

**Update on Confidence in Charitable Organizations - post-Katrina**

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**Executive Summary**

“Donor fatigue” has become the explanation of choice for the recent slowdown in charitable giving following Hurricane Rita and the Pakistan earthquake. According to this theory, Americans are simply exhausted from the constant appeals for help from across the globe and besieged by higher gas prices at home; with time and some good economic news, and Americans will start giving again.

Finding a reasonable explanation for the decrease in contributions is particularly important given the record-breaking pace of giving immediately after Katrina hit. Americans gave more money for Katrina in a shorter period of time than for the victims of September 11th, but the giving is drying up almost as fast. The Red Cross is now struggling to meet its \$2 billion Katrina target, while CARE reports that contributions for Pakistan relief are off by as much as 90 percent compared to the giving in the wake of the South Asian tsunami.

We believe that donor fatigue does not appear to be the only cause of the slowdown, however. Continuing low levels of confidence in charities may play a role as well.

**OVERALL TRENDS IN CONFIDENCE**

According to a mid-October survey by New York University, donors might find the giving easier if they believed that charitable organizations would do a good job spending the money wisely. The telephone survey of 1,003 randomly-selected Americans was conducted from October 10-16.

As of mid-October, just 13 percent of Americans said they had a great deal of confidence in charitable organizations, while 33 percent said they had little or no confidence, and 50 percent who said they had a fair amount of confidence. As table 1 suggests, confidence in charitable organizations remains stuck at modern lows. It also shows that

charitable organizations have not received the traditional surge in confidence that follows international and domestic disasters.

The fact that 63 percent of Americans have a great deal or fair amount of confidence in charities is not necessarily good news. Indeed, charitable organizations would do well to worry about the company they keep. Looking across a range of recent polls, charitable organizations rank just above television news, organized labor, and law firms, and well behind the military, small businesses, colleges and universities, and organized religion.

TABLE 1: TRENDS 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
October 2005	13	50	25	8

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## CONFIDENCE IN THE RED CROSS AND UNITED WAY

The survey also shows that confidence in the Red Cross has fallen. July, 43 percent of Americans had a great deal of confidence in the well-known charity; by mid-October, the percentage had fallen to 38 percent, an admittedly small, but statistically significant drop that occurred before the recent stories about Red Cross over-counts of the number of people it had helped the Federal Emergency Management Agency house in the Gulf States. Table 2 shows the full comparison pre- and post-Katrina:

TABLE 2: TRENDS IN CONFIDENCE IN THE RED CROSS, PRE- AND POST-KATRINA

	A GREAT DEAL	A FAIR AMOUNT	NOT TOO MUCH	NONE
July 2005	43%	36%	12%	6%
October 2005	38%	38%	11%	10%

In comparison, confidence in the United Way increased slightly, largely due perhaps to the organization's much lower-profile in both raising and distributing relief in the Gulf States. The gains in the percentage of Americans who said they have a great deal of confidence in the United Way are small, but statistically significant. Table 3 shows the trend:

TABLE 3: TRENDS IN CONFIDENCE IN THE UNITED WAY, PRE- AND POST-KATRINA

	A GREAT DEAL	A FAIR AMOUNT	NOT TOO MUCH	NONE
July 2005	16%	40%	20%	10%
October 2005	20%	40%	18%	10%

## WORRIES ABOUT CHARITABLE OPERATIONS

The latest survey also reveals continued public worries about how charitable organizations operate:

- 31 percent of Americans in the post-Katrina survey said charitable organizations do a very good job helping people, compared to 29 percent last summer.
- 20 percent said charitable organizations do a very good job running their programs and services, compared to 19 percent last summer.
- 17 percent said charitable organizations do a very good job at being fair in their decisions, compared to 16 percent last summer.
- 13 percent said charitable organizations do a

very good job at spending money wisely, compared to 11 percent last summer.

- 67 percent of Americans said charitable organizations waste a great deal or fair amount of money, compared to 61 percent in August 2004, and 66 percent last summer.
- 47 percent said the leaders of charitable organizations are paid too much, percentage points from August 2004, compared to 46 percent last summer.

## CONCLUSION

Further statistical analysis of post-Katrina confidence shows that a belief that charitable organizations do a very good job spending money wisely is the top predictor of whether individual respondents have a great deal of confidence in charitable organizations. The number two predictor is overall confidence in the United Way of America, followed by a belief that charitable organizations do a very good job delivering programs and services, whether respondents are white, and confidence in the Red Cross. Perceptions of the amount of money charitable organizations waste and levels of executive pay being too high have no predictive value in determining the level of confidence in charitable organizations. Simply put, charities should put their energies first and foremost into efforts to reassure donors, volunteers, and the public that they spend money wisely and deliver programs and services effectively. Since they cannot do anything as individual organizations to raise confidence in the United Way and Red Cross, nor change the demographics of the population, their best recourse is to focus on their own operations.

In sum, the only Katrina effect beyond the erosion of confidence in the Red Cross is no Katrina effect at all. The lack of such a surge appears due to two factors: (1) guilt by association with government (the Red Cross reports that one quarter of Americans think it is a government agency, a misunderstanding due in part to the fact that 12 of the organization's 50 board members are appointed by the president), and (2) stories about organizational weaknesses that may have prevented the disbursement of relief to the actual victims of the disaster.

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