

Charitable Giving and the Great Recession

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KEY FINDINGS

- The Great Recession reduced total giving by 7.0% in 2008 and by another 6.2% in 2009. Although giving increased slightly in 2010 (1.3%) and 2011 (0.9%), it still remains well below the 2007 level.
- But Americans are giving nearly the same proportion of their income as before. As a percentage of GDP, giving has fallen only slightly, declining from 2.1% in 2008 to 2.0% in 2009, 2010, and 2011.
- There is some evidence that the decrease in total giving comes with a more diligent targeting of poverty-relevant causes. Total funding to food banks in 40 cities rose by 2.2% from 2007 to 2008 and by 31.9% from 2008 to 2009.

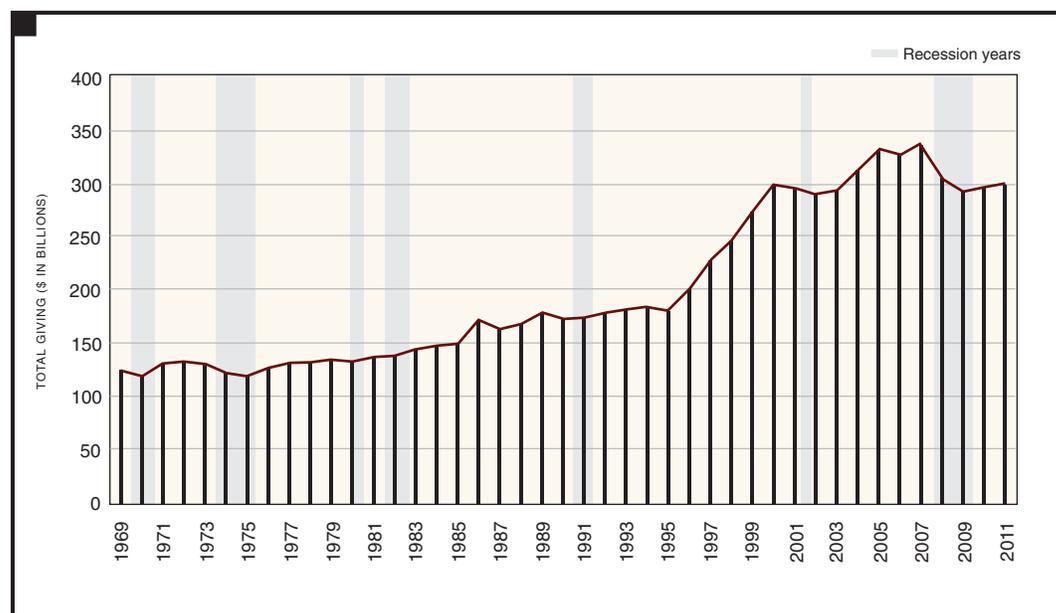
Americans have long been, and continue to be, a famously charitable people. Whereas Europeans have well-developed and comprehensive welfare states, the United States has always relied more on private charity to support a multitude of causes, including aid and assistance to the poor.

We don't know, however, how Americans' charitable giving fares under the pressure of an economic downturn. Does it increase as well-off Americans respond to the rising needs that a recession spawns? Have Americans and American institutions instead tightened the purse strings during hard times despite such rising needs? Or have Ameri-

cans targeted their giving to programs that more directly support those in greatest need (such as food banks instead of museums)? The purpose of this recession brief is to address these simple questions by charting recent and long-term trends in giving.

We will pay particular attention to giving by individuals rather than by foundations or corporations. We do so because individual giving, either by live or dead donors, accounts for roughly 80 percent of all charitable dollars. Because the economic downturn affected individual income and wealth so much, it may have generated substantial declines in such individual giving.

FIGURE 1. Total Charitable Giving (inflation adjusted dollars)



Source: GivingUSA Foundation

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Is Giving Increasing or Declining?

