

A Special Report

GIVING IN *tough* TIMES

The Impact of Personal Economic
Concerns on Giving and Volunteering

giving & VOLUNTEERING

IN THE UNITED STATES



INDEPENDENT
SECTOR

About INDEPENDENT SECTOR

INDEPENDENT SECTOR is a nonprofit, nonpartisan coalition of more than 700 national organizations, foundations, and corporate philanthropy programs, collectively representing tens of thousands of charitable groups in every state across the nation. Its mission is to promote, strengthen, and advance the nonprofit and philanthropic community to foster private initiative for the public good.

Research Program

INDEPENDENT SECTOR's Research Program works to build the research necessary to accurately define, chart, and understand the nonprofit sector and ways it can be of greatest service to society. Signature projects include the *Nonprofit Almanac*, *Giving and Volunteering in the United States*, and the Measures Project.

The *Giving and Volunteering in the United States* 2001 Signature Series

An executive summary, comprehensive report, and series of smaller reports exploring special topics from the *Giving and Volunteering in the United States* national survey will be available throughout 2002 and 2003. Subscriptions to the entire series or orders for individual titles can be placed by calling the INDEPENDENT SECTOR Publications Center at 888-860-8118 or by visiting the INDEPENDENT SECTOR website at www.IndependentSector.org.

© 2003, INDEPENDENT SECTOR
ISBN: 0-929556-27-5

Christopher Toppe, Ph.D.
Director, Philanthropic Studies
INDEPENDENT SECTOR

Arthur D. Kirsch, Ph.D.
Senior Consultant
INDEPENDENT SECTOR
Professor Emeritus
George Washington University

Jocabel Michel
Research Assistant
INDEPENDENT SECTOR

The research for the *Giving and Volunteering in the United States* series is sponsored by:
The Atlantic Philanthropies
The Ford Foundation
Lilly Endowment, Inc.
And the members of INDEPENDENT SECTOR

INDEPENDENT SECTOR thanks our three contributing authors, who share valuable advice to help nonprofit organizations survive, and even thrive, during times of economic challenge:

- Jane A. Couch, president, Jane A. Couch Consultants
- Paulette Maehara, CFRE, CAE, president and CEO, Association of Fundraising Professionals
- Michael Seltzer, author, *Securing Your Organization's Future: A Complete Guide to Fundraising Strategies*; director, Business Enterprises for Sustainable Travel, The Conference Board

GIVING IN *tough* TIMES

The Impact of Personal Economic
Concerns on Giving and Volunteering

giving & VOLUNTEERING
IN THE UNITED STATES

Giving in Tough Times is a
publication of the *Giving and
Volunteering* Signature Series.
This series is made possible
by generous support from
MetLife Foundation.



INDEPENDENT
SECTOR



Table of Contents

Methodology and Authors' Note on Definition of Terms	5
The Impact of Personal Economic Concerns on Giving and Volunteering	6
Greater Economic Concerns Portend Decreased Giving and Volunteering	7
Prevailing in Tough Times	7
A Profile of Households With Economic Concerns	8
The Impact of Economic Worry on Giving	8
Economy Worry Affects Even Generous Givers	15
Coping With Economic Downturn	16
<i>Jane A. Couch, president, Jane A. Couch Consultants</i>	
Most Dramatic Impact on Volunteers	18
Fundraising in Challenging Times	20
<i>Paulette Maehara, CFRE, CAE, president and CEO, Association of Fundraising Professionals</i>	
Nonprofit Survival Tactics in Difficult Times	24
<i>Michael Seltzer, author, Securing Your Organization's Future: A Complete Guide to Fundraising Strategies</i>	
The Potential for Decreased Giving and Volunteering	28
Summary and Conclusions	28

Methodology and Authors' Note on Definition of Terms

Methodology

Giving in Tough Times is based on analysis from INDEPENDENT SECTOR's *Giving and Volunteering in the United States* 2001 national survey. The survey was a telephone survey of 4,216 adult Americans 21 years of age or older conducted in the months of May through July of 2001 by Westat, Inc., for INDEPENDENT SECTOR. The interviews asked about individual volunteering habits in the 12 months prior to the survey and about household giving during the year 2000. For the purposes of this report, volunteering is dated 2000. Other key findings from this survey are available at www.IndependentSector.org.

