



Issues in GOVERNANCE STUDIES

Number 13

April 2008

How Americans View Charities: A Report on Charitable Confidence, 2008

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Public confidence in charities is key in guaranteeing a vibrant future for treating and solving the world's most important problems. Public confidence affects charitable giving and volunteering, employee recruitment, and gives charities the freedom to dedicate resources toward their most important programs and capacity-building priorities.

Unfortunately, public confidence in charities remains at contemporary lows. Driven downward significantly by the controversies surrounding the sluggish disbursement of the American Red Cross Liberty Fund, confidence has yet to recover. The percentage of Americans who said they had "a lot" of confidence in charitable organizations dropped from 25 percent in July 2001 to 18 percent in May 2002. The percentage that reported having "none at all" rose from 8 percent in 2001 to 17 percent 2002.

A March 2008 survey conducted on behalf of the Organizational Performance Initiative at New York University's Robert F. Wagner Graduate School of Public Service shows four patterns that should worry charitable organizations and sector leaders.

1. Charitable confidence has not risen significantly since it hit bottom in 2003. As of September 2002, 37 percent of Americans reported having "not too much" confidence in charitable organizations or "none at all." As of March 2008, 34 percent gave the same rating, a figure that is well within the ± 3 percent margin of



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2008 Report on Charitable Confidence, 2008

error in both surveys.

2. Americans remain skeptical of charitable performance. Only 10 percent of the Americans interviewed in March 2003 said charitable organizations did a “very good job” spending money wisely; 17 percent gave the same rating to running programs and services, and being fair in decisions; and 25 percent gave the same rating to helping people. In other words, a vast majority of Americans rated charitable performance on these four tasks as either “somewhat,” “not too good,” or “not good at all,” hardly a stunning endorsement.

3. The considerable drop in the ratings of helping people poses a serious challenge to the sector’s distinctiveness as a destination for giving and volunteering. As of October 2003, 34 percent of Americans said charitable organizations did “very good” in helping people; in March 2008, only 25 percent gave that same rating. This statistically significant drop is the most troubling finding in the survey.

4. Estimates of charitable waste remain disturbingly high. As of March 2008, 70 percent of Americans said that charitable organizations waste “a great deal” or “fair amount” of money. This figure has risen 10 percentage points since October 2003. Although Americans estimate that big business and government waste even more money, charitable organizations seem bound and determined to catch up.

About the Survey

These results come from a survey of 1,001 random-selected Americans who were interviewed by telephone between March 10 and 16, 2008. The survey was conducted by Princeton Survey Research Associates, Inc. on behalf of the Organizational Performance Initiative at New York University’s Robert F. Wagner School of Public Service. As noted in the summary section above, the survey has a margin of error of ± 3 percent.

The March 2008 survey is the seventh taken since the confidence question was changed, in September 2002, to include four response items – “great deal,” “fair amount,” “not too much,” or “none at all.” Prior to the September 2002 survey, confidence was measured using the Independent Sector’s three-response question, which gave respondents a choice between “a lot,” “somewhat,” or “none at all.” Analysis of matched samples of Americans in September 2002 showed that the three-response question (“none at all,”) and sandwiching a comfortable and soft response (“some”).

General Confidence

General confidence in charitable organizations appeared to hit its modern low point in 2003 and has not moved up or down significantly since. Although there was a slight increase in confidence in the July 2006 survey, it is close to the margin of error and



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therefore should be discounted. As Table 1 shows, the level of confidence has varied between a low point of 37 percent negative in September 2002 and a high of 29 percent in July 2006. As of March 2008, 34 percent of Americans said they had “not too much” confidence or “none at all.”

