

The bright side?

The impact of the recession on major donors may be different than we think, says Beth Breeze



Beth Breeze works in the newly launched Centre for Philanthropy, Humanitarianism and Social Justice at the University of Kent, and is also a researcher within the new national Centre for Charitable Giving and Philanthropy. She has worked as a fundraiser for various causes since 1997 and was most recently deputy director at the Institute for Philanthropy. Beth has recently written the *Coutts Million Pound Donors Report*, freely available online at www.kent.ac.uk/sspsr/cphsj

With memories still fresh of City hotshots spending thousands of pounds on lunch and personifying the 'greed is good' mantra, there has been little public sympathy for the welfare of the Bonus Brigade who have recently lost their jobs, especially compared with concern for the lower-paid support staff whose livelihoods are at risk from the shockwaves hitting the UK economy.

But many British charities have observed such scenes with trepidation, and are apprehensive about the impact on their fundraising targets as formerly well-paid supporters pack up their desks when their employers go bust.

Sacrifice v surplus

While the full extent of economic gloom ahead is unknown, many leading figures in the charity sector are forecasting significant drops in voluntary income, based on the assumption that donors will tighten their altruistic belts as their disposable income falls. But how worried should charities be about the impact on support from major donors? There is no reason to assume that the philanthropic activities of the wealthiest sections of society will inevitably be adversely affected by the current economic problems. Indeed there is an argument that this financial crisis could be the making of major donor fundraising, if the richest supporters come to appreciate the importance of their contributions and rise to the challenge of helping the causes they care about to cope with the likely twin effects of increased demand and decreasing support from other quarters, notably investment income and corporate donations.

Why might donations from the wealthy hold steady or even increase during this turbulent period? It is largely down to a key difference between 'ordinary' and 'super-rich' donors – the latter donate out of surplus wealth, while the rest of us make donations out of our everyday income. Therefore, while most people are trimming their budgets in all directions as they feel the pinch of increased costs of food, petrol and utilities, the rising costs of living will not affect the philanthropic spending power of that tiny segment of the population who can afford a luxury lifestyle.

The importance of donors who give from 'surplus' wealth as opposed to those giving from 'sacrificial' wealth is clearly understood by those charities currently investing in major donor fundraising. The fact that a handful of rich givers accounts for a disproportionately large slice of charities' voluntary income is well illustrated by the fact that a roomful of City fundraisers was able to raise £25m for children's charity ARK in June, despite the fact that storm clouds were already gathering on the financial horizon.

Make the case for sustained support

But the economic crisis has considerably worsened over the autumn, so will those lucky few who made a fortune in the City now abruptly stop transferring money from their private purse to the public good? Not necessarily. However badly their investments have been hit in recent weeks, the robustness of their personal and family financial security was likely secured long before they began giving away any surplus. One rich donor who made his money in property (perhaps the industry worst hit by the current crisis), has already assured a charity that he will fulfil a multi-million pound pledge because, despite this year's losses, the preceding 12 months saw record profits that are banked and available to distribute as he chooses.

There is therefore nothing inevitable about a downturn in major donations and a succession of notable philanthropists have delivered similar, optimistic messages: if charities work hard to explain why their donations are needed now more than ever, their most loyal wealthy supporters will stick with them, and may even dig deeper.

A sense of purpose

So what can charities do to shore up their income from major donors? Research into the motivations of elite givers repeatedly demonstrates that such supporters do not view their philanthropy as purely economic transactions but rather as involving significant social relationships between themselves and the staff and beneficiaries of the charities they support.

Philanthropy is therefore less about money per se, and more about a strategy – conscious or otherwise – to find a satisfying way of using wealth in order to find meaning and purpose in the donors' life. People who are deeply and publicly committed to a cause are unlikely to cut it out of their budget lightly. So long as philanthropy continues to bring satisfaction and meaning to donors' lives then it should endure and may well thrive.

But most charities rely on the collective value of smaller gifts from non-rich donors, so are their concerns that voluntary income is about to fall off a cliff justified? Again, not necessarily. For people with limited resources – i.e. 99% of us – all spending decisions involve prioritising between competing demands. Charities should avoid implying (however unintentionally) that donations will inevitably be amongst the first items to be cut from budgets. If the sector considers itself so easily expendable, why should others disagree? Instead it is time to focus on making the case that charitable giving is a priority, not an optional extra. And it is time to emphasise that cutting donations will not only harm their favoured causes, but leave the donor feeling all the poorer.