The data collection method used by INDEPENDENT SECTOR, random digit dialing, combined with the sample size of 4,212, was not designed to capture the highest-income givers. The maximum income in the INDEPENDENT SECTOR database is \$500,000, as the few households with higher incomes were eliminated from the database because of their disproportionate effect on the averages. Households with incomes exceeding \$1 million, for example, are about .5 percent of all households yet account for about 20 percent of all giving, according to IRS data. Thus, INDEPENDENT SECTOR data does not report the effect, if any, that economic worry has on the giving of these higher-income households.

Authors' Note on Definition of Terms

In this report, giving is measured by average total annual household giving and has two components, religious and secular giving. Religious giving is measured by average total annual household giving to formal religious organizations, namely places of worship such as churches, temples, synagogues, and mosques. Religious giving does not include giving to organizations that may be owned by, affiliated with, or governed by religious bodies. That is, giving to religious schools, hospitals, social services, and other such organizations is included in secular giving, along with giving to all other nonprofit, nonsectarian organizations. Secular giving, then, is

measured by average total annual household giving to secular organizations regardless of whether or not they are also affiliated with a religious body. Secular organizations provide services and programs in a variety of fields, including arts and culture, education, health, environment, animal protection, human services, youth services, public safety, civil and human rights, and other such areas.

The Impact of Personal Economic Concerns on Giving and Volunteering

The continuing uncertainty in the United States economy—in a time of rising needs—raises concerns for nonprofit organizations seeking to raise the resources they need to serve their communities.

As recently as 2000, the U.S. economy was robust and optimism was high. The federal government was operating at a surplus, the stock market was at a record high, and America was at peace. But by press time for this report, the economic landscape had changed considerably. The economy is sluggish, optimism is low, and unemployment is increasing. The federal government is running at a deficit, the stock

market has declined dramatically from its peak, and America faces the fear of potential terrorist attacks. At the same time, home mortgage rates are at their lowest levels in years, and home sales remain strong. This mixed economic news provides the background for this report.

These changes in the economy have led to concerns about a decline in charitable giving. The mainstream and trade press have reported a downturn in support for charities. INDEPENDENT SECTOR's 2001 *Giving and Volunteering in the United States* study, covering giving for the year 2000, was conducted before the economic downturn was fully recognized, and therefore does not provide data on its effects on giving. However, the study does measure levels of personal economic worry, and thus yields insight on the extent to which personal economic concerns have influenced giving and volunteering in the recent past. This report attempts to shed some light on the differences in giving and volunteering that accompany expressions of personal economic concern.

Greater Economic Concerns Portend Decreased Giving and Volunteering

INDEPENDENT SECTOR's survey of *Giving and Volunteering in the United States* posed the question, "Do you worry about not having enough money in the future?" to over 4,000 Americans. Even in times of relative economic strength,

such as when the survey was conducted in the spring and summer of 2001, over half (58%) said they worry. This sense of personal economic risk affects how much Americans give. When people are worried about their finances, their overall giving declines, giving to religious congregations declines, and giving to secular organizations declines. In addition, economically worried people are less likely to volunteer. These findings cross income ranges, with the largest declines seen in the higher-income households.

The survey results do not predict a shift in how people feel about their personal economic condition, nor do they predict a decline in giving. Rather, this report demonstrates the strong connection observed in past research between levels of giving and economic concerns. If the trends of the past hold true into the future, giving will decline as people become more worried about their personal economic outlook.

Prevailing in Tough Times

For nonprofit leaders faced with the possibility of less support from individuals, decreasing foundation grants, cuts in government budgets, and an increase in community needs, this economic climate requires tough choices, diversification, and a sharp focus on mission. The accompanying sidebars written by experienced nonprofit leaders provide advice on prevailing during these tough times.

THE HOUSEHOLDS THAT GIVE THE MOST WHEN NOT WORRIED ARE THE ONES THAT DROP THEIR GIVING THE MOST WHEN ECONOMIC WORRY ENTERS THE PICTURE.

