

# **Payroll giving: big opportunities, big obstacles**

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# Payroll giving: big opportunities, big obstacles

## A research report on charities' attitudes to payroll giving and its marketing

### Part 1: Headline results from a survey of payroll giving

#### Introduction and methodology

These are the summary results from a survey of payroll giving (and gift aid) in the summer of 2002. Questionnaires were sent to over 600 charities ranked by income. 136 completed questionnaires were received. A copy of the questionnaire is available on request.

#### The take-up of payroll giving

Of the 136 completed questionnaires, only 77 (56%) said they actively promoted payroll giving. These organisations were spread across a range of sizes with 18 (23%) having a turnover below £10 million, 19 (25%) having a turnover between £10 - £20 million and 33 (52%) having a turnover of more than £20 million and with a broadly similar spread of income from individuals (31% of the 77 having less than £250k annual income from individuals, 29% with an income of £250k-£3m, and 33% having an income of more than £3 million and 8% not answering the question).

The overall percentage of those promoting would appear to be relatively low given the high levels of tax-effectiveness inherent in payroll-giving and the 10% supplement. Indeed one of the themes that comes out from this research is the high barriers to promoting and marketing payroll giving and the low level of take-up by charity fundraising teams overall.

#### How is payroll giving marketed?

The marketing of payroll giving is different from many other individual fundraising products as figure 1 shows. Cold mail or volunteers or inserts don't market payroll giving. Instead payroll giving is marketed by PFOs (Professional Fundraising Organisations) for 57% (44) of those who actively promote payroll giving. Over 70% of those charities who get more higher levels of income from individuals (£250k or more) use PFOs.

The picture is little different for existing supporters as figure 2 shows. Charities who send payroll giving information to their own supporters (30% of those actively promoting PG) or members (22%) are in the minority.

The evidence from this research is that PFOs are the dominant mechanism for charities who wish to recruit proactively payroll givers. Figure 2b shows that the 10% supplement has made little difference to charities' ability to market payroll giving, with roughly equal numbers agreeing and disagreeing with the statement that the 10% supplement has made payroll giving easier to market.

**Figure 1: Payroll giving marketing techniques**

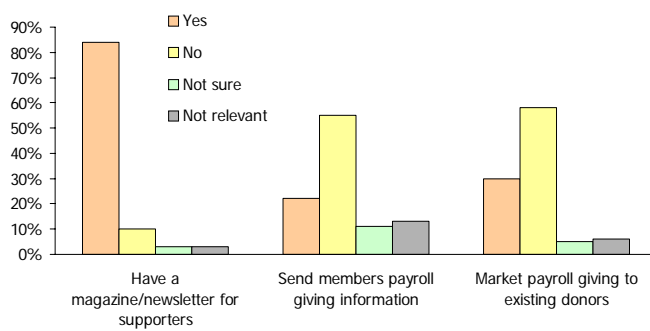
Proportion of charities that use various techniques to market payroll giving



Source: 'Questionnaire on Gift Aid and payroll giving', Institute of Fundraising  
Base: 136 charities 2002

**Figure 2: Marketing payroll giving to supporters**

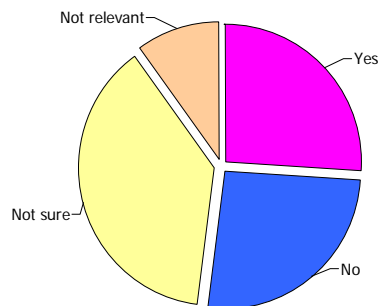
Proportion of charities actively marketing payroll giving that have a magazine or newsletter for supporters / send members payroll giving information / market payroll giving to existing donors



Source: 'Questionnaire on Gift Aid and payroll giving', Institute of Fundraising  
Base: 77 charities 2002

**Figure 2b: Marketing payroll giving with the 10% bonus**

Proportion of charities actively marketing payroll giving who feel the 10% bonus has made it easier to market payroll giving