We begin by asking whether giving is increasing or declining. The simple answer: It's declining. As figure 1 shows, the economic downturn of 2008 has given rise to one of the largest year-over-year declines in charitable giving since the late 1960s. Total giving in 2008 fell by 7 percent in inflation-adjusted dollars, from \$326.6 billion to \$303.8 billion. In 2009, matters worsened, with charitable giving dropping another 6.2 percent to approximately \$284.9 billion. In 2010, charitable giving charted a very modest uptick of 1.3 percent. And newly released data shows a mere 0.9 percent increase in 2011. Estimated giving in 2010 was \$290.9 billion, and in 2011 \$298.4 billion, improvements owing, presumably, to the modestly improved economy (especially for the well-to-do). Overall, charitable giving dropped 10.9 percent between 2007 and 2010. Despite this drop, charitable giving remains at extraordinarily and historically high levels, with only 2005 to 2007 showing higher levels of overall giving.

Such a large reduction in the absolute sum of dollars donated, however, might not indicate that Americans are giving any less in relative terms. That is, Americans might be giving just as much of their income, proportionally, as they did before.

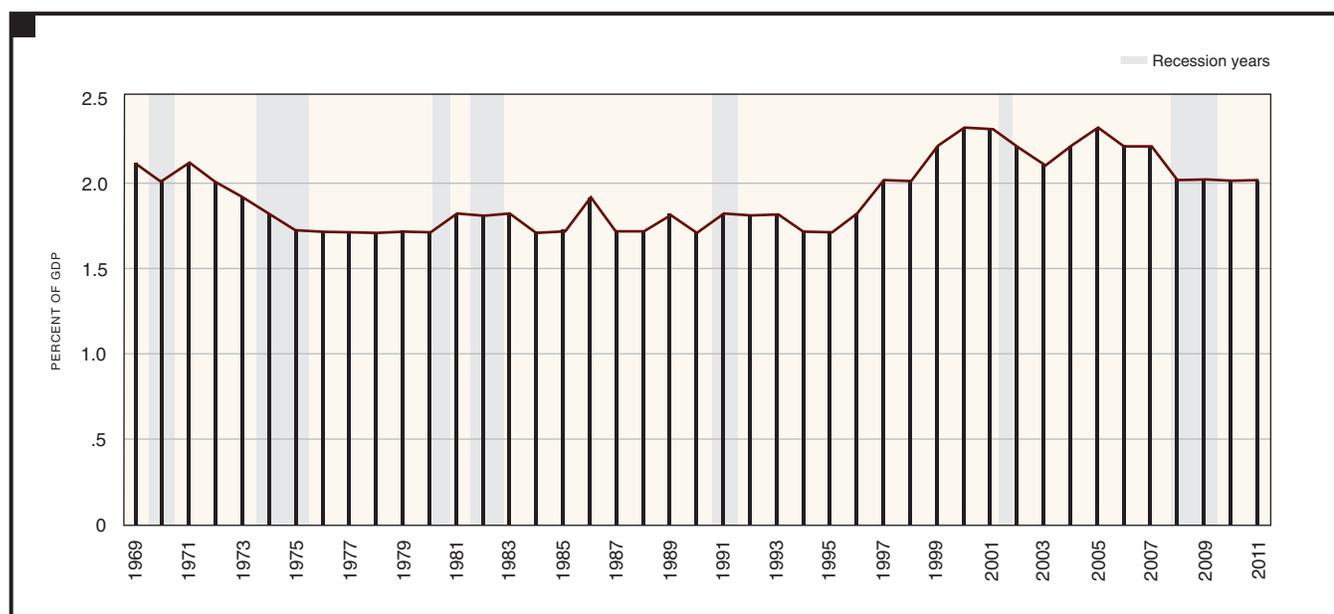
Is this indeed what the data support? As shown in figure 2, giving as a percentage of GDP has fallen only slightly of late, declining from 2.1 percent in 2008 to 2.0 percent in 2009, 2010, and 2011. The all-time high in giving (as a percentage

of GDP) was 2.3 percent in 2005. The recent decline in absolute giving, therefore, is tracking overall downward trends in the broader economy. Figure 2 shows that total charitable giving as a percentage of GDP has fluctuated within a relatively narrow band from 1.7 percent to 2.3 percent over the past 40 years.

It is perhaps reassuring that there's no evidence of increasing stinginess in times of need. Then again, neither is there evidence of increased largesse, which is problematic because need is countercyclical. Indeed, because needs increase dramatically as the economy contracts, our reliance on charity and the nonprofit sector contains some built-in structural challenges, at least relative to other countries that can more readily engage in direct governmental spending when additional needs must be met.