A Profile of Households With Economic Concerns

As might be expected, households that report economic concerns have lower incomes (an average of \$48,600 per year compared to \$66,600 for households that do not report economic concerns), but there are other important differences, too. These financially concerned households are more likely to be employed, but they are less likely to report having more money left over this year compared to last year. They are less likely to be homeowners, and are less likely to have attended or graduated from college.

Households with economic concerns are less likely to belong to a religious congregation and less likely to attend religious services weekly than households without economic

concerns. They are more likely to believe the need for charitable organizations is greater than it was five years ago.

Americans who report financial worries are less likely to have been asked to give or volunteer, and are less likely to be donors or volunteers. And finally, worried households give less and are less likely to volunteer.

The Impact of Economic Worry on Giving

Americans who are worried about their personal finances give much less to charity than those who do not report such concerns. They give less in total, give less to religious congregations, and give less to non-profit organizations in general. In terms of total giving, those who

worry give about half as much as those who are not worried, with those smaller donations reflected in both religious and secular giving. The economically worried give less, regardless of their status as volunteers; whether they are homeowners or renters; whether they attend religious services weekly or not; whether they are couples or singles; and whether they itemize deductions on their federal tax returns or not. In addition, those who have a sense of economic worry are less likely to volunteer.

Financially Worried Households Give Less Overall

On an average annual basis, contributing households with financial concerns give only about half as much as those with no economic worries (\$1,060 compared to \$2,040). However, this disparity is not the same across all income groups. Prior research by INDEPENDENT SECTOR has shown a direct relationship between income and household giving, with increasing income being associated with increased levels of giving. While differences are seen in every income category, these grow as income increases. The households that give the most when not worried are the ones that drop their giving the most when economic worry enters the picture. The most generous givers, those with incomes exceeding \$75,000, drop their giving by nearly \$1,200 per year when concerned about their finances, from

over \$3,600 per household to less than \$2,500, a 33 percent drop.

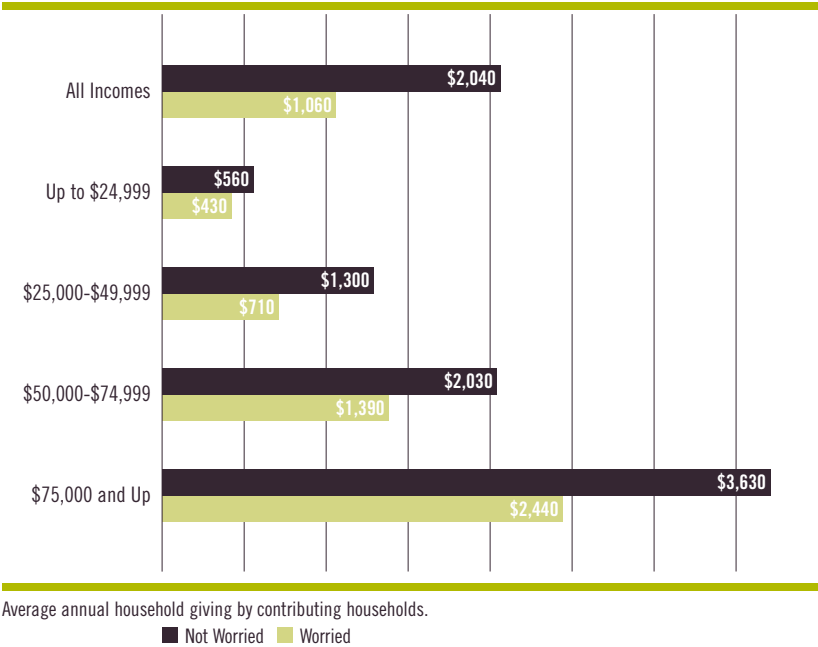
Middle-income households show a lesser decline in their total giving, but the decline remains dramatic in percentage terms. When experiencing economic worries, contributing households with incomes between \$50,000 and \$75,000 show a 32 percent decline, from \$2,030 to \$1,390 in average annual giving, a difference of \$640. A similar effect is seen in households with incomes between \$25,000 and \$50,000. Households in this income group show a 45 percent decline in average annual giving, from \$1,300 to \$710 (a difference of \$590).