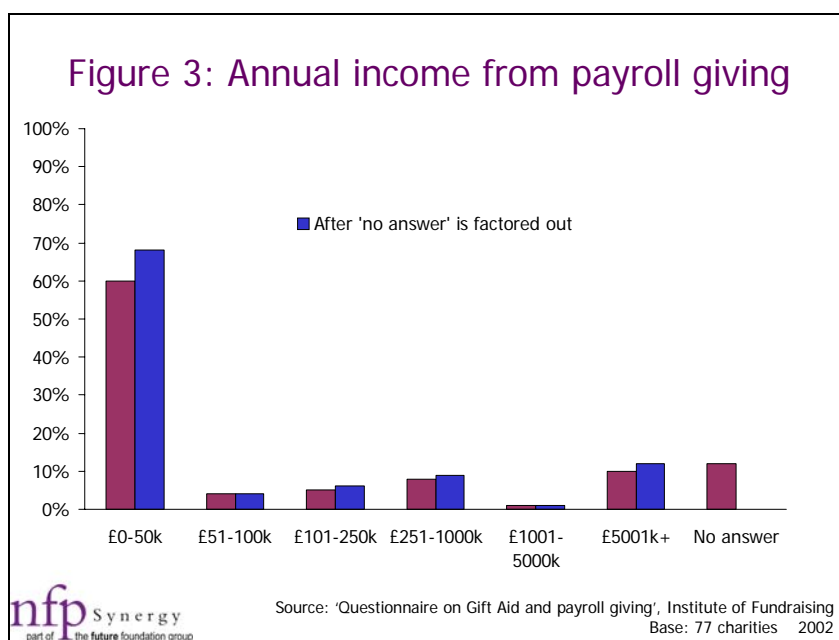
Source: 'Questionnaire on Gift Aid and payroll giving', Institute of Fundraising  
Base: 77 charities 2002

### Levels of income from payroll-giving

Even for those who do actively promote payroll giving it appears that it remains a relative small source of income (see figure 3). Of the 77 organisations promoting payroll giving 60% received an income of less than £50k a year from it (and presumably even lower amongst those who don't promote it).

Interestingly at the other end of the scale eight charities claim to receive an income of more than £5 million a year from payroll giving. See figure 3 for a more detailed breakdown.

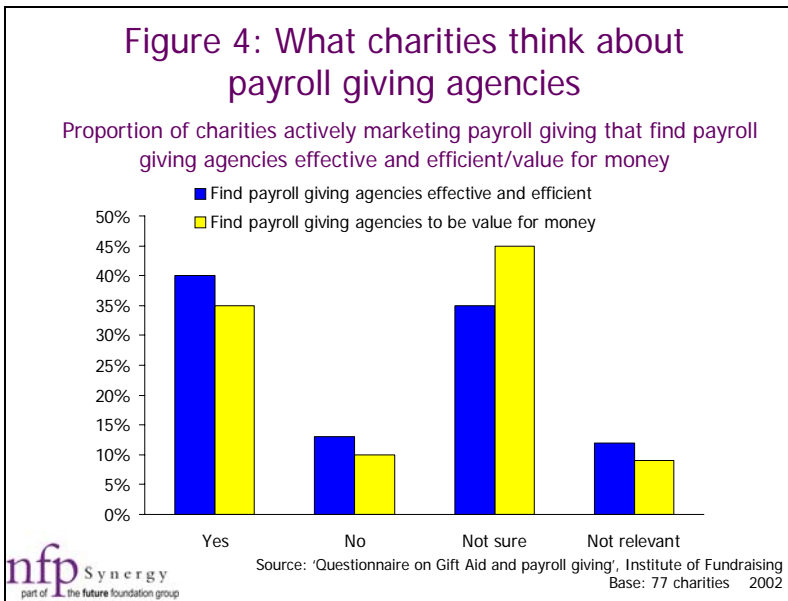
The numbers of individuals who give to the different charities also shows a highly skewed picture with 68% of respondents having less than 10,000 payroll givers. Interestingly payroll givers appear to give higher average amounts than other kinds of tax-effective givers (see part 2) with a number of those organisation who earn more than £5 million a year having as few as 50,000 payroll givers.



