

Response to the Payroll Giving Agency challenge

Summary

Thank you for the invitation to submit a detailed, realistic proposal for the reform of Payroll Giving.

We have given this issue careful consideration and have engaged with Payroll Giving Agencies and other stakeholders. We believe that our proposal represents an opportunity to radically modernise and transform the existing system, enabling Payroll Giving to better realise its potential in the coming years.

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The Charities Aid Foundation and Give As You Earn

CAF is the largest Payroll Giving Agency in the UK. We have operated the Give As You Earn scheme for 25 years and provide this service for approximately 70% of the existing Payroll Giving market.

It is important to note, however, that CAF's interest in this issue goes far beyond our role as a Payroll Giving Agency.

CAF exists to motivate society to give ever more effectively, helping to transform lives and communities around the world. In order to achieve this mission, we provide a range of services and support for individual donors, charities and companies. This includes:

- Facilitating the most effective support to charities from individual donors, whether through regular donations or more involved strategic giving.
- Providing tailored solutions for charities' funding and finance needs, across banking, investments, fundraising and social investment.
- Supporting companies' work with charities and communities, and helping them engage their employees in charitable activity.
- Working to secure supportive legal, fiscal and regulatory conditions for donors, charities and social enterprises.

CAF has also established offices in 9 other countries; helping to nurture and support civil society and philanthropy in emerging economies and facilitating ever more effective giving globally.

CAF is principally concerned with the long-term health of civil society. We are keen to evolve, in order to respond to the changing needs of civil society organisations and donors. This perspective has helped to inform our proposal and we have focused on the solution that we believe will offer the greatest positive impact for the giving environment in the UK.

The value of Payroll Giving

Payroll Giving is an important and unique giving mechanism. It constitutes a distinct engagement tool for donors that complements - rather than competes with - other fundraising tools.

The workplace presents huge potential as a locus of engagement in giving and can capitalise on the influence of peer groups and leadership for positively shaping social behaviour. Our experience of working with companies shows that Payroll Giving can play a central role in Corporate Community Investment (CCI) programmes, providing a tool to help businesses engage and motivate employees.

Payroll Giving brings considerable additional funds to the charitable sector. The value of donations through Payroll Giving has continued to grow steadily since its inception. Giving through the scheme has risen from around £1 million (not adjusted for inflation) in 1987 to around £114 million in 2010/11. An additional £10 million per year is raised through employer matched giving¹. The total of £124 million represents a significant sum for the thousands of charitable organisations which benefit from Payroll Giving.

¹ <http://www.apgo.org.uk/apgonewsitem.php?ID=42&stylesheet=style>

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For donors (including higher rate taxpayers), Payroll Giving allows full tax relief to be applied at source, with no need to claim back tax from HMRC . Donors are able to give to any charitable organisation and are more likely to maintain their support for longer than with other giving mechanisms. The average lifespan of a Payroll Giving donor is between 5-8 years².

Payroll Giving also has a higher rate of take up amongst younger males, who are generally less engaged in other forms of giving. It will be increasingly important for the charitable sector to connect with this new group of donors, as the generous baby-boomer generation move into retirement.

Although the growth of Payroll Giving has been steady, its uptake compared to the potential market is relatively small. Currently 3% of donors make donations through Payroll Giving³. This is not surprising, given that only 8,500 employers currently offer the scheme. In organisations where Payroll Giving schemes are in place, there is a wide variation in take up amongst employees.

² Cited in 'Review of Payroll Giving (Strategy Complete 2008)

<http://www.payrollgivingcentre.com/attachments/Payroll%20Giving%20Review.pdf>

³ UK Giving 2011 (CAF/NCVO)

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