Those contributing households with incomes less than \$25,000 show the smallest drop in giving when hit by economic worry. When worried, households in this income bracket give 23 percent less than their counterparts who report no worries (\$560 in annual gifts compared to \$430, a drop of \$130). (Figures 1 and 2)

Overall, those who are personally worried about having enough money give less. The disparity between those who are worried and those who are not increases as income increases; thus nonprofit organizations of all kinds, religious and secular, may see decreased giving from those donors who usually give the most. The biggest givers show the most dramatic response to economic worry.

Figure 1 Annual Household Giving

Households worried about money at all income levels give less.



Decreases in Giving to Religion

The difference in annual giving to religion is equally dramatic, with contributing households reporting no economic worries giving \$1,170, compared to \$540 for worriers. This is a disparity of more than \$600, exceeding 50 percent across all incomes.

As with total giving, giving to religious congregations from households whose incomes exceed \$75,000 shows a dramatic difference when economic worry enters the picture. There is a 42 percent

decline in average annual household religious giving, dropping by \$790, from \$1,890 to \$1,100. Those who give the most to religious organizations when not worried drop their giving the most when they are worried.

Giving to religion also declines in financially concerned households with incomes between \$50,000 and \$75,000, this time by nearly 40 percent. The average household contribution declines by \$480 per year, from \$1,220 to \$740. The two highest income

Figure 2 Difference in Annual Household Giving by Households with Economic Concerns*

The decline in giving due to personal economic concern is seen in all incomes.



* Dollar and percentage difference in giving by households with economic concerns compared to households that report no concerns; comparison of contributing households only.

groups, then, decrease their giving to formal religious organizations by about 40 percent when they become worried about money.

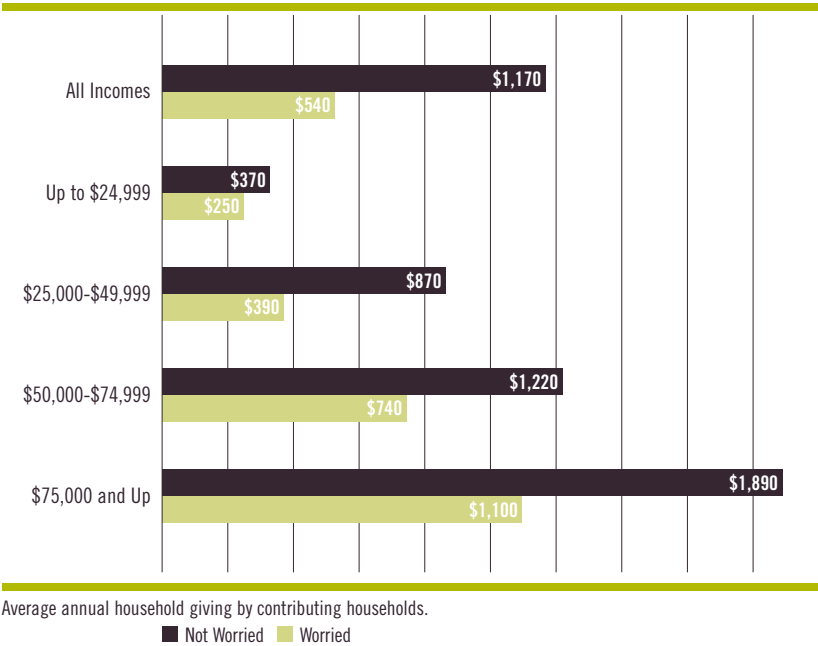
Giving to religious congregations also drops significantly for the economically worried in the \$25,000 to \$50,000 income group, falling by 55 percent. The average household contribution falls from \$870 to \$390, a drop of \$480. The two middle-income groups (\$50,000-\$75,000 per year and \$25,000-\$50,000 per year) drop their giving by the same amount, nearly

\$500 per year, per household.

Those households with incomes less than \$25,000 drop their religious giving by about one-third when concerned about their finances, the lowest decline in terms of both absolute and relative amounts. The average contribution to religion declines by \$120, from \$370 to \$250. While this decline is reflective of the hardships faced by these households, the decline is only one-sixth of the drop seen in households with incomes exceeding \$75,000.