### PFOs and payroll giving agencies

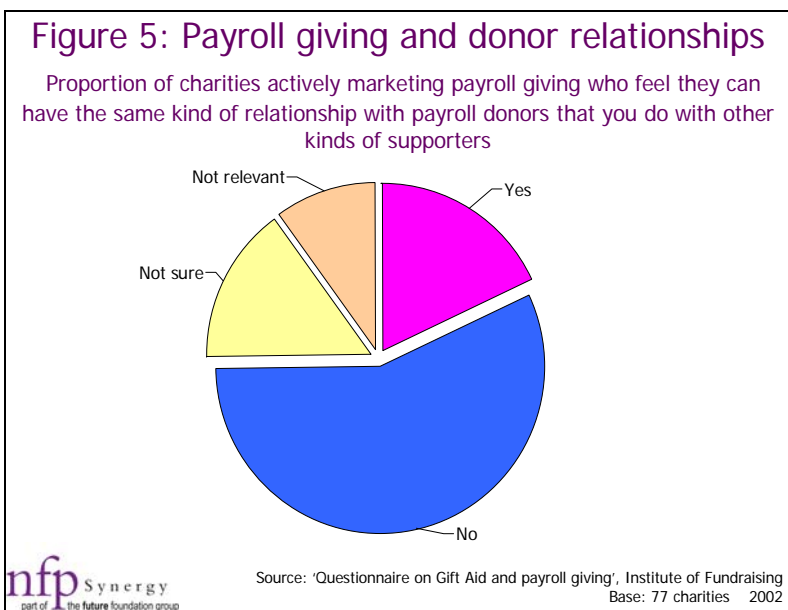
PFOs (who market within companies) and payroll giving agencies (who collect and distribute the payroll donations) are inescapable parts of being actively involved in payroll giving. Figure 4 shows respondents feelings about payroll giving agencies in particular when they asked if the agencies provided value for money or where efficient or effective.

The attitude towards payroll giving agencies is distinctly ambivalent. Almost as many people weren't sure (30%-40%), as said yes and around 10% said no. This isn't bad news for the agencies – but its not good news either.



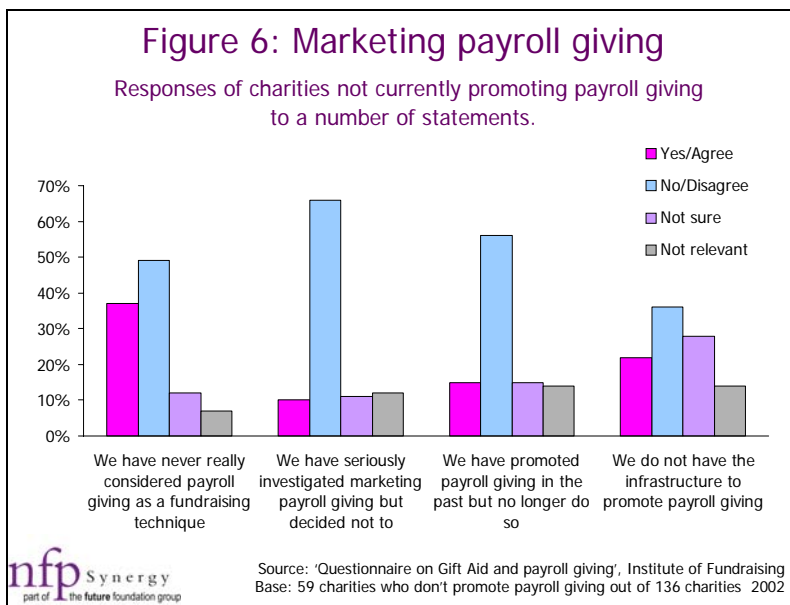
### Payroll givers as supporters

Payroll givers aren't just a source of money, they are individuals supporting an organisation. However respondent charities don't appear to feel that they can have the same kind of relationship with payroll givers that they can with other kinds of donor as figure 5 shows – three times as many charities said no (56%) as said yes (18%).



