

Rebuilding Public Confidence in Charitable Organizations

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Executive Summary

Four years after September 11th, public confidence in charitable organizations remains stuck at a contemporary low. According to a telephone survey of 1,820 randomly-selected Americans interviewed on behalf of NYU Wagner's Organizational Performance Initiative during the summer of 2005, confidence has held virtually constant since it bottomed out after months of controversy surrounding disbursement of the September 11th relief funds. As of last summer, 15 percent of Americans said they had a great deal of confidence in charitable organizations, 49 percent said a fair amount, 24 percent said not too much, and 7 percent said none at all.

Public views of how charitable organizations operate also remain unchanged. Only 19 percent of Americans said charitable organizations do a very good job running their programs and services, while just 11 percent said the same about spending money wisely. In addition, 66 percent of Americans said that charitable organizations waste a great deal or fair amount of money, while almost half said the leaders of charitable organizations are paid too much. If the past is prologue, these views will continue to drive higher levels of legislative and media scrutiny, which in turn, may further erode public confidence. The survey also suggests that rebuilding confidence must involve sustained investment in strengthening the capacity of charitable organizations to achieve measurable impacts toward their missions.

INTRODUCTION

Hurricane Katrina reminds the world just how generous Americans can be in times of crisis. Americans have contributed more than \$1-billion, a far quicker pace of giving than the record-setting donations made in the wake of the September 11, 2001 terrorist attacks.

Just because they are generous does not mean Americans will not watch how their dollars are spent. If the past is prologue, many Americans will be watching be watching with serious doubts about how well the nation's charitable organizations actually operate. As an as-yet-to-be released survey by me and my colleagues at New York University suggests, many Americans still have serious doubts about whether charitable organizations do a good job spending money wisely, helping people, and running their programs and services.

According to the survey of 1,500 adults, a third

of Americans have little or no confidence in charitable organizations, one half say charitable executives are paid too much, and two-thirds believe charitable organizations waste a great deal or fair amount of money.

Equally troubling, barely one-tenth think charities do a very good job spending money wisely.

These doubts have obviously not undermined the giving instinct following Katrina. But they do speak to a growing risk that Americans confidence will plummet if charities do not put the money to work quickly and effectively.

A BRIEF HISTORY OF CONFIDENCE IN CHARITIES

Prior to September 11th, confidence in charitable organizations was both benign and soft, meaning that most Americans gave the benefit of the doubt to most charities, but had poorly formed images of how these organizations operated. According

to surveys by Independent Sector, which represents many of the nation's largest philanthropies and charitable organizations, the vast majority of Americans had either a lot or some confidence in charities, and most believed that these organizations contributed greatly to the overall quality of life in their communities.

This general confidence contributed to a surge in charitable activities in the weeks and months following September 11th, particularly among first-time or occasional givers. By December, 2001, roughly three-quarters of Americans had either donated money to one or more of the September 11th relief funds or either given or tried to give blood to the Red Cross. At the same time, 60 percent of Americans also reported that they had been paying very or fairly close attention to stories about the controversies surrounding the disbursement of funds to the victims of the attacks.

Even as the disbursement controversy ebbed, the charitable sector was rocked by other highly visible scandals involving the Catholic priesthood, the Nature Conservancy, the Capital Area United Way, the accounting profession in general, Enron, WorldCom, and Martha Stewart. Although some of these scandals were completely unrelated to the charitable sector, they produced broad questions about the integrity of large and small organizations alike. It was as if the charitable sector was made of Velcro—virtually every scandal worked its will in converting what had been benign, soft opinion into increasingly negative, hard attitudes.

QUESTIONS OF WORDING

Because the Organizational Performance Initiative, or more accurately its predecessor, my Brookings Institution's Center for Public Service, did not ask the public about charitable confidence immediately following September 11, one cannot know whether confidence in charitable organizations surged with most other civic institutions during that enormously anxious period. What is clear is that any surge was gone by December 2001 when the question about confidence in charitable organizations was added to ongoing Center surveys. Between July, when the question had been asked by Independent Sector and December, when the same question was asked by the Center, confidence in charitable organizations was virtually unchanged.