Figure 3 Annual Household Giving to Religious Congregations

Worried households at all income levels give less to religion.



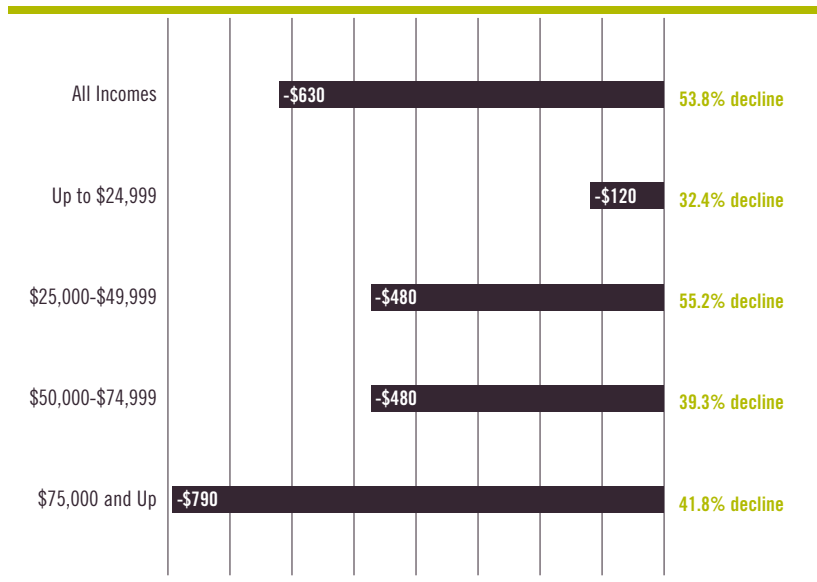
When economic worry is taken into account, the biggest losses in giving to religion are seen in the highest income households. Households with incomes exceeding \$75,000 drop their giving six times more than do those with incomes less than \$25,000, and nearly twice as much as those households with incomes between \$25,000 and \$75,000. Similarly, households in these middle-income groups decrease their giving four times as much as do those in the lower income group. It appears the most

dependable religious givers are those who have the least to give and those who give the least, while those with the most to give are more sensitive to personal economic conditions. (Figures 3 and 4)

Worry's Effect on Secular Giving

Giving to secular organizations also declines when people are worried about money, though not as much as religious giving. Across all incomes, contributing households with financial worries give about 41 percent less than those with no

Figure 4 Difference in Annual Household Giving to Religious Congregations by Households with Economic Concerns*



* Dollar and percentage difference in giving by households with economic concerns compared to households that report no concerns; comparison of contributing households only.

worries (\$880 average annual contributions compared to \$520, a disparity of \$360). This compares to the over 50 percent decline in religious giving, and the higher dollar amounts associated with religious giving. Nonetheless, the decline in secular giving is real in both practical and statistical terms.

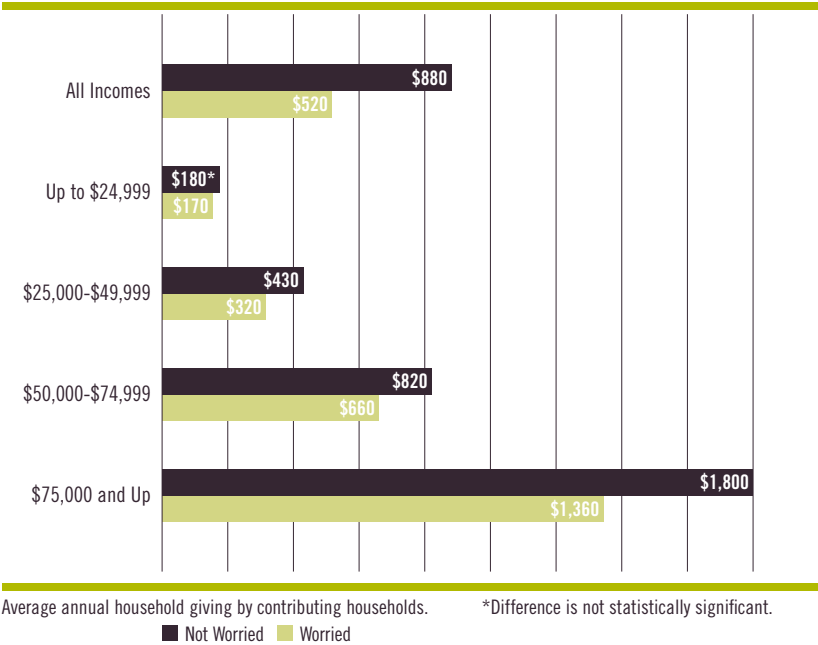
The decline in secular giving is related to household income, as is both religious and total giving. The decline is most dramatic for those with incomes of \$75,000 or more. Contributing households not