### The barriers to payroll giving

Of those organisations that don't actively promote payroll giving (the remaining 59), what are their reasons? Figure 6 shows the answer. We have little idea, because most organisations appear to have never seriously thought about promoting payroll giving – 37% agreed with the statement that they have never really considered payroll giving, 66% disagreed with the statement that they have seriously investigated marketing payroll giving but decided not to. At the same time those non-marketers of payroll giving don't appear to have concerns about the administration, about accessing the market, about PFO representation or about the internal infrastructure (see part 2). Depressingly the non-engagers in payroll giving appear to be doing just that – not engaging!



## Implications for the development of payroll-giving

There are a number of implications for the future development of payroll giving

- The high level of those charities who aren't engaging in payroll giving needs to be researched more thoroughly. This research has only shown that many charities don't appear to have payroll-giving central enough to their fundraising strategies.
- There are limited degrees of freedom for any charity that wishes to promote payroll giving. They are unlikely to be allowed access to a workforce except as part of a wider consortium (i.e. usually via a PFO) and the standard individual donor marketing techniques don't work (cold mail etc).
- The arms length relationship between payroll giver and charity is highly problematic for any charity (see some of the quotes in part 2). Few fundraisers will relish ongoing relationships with payroll givers that are always destined to be second class to those via standing order or direct debit.
- The 10% supplement doesn't appear to have made marketing any easier for charities – perhaps precisely because the marketing takes places through 3<sup>rd</sup> parties rather than directly.
- Even where charities are actively involved in marketing payroll giving the income split is very polarised with most organisations receiving less than £50k and a few receiving more than a million pounds per annum.
- One of the key issues for fundraisers is whether payroll giving should be seen as an individual giving product or a corporate giving product. Who should own the product and who should market it? The results from this research suggest that the route into the promotion of payroll giving is through the corporate team but the route to supporter relationship is through the individuals team. It maybe that this split responsibility is one of the reasons that payroll giving is not more widely taken up – it has fallen between two stools.

It is hard to imagine how Government could give payroll giving more support. The 10% supplement is available to no other fundraising product (for reasons that are far from clear: imagine what Street fundraising or corporate promotions could do with a 10% supplement) yet it doesn't appear to have set charities on fire with their enthusiasm for payroll giving. The rapid growth in payroll giving appears to be being driven by company energy rather than charity energy. The danger is that this growth actually masks the need to look seriously at the reason why so many charities don't engage with payroll giving, and why those that do promote it, still find it making up a relatively small part of their overall fundraising mix. The time is right to look again at the entire payroll-giving product and its marketing to see if there are ways in which charities can be empowered to drive payroll giving forward.

## Part 2: Payroll giving results in more detail

Questions to those actively marketing payroll giving (n=77)

<b>Please tell us a little bit more about your payroll giving and fundraising activities</b>				
<b>Please answer the questions below</b>	<b>YES</b>	<b>NO</b>	<b>Not sure / No answer</b>	<b>Not relevant</b>
Do you have a direct marketing programme?	48%	44%	5%	3%
Do you recruit payroll giving using cold mail?	1%	91%	4%	4%
Do you use a Professional Fundraising Organisation (PFOs) to promote your scheme?	57%	34%	3%	6%
Do you think payroll giving PFOs provide value for money?	36%	16%	31%	17%
Do you use volunteers to promote payroll giving?	9%	77%	4%	10%
Do you market payroll giving to your existing donors	30%	58%	5%	6%
Do you have a magazine/newsletters for supporters	84%	10%	3%	3%
Do you send your members payroll giving information	22%	55%	11%	13%
Do you find the payroll giving agencies effective and efficient	40%	13%	35%	12%
Do you think the payroll giving agencies provide value for money	35%	10%	45%	9%
Are you able to have the same kind of relationship with payroll donors that you do with other kinds of supporters	18%	56%	15%	10%
Has the 10% bonus made it easier to market payroll giving	26%	26%	38%	10%
Do you have a corporate fundraising programme	73%	17%	6%	4%
Do you have a regional fundraising programme	49%	40%	5%	5%
Do you promote payroll giving as part of regional fundraising	26%	48%	9%	17%