In addition to the loss of any potential surge, confidence fell dramatically during the first quarter of 2002, and remained fixed at the lower level through the summer. Although the declines may seem

small in an absolute sense, they come at the "hard" ends of the statistical distribution of opinions—that is, among respondents who said they had a lot or no confidence, which are very strong opinions when compared with those who said they had some confidence. Table 1 shows the trend:

TABLE 1: CONFIDENCE IN CHARITABLE ORGANIZATIONS, 2001-2002

	A LOT	SOME	NONE
July 2001*	25%	65%	9%
December 2001	24%	62%	11%
May 2002	18%	63%	17%
August 2002	19%	62%	16%
September 2002	18%	64%	15%

*Survey conducted by Independent Sector; all other surveys discussed in this report were conducted by Princeton Survey Research Associates on behalf of the Center for Public Service. Ns=4216, 519, 1737, 487, and 1063 for the five surveys respectively; margins of error vary from plus or minus 3 percent for the three large samples to 4-5 percent for the two small samples.

The problem is that "some" confidence can include both positive and negative views of charitable organizations. One could easily argue, as Independent Sector did in 2001, for example, that 82 percent of Americans had a lot or some confidence in charitable organizations as of September, 2002, compared with 90 percent in July, 2001, suggesting a relatively minor drop in confidence. Conversely, one could just as easily argue that 79 percent of Americans had some or no confidence in September, 2002, compared with 72 percent in July, 2001, also suggesting little real change in negative opinion.

In an effort to determine just what the "some" category included, the Center conducted an experiment in September 2002 by giving one group of respondents the Independent Sector's three-item question (a lot, some, or no confidence) and another set a four-item question (a great deal, fair amount, not too much, or no confidence at all). According to the results, which involved matched samples of 1,063 and 1,381 respondents respectively, roughly one third of Americans who said they had "some" confidence in charitable organizations were actually saying "not too much." Table 2 shows the comparison:

**TABLE 2: CONFIDENCE IN CHARITABLE ORGANIZATIONS
MEASURED TWO WAYS, SEPTEMBER 2002**

SAMPLE 1		SAMPLE 2	
A lot	18%	A great deal	13%
Some	64%	A fair amount	47%
None	15%	Not too much	26%
		None	11%

Ns=1063 and 1381 respectively; margin of error in both samples equals plus or minus 3 percent.

The experiment suggests that charitable organizations had not just lost ground in the year following the September 11th attacks, but that a sizable minority may have long harbored significant concerns about the nonprofit sector. Roughly one third of respondents who said they had “some” confidence in charitable organizations were actually expressing negative confidence.

THE RECENT TRENDS

However one interprets the opinion trends in 2001-2002, it is impossible to ignore the stall in public confidence from 2002 to the present. Those who hope the public will forget about the controversies that depressed confidence after September 11 are waiting for Godot. To the contrary, the Center’s most recent survey suggests that public opinion is becoming more, not less, negative creating greater incentives for regulators, watchdog groups, state attorneys general, and the U.S. Congress to become more aggressive in establishing new rules governing charitable conduct. Table 3 shows the 2002-2005 trends using the four-item question.

**TABLE 3: CONFIDENCE IN CHARITABLE ORGANIZATIONS,
2002-2005**

	A GREAT DEAL	A FAIR AMOUNT	NOT TOO MUCH	NONE
September 2002	13%	47%	26%	11%
August 2003	12	47	27	10
October 2003	18	45	27	7
January 2004	13	49	25	9
August 2004	15	50	25	7
July 2005	15	49	24	8

*Ns=1381, 1075, 770, 6000, 1417, and 1820 respectively;
margins of error vary from plus or minus 4-5 percent in the
small sample to 2 percent in the largest sample.*

As with the earlier versions of the confidence question, some will see a glass more than half full in these results. After all, roughly 60 percent of Americans have consistently expressed a great deal or fair amount of confidence in charitable organizations over this long period of intense coverage.