worried about money give about \$1,800 annually to secular organizations, while those that are economically concerned show a drop in giving of \$440, to \$1,360, a decline of 24 percent.

Households with incomes between \$50,000 and \$75,000 show a change that is less dramatic but equally important. Those not worried about money show an average annual household contribution of \$820. This average declines by \$160 to \$660, about 20 percent, when the respondents report they are

Figure 5 Annual Household Giving to Secular Organizations

Households with economic worries at all income levels also give less to secular organizations.



worried about money. The drop in giving to religious organizations, \$480, is about three times as large as the decline to secular organizations, \$160, within this income group.

Likewise, households in the \$25,000 to \$50,000 income group give less to secular organizations in real and percentage terms when they are worried about money, dropping about \$110. Average annual household contributions to secular organizations declines from \$430 to \$320, a change of 26 percent.

In the households with incomes under \$25,000, no difference in secular giving occurred when people were worried about money. The \$10 observed difference is not significant in statistical terms. The drop in secular giving, then, is focused within households in which income exceeds \$25,000, with the largest decline seen in financially concerned households whose income exceeds \$75,000. (Figures 5 and 6)

Figure 6 Difference in Annual Household Giving to Secular Causes by Households with Economic Concerns*

Secular giving does not drop as much as does religious giving.



* Dollar and percentage difference in giving by households with economic concerns compared to households that report no concerns; comparison of contributing households only.

** Difference is not statistically significant.

Economy Worry Affects Even Generous Givers

INDEPENDENT SECTOR research has identified several key characteristics that distinguish strong givers. Characteristics of these generous donors include:

- Volunteers (volunteers versus nonvolunteers);
- Couples (married or living as a couple versus single, divorced, widowed);
- Weekly attendance at religious services (weekly versus nonweekly);

- Homeownership (owners versus renters); and
- Itemization status (itemizers versus nonitemizers).

Volunteers are more involved in social causes and, hence, give more to charity than nonvolunteers. Couples, on average, tend to have more money than singles, and therefore give more as a household. Those who attend religious services on a weekly basis give more in total than those who do not. Homeowners are assumed to be more invested in their communities

Coping With Economic Downturn

Jane A. Couch

President, Jane A. Couch Consultants

Over the last several years, nonprofit organizations experienced the financial euphoria of a boom economy. Alan Greenspan called it “irrational exuberance” on Wall Street. In our sector we are just as susceptible to such optimism. If we were not, we would not be engaged in the business of nonprofit organizations.

As we reflect on past years, we can all see how contagious good news can be—from foundations’ fortuitous fortunes in the market to the dot-commers’ heady rise to wealth and growth in individual portfolios—these donors had the ability and desire to give. Some of us expressed caution about how pervasive and long-lasting this trend would be, but it was hard not to enjoy the financial euphoria of such a giving climate.

The trend has reversed itself. Today we face a sagging economy: Foundation assets have diminished by 30 percent or more, individuals are chastened by investment losses, and corporations are downsizing and combating fraud. We are

confronted by an entirely different financial picture. Euphoria has evaporated, supplanted by uncertainty. The Chronicle of Philanthropy predicted that only in 2003 will we experience the full effect of the economic downturn and September 11. The nonprofit sector must anticipate and recognize the inevitable fallout these events will have for the sector.