### What is the average annual value of your payroll giving donors?

<b>What is the average individual annual value of your payroll giving donors? (n=41)</b>	<£31 20%	£31-£60 32%	£61-£90 27%	£91+ 22%
<b>What is the average annual value of your other committed donors per annum? (N=34)</b>	<£31 18%	£23 - £50 29%	£51+ 53%	

<b>How much annual income do you get from payroll giving?</b>	£0-50k 60%	£51-100k 4%	£101-250k 5%	£251-1000k 8%	£1001-5000k 1%	£5001k + 10%	No Answer 12%
<b>Approximately how many individuals give to you through their payroll?</b>	0-10k 68%	10-25k 5%	26-50k 6%	51-100k 1%	101-200k 1%	201k + 3%	No Answer 16%
<b>What percentage of your income from individuals comes from payroll giving?</b>	0-20% 78%	21-30% 3%	31-40% 0%	41-50 1%	51-60% 0%	61%+ 1%	No Answer 17%

<b>Q9. Where does payroll giving sit within your organisation? No answer = 10%</b>	
In Corporate Relations	<b>31%</b>
Individual Giving	<b>43%</b>
Community/regional fundraising	<b>10%</b>
Other [please specify]:	<b>13%</b>

### Questions to those who don't promote payroll giving (n=59)

<b>Q10. For charities that don't run or actively market payroll giving</b>				
<b>Please indicate how much you agree or disagree with the statements below</b>	<b>Yes/Agree</b>	<b>No/Disagree</b>	<b>Not sure / no answer</b>	<b>Not relevant</b>
We have never really considered payroll giving as a fundraising technique	37%	49%	12%%	7%
We have promoted payroll giving in the past but no longer do so.	15%	56%	15%	14%
The administration of payroll giving appears simple and straightforward	36%	24%	35%	5%
We would like to start a scheme, but are finding it difficult to access the market	20%	37%	20%	22%
We would like to start a scheme, but have been refused representation	3%	56%	13%	27%
We do not have the infrastructure to promote payroll giving	22%	36%	28%	14%
We have seriously investigated marketing payroll giving but decided not to	10%	66%	11%	12%

### Profile of all respondent organisations and their fundraising

<b>Size of supporter base (known individuals who have given by any means in the last two years)</b>	0-10k 39%	10-25k 5%	26-50k 13%	51-100k 12%	101-200k 5%	201-500k 13%	501k+ 6%	NA 8%
<b>Amount of income received from individuals</b>	£0-250k 35%	£251-500k 7%	£501-1m 4%	£1-3m 18%	£3-5m 4%	£5-10m 7%	£10m+ 15%	NA 9%
<b>Number of staff employed in the organisation (n=136)</b>	<100 20%	100-199 17%	200-299 13%	300-499 13%	500-999 15%	1000+ 16%	NA 7%	
<b>Annual turnover of organisations (n=136)</b>	<£10m 34%	£10-£19m 28%	£20m 28%	NA 10%				

Verbatim comments from respondents

### **Why do you run a payroll giving scheme? What are the perceived benefits for your organisation?**

#### **Cost Effective**

- We find it a very cost effective way of recruiting committed supporters. We tend to break even within the first year. However, we don't tend to get any donations in addition – they don't respond to direct mail.
- Acquisition, cost effectiveness of long term income.
- It generates £350k per annum and adds value to corporate fundraising.
- Over time – a cost effective medium.
- Payroll giving offers long-term regular income with low administrative costs. Offers mutual benefits to charities, employers and employees.
- Cost effective, minimal administration, unrestricted core funding.
- We run a payroll giving consortium with 4 other charities currently very effective to support fundraising targets. The RNLI has operated payroll giving for a number of years, however for the last few years it has not actively promoted the scheme. Since the beginning of 1999 it has no contracts with any professional fundraising organisations to recruit payroll donors. Nor during that time has the RNLI actively promoted payroll giving as a method of support. Despite this the numbers of donors has increased slightly over the last three years, and income has remained fairly steady. This is no doubt due in part to the Governments promotion of the payroll giving scheme. Payroll giving is a valuable and very cost effective part of RNLI's fundraising, it is apparent that these donors appreciate the tax incentive of donating this way, regularly but with little close personal contact with the charity. The RNLI is intending to start actively promoting payroll giving again later this year. However initially this will be through various sections of RNLI fundraising e.g. Corporate relations, regional activities, website etc not using PFOs.