However, these results place charitable organizations far down the list of civic and governmental institutions in overall public confidence. According to a May, 2005, Gallup Poll of 1,004 Americans, 42 percent expressed a great deal of confidence in the military, followed by the church at 31 percent, the police at 28 percent, banks at 22 percent, the presidency at 21 percent, the medical system at 19 percent, the U.S. Supreme Court and public schools both at 16 percent, television news and organized labor at 12 percent, the criminal justice system at 9 percent, Congress and big business both at 8 percent, and health maintenance organizations at 7 percent. Using the Gallup percentages as a marker, charitable organizations rank just above television news and organized labor in the public’s confidence. To the extent institutions are known by the company they keep, charitable organizations have ample reason to aim for improvement.

A DEEPER ASSESSMENT

Most research on public confidence in charitable organizations is based on a handful of questions that are added to the omnibus surveys routinely fielded by firms such as Princeton Survey Research Associates, which conducted all but one of the surveys discussed in this report. As a result, what charitable organizations know about public confidence pales in comparison to what they could or should know about changing attitudes and their effect on giving and volunteering.

The questions asked in the Center’s 2003, 2004, and 2005 surveys suggest that charitable organizations would do well to pay more attention to public opinion, if only because their regulators most certainly do. According to these three surveys, confidence in charitable organizations is not the only attitude that remains stalled at troubling levels. It is also stalled on four critical measures of how charitable organizations operate.

As of last summer:

- 29 percent of Americans said charitable organizations do a very good job helping people.
- 19 percent said charitable organizations do a very good job running their programs and services.
- 16 percent said charitable organizations do a very good job at being fair in their decisions.

- 11 percent said charitable organizations do a very good job at spending money wisely.

In addition, public attitudes toward charitable spending also remain sharply negative:

- 66 percent of Americans said charitable organizations waste a great deal or fair amount of money, up 6 percentage points from August 2004.
- 46 percent said the leaders of charitable organizations are paid too much, down 3 percentage points from August 2004.

More troubling, these concerns about charitable performance in helping people, spending money wisely, and so forth are present across all demographic groups. Although Americans with more education and higher incomes expressed greater confidence in charitable organizations, they also expressed significant concerns about the ability of those organizations to spend money wisely, deliver programs and services, and so forth.

The concerns were even present among respondents who said they had a great deal or fair amount of confidence in charitable organizations more generally. Bluntly put, even the sector's most confident supporters have come to expect some level of poor performance, waste, and excessive pay from charitable organizations.

Among Americans who said they had a great deal or fair amount of confidence in charitable organizations last summer, 66 percent said charitable organizations do a very good job of helping people and exactly half said they do a very good job of running programs and services. At the same time, however, only 40 percent said charitable organizations do a very good job being fair, and just 35 percent said the same about spending money wisely. As for waste, half said the leaders of charitable organizations are paid too little or the right amount of money, while only 46 percent said charitable organizations waste little or no money.

It is one thing for those with little or no confidence to express reservations about the performance of charitable organizations, and quite another to see similar concerns among substantial numbers of highly trusting respondents. They may not believe their favorite charities are wasting money, but they clearly view the sector as a whole with a measure of suspicion.

PREDICTING CONFIDENCE

to worry about the current level of confidence in their organizations, especially given the relationship between confidence and giving and volunteering. Although the Center's 2005 survey did not include questions regarding recent contributions of time and money, its 2003 survey showed a clear and significant statistical relationship between general confidence and willingness to contribute discretionary dollars and time, meaning dollars and time not already earmarked for one's religious institution or alma mater.

The question is what charitable organizations can to reverse the decline. Although clearer definitions governing charitable giving, tighter government regulation, and more aggressive federal and state attorneys general will no doubt reassure the public, the effects may not be felt for years. Moreover, it is not clear that increased regulation and oversight will address the need for better information on just what donors, volunteers, and taxpayers receive by way of actual charitable performance, which is clearly linked to public confidence. Indeed, according to further statistical analysis of the 2005 survey results, the key predictors of confidence in charitable organizations have everything to do with performance. The significant positive predictors of confidence are as follows:

1. Whether Americans have confidence in the United Way
2. Whether they believe charities do a good job helping people
3. Whether they believe charities do a good job spending money wisely
4. Whether they have higher levels of education
5. Whether they believe charities do a good job running programs and services
6. Whether they have confidence in the Red Cross
7. Whether they have higher income
8. Whether they are older
9. Whether they see less charitable waste
10. Whether they are female
11. Whether they are white

This advanced analysis shows several major changes when compared with 2003:

First, waste now plays a significant role, albeit at the end of the list, in determining confidence in charitable organizations. In 2003, spending money wisely was the only financial measure to have a significant role in predicting confidence. The drip, drip, drip of scandal appears to have finally moved perceptions of waste into a significant position on its own.