To cope with an economic downturn, nonprofits should consider the following strategies:

- Focus on striking a balance between immediate and longer-term needs. While some expansion plans may need to be put on hold, don’t let the dreams die. Continue to seek out growth opportunities, but carefully plan the timing and size of each new initiative with the prevailing marketplace in mind.
- In uncertain financial times such as these, organizations often need to trim spending—an obvious response to lean years. Less obvious, but sometimes more important, is the need to rally the

FOCUS ON STRIKING A BALANCE BETWEEN IMMEDIATE AND LONGER-TERM NEEDS. WHILE SOME EXPANSION PLANS MAY NEED TO BE PUT ON HOLD, DON'T LET THE DREAMS DIE.

organization's closest supporters and to prepare them now for their potential leadership role in helping with possible unanticipated financial challenges.

■ Diversity of funding sources is key to survival in a downturn and key to success in an upturn. Assess your donor base. Create a strategy for funding diversification with consideration for cost, value, yield, and timing. Develop a consensus among board and staff leadership for this longer-term strategy. As an economic upturn nears, your organization will be poised to capitalize on growth opportunities.

Formerly senior vice president for development of the National Alliance of Business, the National Trust for Historic Preservation, and National Public Radio, Jane Couch chaired the INDEPENDENT SECTOR Research Committee and served six years as a member of the IS Board of Directors. She now counsels nonprofit clients on strategic fundraising.

than renters and also tend to have higher incomes, so they, too, give more. Finally, those who itemize deductions on their federal tax returns give more than those who do not itemize, even when the differences in their incomes are taken into account.

Not surprisingly, within each of these groupings those who are not worried about money give more than those who are. The decline is about 40 percent for each group, but the difference in absolute dollars is more dramatic. It is the most generous givers—those who are volunteers, couples, weekly religious service participants, homeowners, or itemizers—who drop their giving the most. In every case, the decline in average annual household contribution is over \$1,000, with four of the five cases exceeding \$1,200. In contrast, the less involved, less generous counterparts—nonvolunteers, singles, those who do not attend weekly religious services, renters, and nonitemizers—show declines in giving averaging around \$500. The influence of personal economic concerns on giving affects more generous givers the most. (Figure 7)

Most Dramatic Impact on Volunteers

Previous research by INDEPENDENT SECTOR has shown the strong connection between volunteering and giving. Volunteers can be an organization's best donors, contributing twice as much money as those who choose not to contribute their time. Volunteers are most likely to under-

stand an organization's need for funds, appreciate the services and programs the organization provides, believe in its mission, have confidence in its ability to meet its objectives, and trust that donations are honestly and ethically spent. Further, volunteers are likely to have personal relationships with the organization, its leaders, and other volunteers, strengthening their own sense of belonging. For these and perhaps other reasons, volunteers give more than do nonvolunteers—however, even this group of better-than-average donors adjusts its giving habits when worried about money.

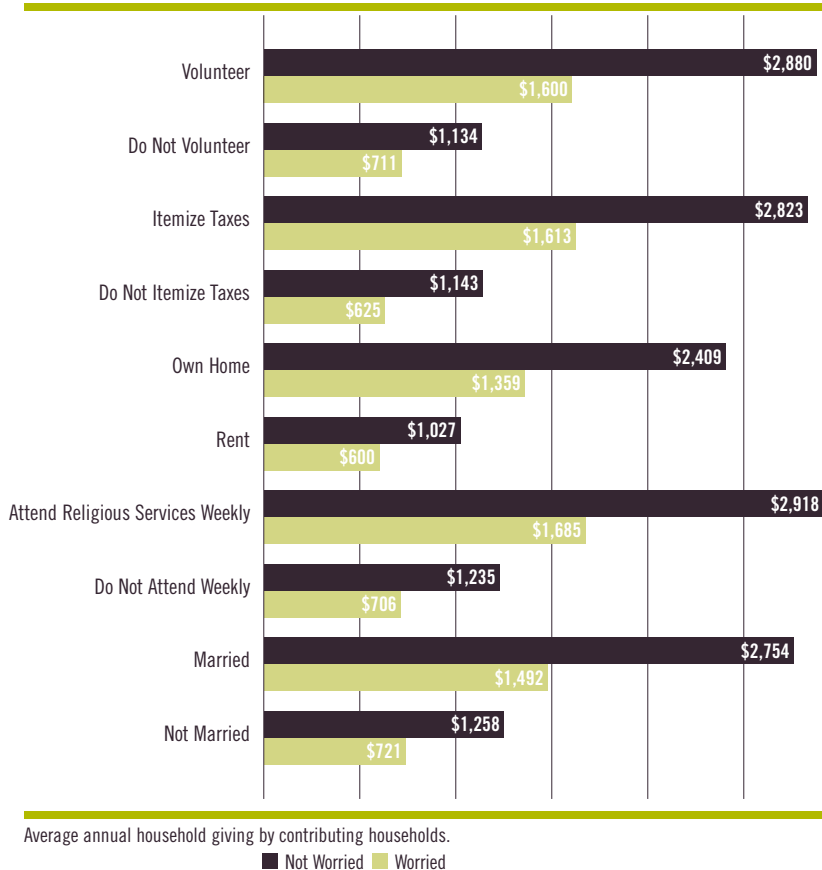
Volunteers Concerned About Finances Give Less