Table 1: Confidence in Charitable Organizations, 2002-2008

	Great Deal	Fair Amount	Not too Much	None at All
March 2008	16%	48%	25%	9%
July 2006	20%	49%	20%	9%
July 2005	15%	49%	24%	8%
August 2004	15%	50%	20%	9%
January 2004	13%	49%	25%	9%
October 2003	18%	45%	27%	7%
September 2002	13%	47%	26%	11%

Sample Sizes: 2002=1,381; 2003=770; 2004=1,417; 2005=1,820; 2006=1,000; and 2008=1,001

There are several potential explanations for the lack of significant movement over the years. One possibility is that other charitable scandals involving the Nature Conservancy, United Way of the Capitol Area and veterans groups have continued to suppress a rebound. Moreover, the local media has become much more aggressive in covering charitable activity, especially when it involves alleged fraud, waste and abuse.

Another possibility is simply that the charitable sector finally lost the benefit of the public doubt, and joined other national institutions such as the presidency, Congress, the media and public schools in a generalized distrust toward anything big and/or visible. As a statistician might argue, charitable organizations appear well on their path toward becoming just another institution in civic life.

Still another possibility is that the charitable sector itself has mostly denied the crisis in confidence, and, therefore, has done very little to create a compelling national or local message that might restore trust. Distracted by other issues such as the redesign of the Internal Revenue Service’s tax forms, the charitable sector may have simply concluded that confidence is not a problem.

Rating Charitable Performance

Charitable organizations have many tasks, including developing new programs, recruiting employees, managing volunteers and evaluating impact. Many of these tasks are too distant from public experience to be rated. As a result, these surveys have focused on four relatively simple measures of performance: (1) spending money wisely; (2) running programs and services; (3) helping people; and (4) being fair in decisions. These four tasks provide a simple barometer of how well charities are doing their jobs.

Readers should note that the questions about charitable performance involve four potential answers. Each survey respondent was asked how well charitable organizations

perform each task: “very good;” “somewhat good;” “not too good;” or “not good at all.” Note, the second category, “somewhat good,” is not a positive rating. Few Americans believe that “somewhat good” is a positive rating in other areas of their lives—e.g., somewhat good surgery, somewhat good food, or somewhat good airplanes. An organization that aspires to be “somewhat good” is an organization that has little justification for denying the crisis in confidence.

Unfortunately, the charitable sector has been rated as “somewhat good” or less since 2003. Figure 1 shows the trend lines on spending money wisely, running programs and services, helping people and being fair in decisions.