Second, confidence in the United Way has moved to the top spot in predicting more general confidence in charitable organizations. It is not clear whether the United Way's recent effort to recast itself as a "community impact" agency by focusing on results explains its dramatic impact here. But the language of community impact does fit the public's more general concern about getting results for the money. Because the United Ways operate in virtually every community, the more the public sees the United Way as an arbiter in sorting high-performing charities from poor performers, the more confidence the public may have in the sector as a whole. Indeed, the United Ways may now be the more important than any other national organization, including Independent Sector and the Council on Foundations, in making the case for improvement to the American public.

Third, for individual charities, it is critically important to focus on reassuring donors and volunteers that they are making measurable progress toward achieving mission. There is nothing they can do to raise confidence in the United Way or Red Cross, nor anything to be done about the demographics of confidence. Rather, they should adopt reforms in how they operate, not what they actually deliver. It is hardly a surprise, for example, that Americans might believe that charitable leaders are overpaid if they do not know whether those leaders produce real impacts, nor a surprise that Americans might doubt charitable effectiveness in helping people, spending money wisely, and running effective programs and services if charitable organizations rarely provide data on results.

Again, having more timely, accurate, and accessible financial disclosure will certainly help address some of these concerns. However, this analysis suggests that such disclosure would have a much greater impact if it is tied to clear indicators of how well charitable organizations actually do in achieving their mission. These respondents are not saying that charitable organizations are somehow serving the wrong people or delivering the wrong programs. As I have argued elsewhere, these respondents are seeking reassurance that charitable organizations are actually solving problems. They are not saying "show us the cause," but "show us the impact."

REVERSING THE DECLINE

Showing the impact involves more than pictures of need. Such pictures do little to reassure Americans that their contributions of money and time are being used wisely. Charitable organizations must do a better job of producing measurable results, whether in lives saved and enriched, disease averted, housing rebuilt, pride restored,

education enhanced, great art produced, and/or economies strengthened. Much as some charitable organizations resist measurement, it is measurement linked to finance that allows Americans to judge whether a social investment has produced the hoped-for results. Unfortunately, concerns about waste and inefficiency have often driven charities and their donors to press for lower overhead rates, even to the point where they will refuse to invest in needed infrastructure such as technology, training, and strategic planning to prove that they are wise stewards of external support.

At least according to my interpretation, such under-investment is exactly contrary to the lessons from these surveys. Charitable organizations must spend money to spend money wisely; they must create organizational infrastructure to train and retain front-line employees who can make programs and services work effectively; and they must provide comparable pay if they are to hold onto talented executives.

The way to address the perceptions of waste and high salaries is not to lower overhead rates and cap compensation, but to show that charitable organizations are producing results with every dollar and volunteer hour they receive. And that may well require increased overhead rates and better compensation not just at the top of the organization, but on down to the front lines. It may also require the kind of innovative solutions that are sometimes associated with social entrepreneurship, a term that has become popular precisely because it speaks to the desire for measurable progress in solving intractable problems such as world hunger, economic inequality, and the spread of HIV/AIDS.

Ultimately, the case for investment in charitable capacity is not about increasing public confidence, but increasing performance. Charitable organizations desperately need the basic infrastructure to achieve and sustain high performance in the face of increased uncertainty. They simply cannot do more with less ad infinitum, nor can they be expected to create miracle after miracle without the organizational capacity to make the miracles endure. They must have the capacity not just to meet new reporting requirements, but to produce measurable progress, and the reassurance that goes with it, toward their missions.

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