessions started with the donation stage, proceeded with the questionnaire and ended with the dictator game. We implemented the different sequences in order to control for income effects caused by different behaviour in the first stage. Recipients in the treatments without dictator game obtained the envelopes with the allocations from the dictators always at the end of the session.

Results

We observe significantly higher donations to small organizations as compared to large organizations. Small organizations are chosen more frequently to be the beneficiary, but the size of charities has no significant impact on the amounts donated. Thus, people seem to make their choice between charities rather out of compassion, whereas larger charities with possibly higher reputation are chose less frequently.

Moreover, donations to charities are positively correlated with allocations to recipients in the dictator game. This finding is mainly driven by the behaviour of subjects who make the dictator game decision after the donation decision. In summary, people with preferences for more equally distributed incomes have a higher propensity to give and donate significantly more, which hints at pro-social behaviour influencing both decisions.
Is charitable giving taste-based or needs-based?

This paper presents new data on public perceptions regarding the nature of charitable activity, the identity of charitable beneficiaries and the rationale behind charitable contributions. It argues that much charitable giving can be understood as a consequence of donors’ tastes rather than as a consequence of donors’ assessment of, and response to, need.

Despite widespread assumptions that charity is a vehicle by which resources are transferred from the better off to those in need, many studies have demonstrated that only a small percentage of charitable benefit is directed to the poor and needy (Odendahl 1990; Clotfelter 1992; Ortmann 1996; Wagner 2000; Breeze 2006; Wiepking 2008). The absence of a pro-poor orientation is not a modern phenomena, as historic studies demonstrate (Prochaska 1990) and nonprofits are not constitutionally bound to meet needs, yet there is a broad public consensus that, “to be a charitable concern, a recipient had to be 'in need’” (Fenton, Golding et al. 1993:23).

This paper explores the apparent gap between the reality of charitable activity (which exists to deliver a range of public benefit activities, including the pursuit of individual expression) and public perceptions of charitable activity (which appears to involve high expectations of redistribution in terms of meeting the needs of the disadvantaged). In particular, it explores the extent to which meeting needs is a significant factor in the decisions of individual, committed donors regarding the selection of charities and causes to support with their own money.

The paper is based on data collected through telephone interviews with 60 UK citizens who are committed charitable donors, selected to represent equal numbers of high, middle and low incomes. The interviews comprise open-ended questions about four inter-related topics:

(1) how donors define charity

(2) perceptions of the type of people and causes that (a) do benefit and that (b) should benefit from charitable activity

(3) the basis on which donors select charities to receive their donations

(4) their experience, as donors, of also being beneficiaries of charitable activity.

The findings support Fenton et al’s conclusion that donors have a broad expectation that charities will serve the poor; respondents define typical beneficiaries of charitable activity as “the needy”, “the underprivileged” and “people in a disadvantaged position”.

Yet respondents’ explanations of how they select charitable beneficiaries indicates that personal taste is often a more salient factor than assessments of the need experienced by prospective beneficiaries. Donors talk about supporting “things that happen to appeal to me”, causes that are “nearer to my heart” and charities they are “comfortable giving to, because everyone has different favourite things”. This taste-based, as opposed to needs-based, rationale is well exemplified in the following two quotes:

"It’s really what in one’s own mind one thinks is a deserving cause, and it does range, you know, hugely widely, and totally irrationally. I mean, I would support deserving dogs but I wouldn’t support cats [laughs] because I just happen not to like cats"
"I donate to the RSPB [Royal Society for the Protection of Birds] because birdwatching is one of my great obsessions. It's my, kind of, my treat to myself, if you like”

This paper demonstrates that charitable giving is not only concerned with promoting the public benefit, solving social problems and meeting needs, it is also (perhaps crucially) about the self-realisation of the donor and the opportunity to operationalise their tastes and assert their preferences. Whilst self-actualisation has previously been indentified as a driver amongst wealthy donors (Lloyd 2004:83) or ‘new philanthropists’ (Handy 2006), this paper concludes by suggesting that the dividing line between ‘major’ or ‘new’ philanthropists and more ordinary, committed donors may not be so clear as is often supposed.


The relation of household income and charitable giving revisited: the case of Austria – a country without tax reliefs for donations

The relationship between income and the level of giving is a topic comprehensively investigated, at least in the United States. Though the findings that higher income leads to higher amounts of giving are confirmed by almost all empirical studies (e.g. Auten/Rudney 1990, Rooney et al. 2001, Schlegelmilch et al. 1997, Wiepking 2007), philanthropic researcher fail to present consistent findings on the effect of income on the proportion of financial resources individuals donate. Although in the studies conducted in the 1980th and 1990th an U-shaped curve was found (Adreoni 2004, Shervish/Havens 1995, Shervish/Havens 1998), more recent analyses show a negative relationship, indicating that higher income households donate smaller proportions of income to charitable organizations than lower-income households do (Wiepking 2007). However, the empirical studies available on this topic mainly refer to data from the United States (or Canada) and only very few analyses are available from Europe (exceptions: Wiepking 2007 from the Netherlands, Borgloh 2008 from Germany). As giving habits are closely linked to national cultures and to a country’s history (Lloyd 1993), philanthropic giving behavior might be considered to differ substantially between the United States and Europe, as philanthropy can be traced back to different traditions in both continents.