Figure 1: Confidence in Charitable Performance, 2008

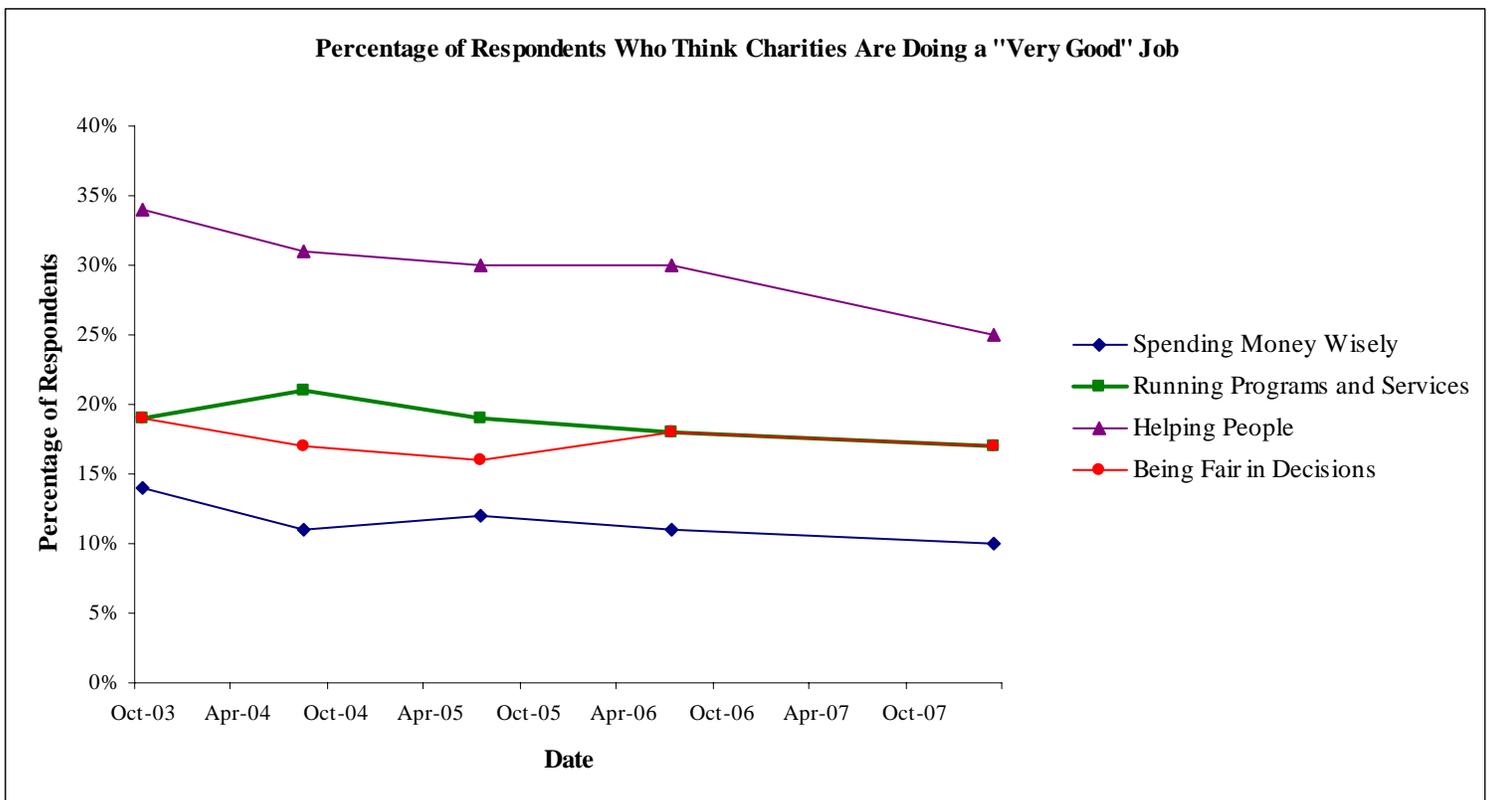


Figure 1 shows a mix of stability and decline. For nearly five years, Americans have consistently rated charitable organizations as not being very good at spending money wisely, running programs and services, and being fair. They have reserved their harshest judgments for their ratings of spending money wisely—an assessment confirmed by the high percentage who also argue that charitable organizations waste a “great deal” or “fair amount” of money, and who say that executive directors are paid too much (see Table 2).

Helping People

The most disturbing finding on charitable performance involves a sharp decline in the percent of Americans who give charitable organizations high marks on helping people. The percentage who gave a “very good” rating dropped from 34 percent in October 2003 to just 25 percent in March 2008. Unlike the other performance ratings, which have all been low but stable, the rating of helping people has been dropping in a mostly straight line each year since 2002.

This statistically significant drop suggests that the charitable sector may be losing its distinctive advantage as the destination of choice for those who wish to help people. Whether by definition in the U.S. tax code or past perceptions of donors, volunteers and beneficiaries, helping people has been the charitable sector’s primary mission. Maintaining a high rating on helping people may be the single-most important selling point in how much donors give and volunteer. Maintaining a high rating also matters greatly to the next generation of employees, as well as business and government employees who wish to transition into “encore careers” after early retirement.

The decline is particularly troublesome for anyone who wants to make a difference or find meaning in their lives through charitable engagement. These individuals have long been willing, or so it seems, to accept lower levels of charitable performance in return for the chance to help people. Helping people is also a source of considerable pride and job satisfaction among current employees. Once the charitable sector loses this comparative advantage, it may be gone for good.

Charitable Waste

The final finding of note in the March 2008 survey involves continued concerns about charitable waste. The American public seems convinced that charitable organizations waste a great deal or fair amount of money, and have become increasingly more doubtful since 2002.