#### **Widens / increases donor market**

- Gives us the opportunity to reach supporters not of same target group as traditional acquisition.
- Payroll giving is currently being tested to see if it works for nation support. Benefits will include more individual supporters and unrestricted income for the organisation.
- Payroll is only a very small part of central fundraising. The nature of our cause and relevance to people of working age is not a strong opportunity.
- More regular givers.
- Committed support
- Cost effective method for recruiting new, regular younger donors.
- We get a totally different type of supporter.
- Traditionally it has provided the mechanism for high volume low committed giving.
- Pre-tax payroll giving is more attractive to certain types of donor.
- Access to new supporters we would otherwise find difficult to target. A consistent and reliable source of income.

**Builds corporate partnerships**

- It is an excellent way to recruit and retain long term regular donors. It can be an excellent way to encourage a company which employs payroll givers to support us.
- Simple, cost effective, good way of developing corporate relations.
- One tool for securing commitment from donors and also added value of 10%. Good tool for working with corporate supporters.
- A limited scheme is being run and is seen as a way of developing relationships with companies.
- Direct income and indirect income through increased engagement with corporates.

**An alternative giving route**

- Payroll giving promotes another way for people to donate. It's easy for them to do, once they are persuaded.
- We run a payroll giving scheme as it gives donors more choice about how to donate and for the tax benefits.
- Payroll giving option given on all appeal literature, promoted as one of several tax efficient ways to give.
- This is an area that is under development and we will pursue much more when we've recruited more staff.
- Maximise opportunities and different types of methods for supporters.
- It's a hassle free way for people to support us.
- Opportunities to upgrade and develop relationships.
- Currently we do not actively promote payroll giving although this is starting to change.

**Repeat Donors = sustained income**

- Payroll giving provides a regular sustained income which we can rely on.
- Regular donation with top up from government. Easy for all parties.
- Way of recruiting donors who would not give otherwise. Regular income.
- Highly tax effective and regular income.
- Committed long-term repeat donors, tax advantages, links with companies.
- It provides an acceptable return on cost and complements our corporate fundraising strategy. Income is unrestricted and committed.
- To generate income.
- Regular, planned income.
- For regular sustained income.
- Extra income, regular income and supplement donor 'tied in' to organisation.

**General**

- As an occupational benevolent fund, it is a simple effective fundraising method normally sold through workplace presentations with the employers agreement. We are also a payroll giving agency.
- They should do but we have a number of issues with the agency we are using which we are waiting to address.
- Because it's a method of fundraising but we find it attracts very small numbers.
- I believe we did encourage it but only got 3 supporters..

## **Do you have any comments about payroll giving its administration and marketing?**

### **Agency organisation / effectiveness**

- One of the main payroll giving agencies is highly inefficient. Better marketing of payroll giving by the government would be beneficial.
- Harder, low-value, worse than pdd.
- Payroll giving is fairly straightforward to administer, however the disbursement statements provided by the collection agencies vary enormously. Some are easy to use and provide helpful information, others are much less so. Perhaps some form of standard disbursement provision would be helpful.
- Too many agencies – needs centralised agency.
- Limited opportunities due to capacity and effectiveness of PFOs. Has huge potential but need agencies to make costs competitive.
- It is very difficult to reconcile income to the supporter due to time it takes from recruitment to receiving the first donation. We use an outside agency to help us do this.
- PFOs not always professional and sometimes lacking in integrity. More interested in getting money than helping bring charities and donors together.
- Putting the relationship through CAF etc is a major limitation. Payroll is only 1/2% of income and does not have major potential to grow. Donor care/relationship building is not easy, nor is donor development through upgrade etc.
- Greater incentive to employers to participate.