Against this lack of studies on the relationship of income and the proportion of giving available from Europe, this paper aims to contribute to the literature with findings from Austria. In contrast to the large majority of western welfare states, in Austria it was not allowed to deduct donations from taxes until 2009. Hence, the price of giving does not decrease with rising income, as it does in most western countries with progressive income tax schemes. As a result, private giving by higher-income households is not supported by the government – which might impact the findings on the relationship between income and giving. The paper thus compares if there are substantial differences between the Austrian system without any possibility to deduct donations and the systems in countries that offer quite generous possibilities therefore. In detail, it investigates whether income affects a) the probability of giving, b) the proportion of giving compared to the income, and c) the area people donate for.

To empirically investigate the relationship between income and giving in Austria, I employ survey data conducted in 2008. The sample of 1.019 individuals is representative for the Austrian population and comprises a rich set of individual and household characteristics. To be able to compare the findings with the results from other international studies I apply the Tobit estimation technique.

In doing so, the paper investigates the effect of income on giving behavior in Austria for the first time, since data have not been available so far. By that it expands the literature by a country that has not implemented regulations allowing deducting charitable giving from taxes. We suppose that this aspect makes a difference in comparison to other countries. In addition, the paper discusses the regulations of tax deductibility of charitable giving against democratic aspects. Therefore the theoretical framework of Post Democracy is used, which stresses the increasing influence of privileged elites within a state, while democratic institutions remaining only formally (Crouch, 2004).

References


When it comes to giving to charitable organizations, there are large differences in generosity between individuals in different nations. Figure 1 depicts the percentage of people in a country reporting at least one donation to a charitable organization in 2002. People in the Nordic European countries seem most generous, whereas people in Southern European countries appear less generous.

![Bar chart showing percentage of households donating to charitable organizations](image)

Figure 1 Percentage households donating to charitable organizations (CID 2005; Jowell 2003).

Separate studies on charitable giving in different countries show differences not only in incidence of giving, but also in level of charitable donations. Some examples: Americans donated on average $1,872 in 2002 (Giving USA 2005), the Dutch $301 in 2003 (GINP03 2003), and South Koreans $88 in 2004 (The Beautiful Foundation 2005). Why do people in one country donate more frequently and more generously to charitable organizations than people in another country?

Theory

This paper will extend current comparative research on the nonprofit sector. Many studies exist investigating cross-national differences in volunteering (e.g., Curtis, Bear, and Grabb 2001; Dekker and Halman 2003; Ruiter and Graaf 2006). However, very few studies have looked into cross-national differences in monetary donations. Scheepers and Te Grotenhuis (2005) and Reitsma et al. (2006) examine why people in different countries have the intention to donate to ‘the poor’ or to ‘the poorest countries’. In addition, Gesthuizen et al. (2008) examine the cross-national differences in social capital, including volunteering and donating to voluntary organizations. They find that educational expansion and income inequality depresses giving. In this paper, we will build on their research and investigate cross-national differences in both incidence and level of actual giving. The proposed interdisciplinary theoretical model is based on individual-level (further referred to as compositional) explanations and country-level (further referred to as contextual) explanations for cross-national differences in giving.

Bekkers and Wiepking (2007) argue that there are eight mechanisms that explain why individuals donate to charitable organizations. Based on these mechanisms we will develop several compositional explanations for cross-national differences in charitable giving. Two examples are the resource explanation and the value explanation. At the contextual level, we will consider three main explanations for cross-national differences in donations to charitable
organizations: the effect of governmental subsidies, fiscal policies, and legal requirements. We will discuss these individual and country level explanations more extensively in the full paper, and develop these theoretical arguments to formulate hypotheses explaining cross-national differences in incidence and level of charitable giving.

Data and methods

For this paper, we will first of all compare incidence and level of charitable giving in the Netherlands (GINPS05 2005) with the United States (PSID-COPPS 2005), the UK (Low et al. 2007), France (Giving France 2008), and Australia (Lyons and Passey 2006). Furthermore, we will merge the different datasets and use fixed effects models to test whether the compositional and contextual hypotheses can account for the cross-national differences in charitable giving. The selected countries differ greatly in both individual and country characteristics that determine charitable donations. This will provide an excellent first test of the theoretical model.

There are large methodological challenges to this paper. In the paper, specific attention will be paid to these challenges, hopefully to the advantage of other scholars interested in the study of comparative philanthropy. One of these challenges concerns the various charitable classifications used in the different countries (the specification of the 'area' of giving, such as for example ‘welfare organizations’ or ‘health organizations’). In order to overcome this challenge, we have composed a classification scheme that shows how the charitable classifications in different country level data overlap. Other methodological challenges that will be addressed are the different survey designs, different periods of fieldwork, and different measurements of individual level predictor variables.

The theoretical and empirical progress made in the project will be summarized in the conclusion and discussion of the paper, with the specific goal to advance the field of (cross-national) philanthropic studies.

Endnote

¹ 1 US dollar = 0.855 euros (Federal Reserve 2003); 1 US dollar = 1,025 \(^{\text{WON}}\) (The Beautiful Foundation 2005).

References