Though individual giving is by far the largest source of charitable donations in this country, it's also important to ask whether giving from corporations and foundations follows the same pattern. We might not expect any major differences by source given that individuals, corporations, and foundations have all suffered in the Great Recession, albeit in different ways. Whereas individuals and corporations have suffered because economic activity is down (thereby affecting earnings, employment, and profits), foundations and bequests suffer as a result of losses in the stock market and other investments.

FIGURE 2. Total Charitable Giving as Percent of GDP



Source: GivingUSA Foundation

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And indeed, as expected, figure 3 shows that giving from corporations, foundations, and bequests have all declined in the recent recession. Charitable bequests, the most volatile of all sources of giving, jumped in the first year of the recession but then fell thereafter, and jumped again in 2011. Contributions by corporations continued a multiyear decline in 2008, but then picked up somewhat in 2009 and 2010, and dropped again in 2011. Although giving by foundations inched upward from 2007 to 2008, it dropped in 2009, 2010, and 2011. The overall story, then, is one of stagnation or decline in giving.

Is There Increased Targeting?

The results presented so far reveal that individuals, corporations, and foundations are all giving less. But we've noted that procyclical giving could in principle coexist with recession-era targeting in which the declining charitable dollars are increasingly directed toward poverty-relevant causes. Is there any evidence of such targeting?

Data here are harder to come by, but some evidence supports the targeting hypothesis. Research by former CBO director Douglas Holtz-Eakin and Cameron Smith suggests that foundations, in particular, may be using their dollars to respond to greater needs in the wake of the recession. Holtz-Eakin and Smith found that foundations are directing a greater proportion of their grants to areas with high levels of unemployment and high levels of mortgage delinquency rates. They showed, for example, that states with the highest unemployment rates

received 19 percent of all grant funds awarded by foundations in 2008 but nearly 65 percent in 2009.

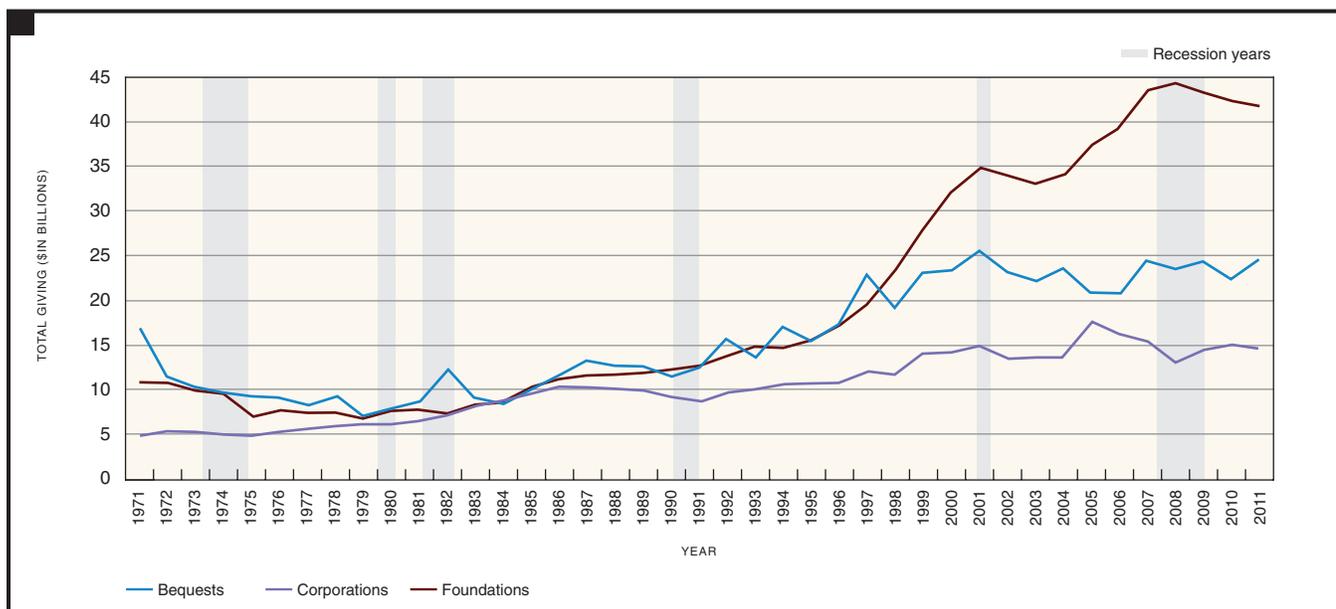
There are additional hints of targeting in which giving to social service organizations has held steady or even thrived. In the February 2010 issue of *The Chronicle of Philanthropy*, it was noted that the organization Feeding America was experiencing surging levels of giving, up over 50 percent in the final quarter of 2009 versus the same quarter the year before.