### **Payroll needs tailored approach**

- Problem of access to PFOs and have a problem of trying to promote too many charities. Can be slow to get the forms through. Only paying per donor is an advantage.
- The awareness of charity led promotions needs to be raised. At present, the emphasis is on professional fundraising organisations led promotions.
- Employer's attitudes to any one charity make it hard to promote except via PFOs.
- Those promoting payroll giving need a more targeted approach. The 10% supplement needs to be maintained although so far it has not helped increase payroll giving income significantly, but it helps in other ways.

### **Monopoly of payroll market**

- Making pre-tax payroll giving attractive and exciting is quite difficult. The majority of charities promote payroll giving via a PFO, which has benefits for the higher profile charities who are instantly recognisable but this is perhaps not so good for the smaller or more diverse charities. PFOs offer a wide choice of charities and consequently are attractive to some companies particularly companies with large workforces. This means that other charities that promote their own schemes are finding it difficult to get into

these companies. PFOs also try to get exclusive contracts with companies, which can prohibit charities that don't use their services from getting in.

- Difficult as organisation has no profile.
- We have found it impossible to engage with a PFO/ payroll giving agency as we do not have a high enough profile.

### **Payroll administration**

- Takes too long for person's donation to reach bank account, sometimes up to 6 months after joining up.
- The tax benefit is less visible than gift aid. Donors likely to tick a sum they think they are actually giving – after tax they are giving less of course.
- Continue 10% bonus.
- Its something we've only started being proactive with recently.
- Sometimes difficult to market payroll giving due to not all employers offering the scheme. The issue of portability also needs to be overcome.
- Tracking payroll giving donations back to individual donors, to monitor drop offs etc can be extremely time consuming. We are currently researching new database systems that can update records automatically from a BACS transfer.
- We undertake a major review to see if we should switch to payroll giving. We found the cons outweighed the pros.

### **If you have investigated marketing payroll giving but decided not to, what were your reasons?**

#### **Payroll giving ill-suited to type / size of organisation**

- Payroll giving will start to be promoted in the near future, but a great deal of work needs to be done with regard to promoting the cultural sector as charitable.
- The organisation does not have a large enough loyalty base. Arts organisations do not lend naturally to encouraging support from payroll giving.
- We look at payroll giving from time to time and will review again, but given our limited staff resources it has not been a priority because we do not believe we would be a 'top three' cause. We currently focus our efforts on persuading members to support us more.
- Not a high enough profile cause –yet!
- We are a museum and felt that the appeal is not as strong as other charities for high value individual gifts.
- Almost all our income comes from the courses we run, not donations or fundraising. We are not an attractive charity for giving, compared to many/ most others!

#### **Not cost-effective - money better spent elsewhere**

- Money into direct dialogue – better prospects.
- We have a payroll income of £120k but are not actively promoting the scheme at present.

- We consider that the likely income will not justify the full cost of setting up the recovery process to promote such schemes on a large scale.
- We have not got the resources or budget for it and since we've recently damaged our name we are building the brand.
- Dealing with so many organisations, extra costs convinces donors would not give more to out balanced loss of gift aid.
- Would like to promote payroll giving more actively but aware it's very labour intensive. Therefore it's not high enough on our list of priorities at the moment. Hope to do some if we get time.
- Administration very costly.
- Salaries here not high enough.

### **Donor mismatch**

- Most of our supporters are retired. We have little contact with the corporate sector.
- The vast majority of our individual supporters are retired (aged 60+) and therefore not eligible.

### **Other**

- We are currently looking at starting a payroll giving scheme and I have recently been on a course run by CAF we do get some payroll gifts already but have not actually marked the scheme.
- We do receive income through payroll giving but no longer actively promote the scheme.
- We are just launching a scheme.
- It is being considered at the moment – lack of resources is the major problems.

### **Additional free resources from nfpSynergy.**

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