The concerns are particularly important among the charitable sector’s strong supporters—those who have a great deal of confidence in charitable organizations. Even these Americans doubt how well charitable organizations perform in stewarding funds. As Table 2 shows, they worry about both charitable spending and waste. Although they are more likely than their peers to say that the leaders of charitable organizations are not paid enough, they still see ample cause for concern. The charitable sector should, too. The fact that 56 percent of these Americans said charitable organizations waste a great deal or fair amount of money should be a call to action for much greater fiscal accountability.

Interestingly, waste is not a significant predictor of overall confidence in charitable organizations. Performance is. The number one predictor of confidence among the 2008 respondents is the rating of how well charitable organizations do spending money wisely, followed by how well they do helping people, being fair in their decisions and

running their programs and services. Waste is not a significant predictor at all in the advanced statistical analysis.

The explanation seems simple. Evaluations of charitable performance influence perceptions of waste and overall confidence in general. They also influence the ratings of the charitable organizations in the respondent’s own community.

A Cause for Concern?

Past readers of these surveys have argued that the percentages described above are well within acceptable, particularly the percentage of Americans who say they have either a “great deal” or “fair amount” of confidence in charitable organizations. As Table 1 shows, that percentage averaged 64 percent between 2002 and 2008.

However, combining these two categories of confidence is risky at best, inappropriate at worst. As Table 2 suggests, Americans who expressed a “fair amount” of confidence in charitable organizations in 2008 were much more negative than those who said they had a “great deal.”

Table 2: Differences between a Great Deal and Fair Amount of Confidence, 2008

Measure of Confidence	Level of Confidence in Charitable organizations			
	Great Deal	Fair Amount	Not too Much	None at All
Charitable organizations do a very good job spending money wisely	32%	8%	2%	1%
Charitable organizations do a very good job running programs and services	47%	15%	6%	5%
Charitable organizations do a very good job in helping people	69%	25%	6%	10%
Charitable organizations do a very good job being fair in decisions	47%	15%	9%	2%
Charitable organizations waste a great deal or fair amount of money	56%	68%	77%	88%
Executives of charitable organizations are paid too much	24%	37%	57%	76%
Respondents have a great deal of confidence in community’s charitable organizations	61%	20%	7%	8%

Sample sizes: Great deal of confidence=157; fair amount of confidence=485

As Table 2 clearly shows, Americans who expressed a “fair amount” of confidence in charitable organizations were barely different from their “not too much” and “not at all” confident peers in saying that charitable organizations were very good at spending money wisely, less than half as likely to rate charitable organizations as very good at helping people. Combining the “great deal” and “fair amount” percentages is clearly not supported by the actual data on what the two groups believe.

Other readers will argue that that the level of national confidence may be low, but such measures have no relevance to confidence in one’s own charities. This conclusion is quite familiar to those who study Congress. As the old saying goes, Americans “love their member of Congress, but hate Congress.” Perhaps the same goes for charitable organizations. Table 3 gives at least some evidence for this argument.

Table 3: Confidence in Charitable Organizations in Own Community, 2008

	Great Deal	Fair Amount	Not too Much	None at All
In charitable organizations in one’s own community	22%	50%	18%	7%
In charitable organizations generally	16%	48%	25%	9%

The table does show statistically significant differences between national and community confidence, enough that local organizations can ignore the general trends. Although the percentage of Americans who expressed a “great deal” of confidence in their community charitable organizations was 6 percent higher, the figure is not so high as to dilute concerns about the much larger percentage who expressed a “fair amount,” of confidence “not too much,” or “none at all.”

Demographic Differences

There are very few differences between men and women, young and old, white and minorities, and lower- and upper-income Americans on general confidence and the ratings of charitable performance. Indeed, the only major differences involve age, and even these differences are few and far between: older Americans are more likely to give charitable organizations higher ratings on running their programs and services, while younger Americans are more likely to give charitable organizations higher ratings on being fair in their decisions.

However, there are significant difference on the ratings of pay and waste. Older Americans were much more likely than young Americans to say executive directors are paid too much, while lower-income Americans were more likely to say executive directors are not paid enough. Not surprisingly, older Americans were also more likely

to say that charitable organizations waste a great deal or fair amount of money, as were lower-income Americans.