The same pattern appears to obtain more widely (see figure 4). In a research project supported by the Stanford Center on Poverty and Inequality, it was found that the funding of food banks in 40 cities rose 2.2 percent on average from 2007 to 2008, with approximately two-thirds of food banks showing increases over this period. Funding then further surged from 2008 to 2009, as the recession deepened, increasing as much as 31.9 percent despite deepening problems in the labor market (with increases found across all but 1 of the 40 food banks).

What Does It All Mean?

The purpose of this recession brief was to find out whether the Great Recession, which has affected so many Americans, has induced us to hunker down, tend to our own needs, and scale back on our generosity. Have Americans indeed drawn inward and become (understandably) self-interested in response to economic duress?

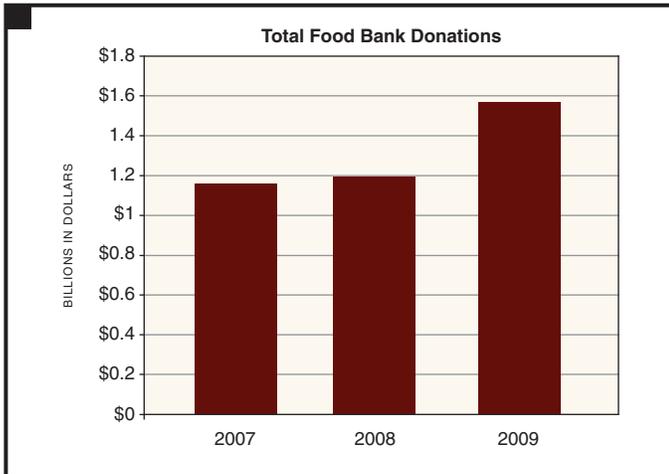
FIGURE 3. Giving by Source



Source: GivingUSA Foundation

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FIGURE 4. Contributions to Food Banks Surge in 2009



Source: Authors' tabulations based on contribution and grant records from food banks' annual reports, IRS Form 990s, and Guidestar/Charity Navigator records.

There is little evidence of such an effect. Although total giving has predictably declined, we are still giving at high levels and at nearly the same proportion of total dollars as before. Much as they always have, Americans are contributing a non-trivial proportion of their available funds, and the surge of charitable giving to food banks suggests that some Americans are responding generously to the increased need brought about by economic distress. It follows that charitable giving is both procyclical and, to some extent, targeted toward the needy.

For other charitable organizations, the picture is not so rosy. Even though Americans continue to contribute the same proportion of their income, that "tithing" now applies to a smaller base of money and, as a result, produces a real decline in the absolute amount of giving. The most recent data show that the growth rate in charitable giving between 2009 and 2011 was the slowest of any two-year period since 1971 with only one exception: the recession of 2001 in the wake of the 9/11 attack. At current rates of growth, according to Giving USA, it will take until 2022 to return to the level of giving recorded in 2007. Nonprofits report that they are indeed feeling the pinch and that they are cutting services and slashing payrolls in order to stay afloat. Although some segments of the population, notably young people, are pitching in with increased volunteering, the nonprofit sector is clearly stretched in the economic downturn.

ADDITIONAL RESOURCES

Giving USA: The Annual Report on Philanthropy for the year 2011 (2012). Chicago: Giving USA Foundation

National Center for Charitable Statistics: <http://nccs.urban.org/>

IRS Statistics on Charities and Other Tax-Exempt Organizations: <http://www.irs.gov/taxstats/charitablestats/article/0,,id=97176,00.html>

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To further explore the data presented here and to produce customized graphs on recession trends, go to www.recessiontrends.org