Rebuilding Confidence

These latest surveys offer an important lesson to those who wish to increase confidence in charities, as well as charitable giving and volunteering. The key to increased public confidence is increased performance, not lower overhead.

These surveys suggest three options for rebuilding confidence.

1. **Build administrative systems to manage money wisely.** With 11 million employees and nearly ten times as many volunteers, Americans have a fairly well developed sense of how the charitable sector works. They see the ancient systems, heavy workloads and second-rate working conditions that plague the charitable sector. The charitable sector may have the nation's most motivated workforce, but that workforce must persevere against these odds every day.

The problem, of course, is that it takes money to spend money wisely. Given the general unwillingness of donors to invest in management capacity, this creates a truly perverse situation: donors will not give money to new systems until charitable organizations have the new systems to use the money wisely. Moreover, as the Nonprofit Finance Fund's Clara Miller rightly argues, charitable organizations operate in a "looking glass world" in which none of the standard financial rules apply—there is almost no incentive for investment in administrative capacity. Indeed, watchdog groups such as Charity Navigator and Internal Revenue Service punish capacity building by labeling it as an administrative cost.

2. **Promote the charitable sector's commitment to helping people.** For the most part, philanthropists and trade associations have left promotion to individual organizations. There is no national messaging campaign to show Americans that their giving and volunteering make a difference. Nor is there a national organization such as the Chamber of Commerce or National Federal of Small Business that helps shape public opinion. For the most part, the charitable sector protects the trees, not the forest.

It is not clear how the charitable sector might attack the disquiet catalogued above. At the same time, doing nothing is not an option. Foundations have banded together in the past to protect themselves against congressional action by hiring lobbying firms to make their case. Individual charities have long maintained aggressive media strategies for raising more money.

Perhaps applying the lessons learned from these efforts is the first step toward a national campaign for protecting the sector's distinctiveness advantage, as Lester Salamon has called it. Coupled with a significant investment in basic capacity, which might be wrapped in a visible campaign itself (dare one suggest a "year of

Governance Studies

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strengthening?"), the charitable sector might begin bouncing back upwards. The U.S. military did just that, rising from one of the least trusted institutions in the 1970s to the very top by the late 1990s where it remains today.

3. Demonstrate progress toward solving the problems that marginalize certain segments of society. Too many charitable organizations believe that showing more need is the answer to public distrust. But Americans already believe that there is plenty of need. When asked in 2006 to identify the bigger problem facing charitable organizations, only 17 percent of Americans said charitable organizations have the wrong priorities; 73 percent said charities have the right priorities, but do not spend money wisely.

If Americans mostly believe that charitable organizations have the right priorities for helping people, the decline in their performance ratings may be the lack of measurable progress made. This lack of progress may be related to factors well beyond the control of individual organizations that must battle constantly against the forces of marginalization, but charitable organizations must still be accountable for measurable progress. And if they do not attempt to measure at all, they deserve lower confidence.

The dismal ratings of charitable performance may also be related to complacency among charitable organizations toward actually solving the problems they treat. In this regard, the contemporary call for more social entrepreneurship may hold promise for addressing confidence. Although social entrepreneurs often provide direct services to the homeless, abused, poor and disabled, they focus more directly on changing the conditions that create the need for direct services in the first place. And many are succeeding in both solving problems, attracting funders and generating positive media coverage for the charitable sector as a whole.

More social entrepreneurship would not only create social value in itself, it just might help rebuild public confidence that charitable organizations are capable of helping people by changing the "social equilibrium," as the Jeffrey Skoll Foundation's Sally Osberg calls it.

Conclusion

At least for now, the lack of organized action continues to be the default position for the charitable sector. Unfortunately, recent studies by the Association of Certified Fraud Examiners, Ethics Resource Center, Harvard University's Hauser Center for Nonprofit Organizations, the Urban Institute and individual scholars suggest that there is plenty of fraud, waste and abuse yet to be uncovered. Absent aggressive action to create headlines about success, Americans will be treated to a cascade of stories about charitable malfeasance that can only push confidence downward.

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