Overall, giving by volunteers who feel a sense of personal financial worry is 44 percent less than the giving by those not worried about their personal finances. Average household giving by volunteers with economic concerns is \$1,600, compared to \$2,880 for volunteers with no worries, a difference of \$1,280.

As with the other analyses already presented, the impact of personal economic concern on giving is most evident in those with incomes exceeding \$75,000. In this income group, giving declines by \$1,780, or nearly 40 percent, dropping from \$4,570 to \$2,790. This decline is the largest of any of the subgroups investigated, and occurs within a core source of support for nonprofit organizations: higher-income households with volunteers.

Figure 7 Annual Household Giving by Key Demographics

The impact of personal economic worry is seen in people of all demographics, even the most generous.



Middle-income households, with incomes between \$25,000 and \$75,000, showed a difference in giving of about \$800 between those with worries and those without. Those with incomes between \$50,000 and \$75,000 made average household contributions of \$2,600,

compared to \$1,800, a difference of 31 percent. Likewise, households with incomes between \$25,000 and \$50,000 gave an average of \$1,860, compared to \$1,070 given by those that reported economic concerns, a 42 percent difference.

Fundraising in Challenging Times

Paulette Maehara, CFRE, CAE

President and CEO, Association of Fundraising Professionals

Fundraising can be difficult even when the economy is good and the public is feeling optimistic. But in challenging times, the need for an effective and efficient strategy for generating philanthropic support is vital. While each individual organization will employ its own unique strategy, there are several best practices that all charities should understand and use.

- Recognize and acknowledge that some of your donors' priorities and their ability to give may have shifted dramatically. Acknowledge the impact, not just on the charity, but on your donors as well. Talk with them frankly and openly about their priorities.
- Fundraising is "friend-raising," and what fundraisers do is create relationships. In a time of crisis, it is critical to keep relationships with your donors strong. They will expect you to ask them for money during this time, so it's important to move beyond that aspect of the

relationship and find out their views. Involve major donors in discussions about your organization's priorities and document what services will be curtailed following funding decreases. The more they know, the more likely they will support you.

- The best people to use in a time of crisis are your best friends and advocates, and that means your board of directors. Board members should be challenged to identify potential donors and encourage them to get involved.
- Proper stewardship of gifts is always important, but perhaps never more so than in a crisis. Charities should be ready to demonstrate how they accomplish their goals and explain how funds are used and why. The more effective and efficient an organization can be in its stewardship of funds in a crisis, the more confidence donors and the public will have in the organization.
- During a crisis, the public will want to respond quickly, and it will want the charities it supports to respond quickly.

CHARITIES SHOULD BE READY TO DEMONSTRATE HOW THEY ACCOMPLISH THEIR GOALS AND EXPLAIN HOW FUNDS ARE USED AND WHY.

Have means available for donors to contribute immediately, such as through a secure website. Post updated information on your website as often as possible. More is better; keeping donors in the dark is never a good practice, but especially unwise in a crisis.

■ Crises and challenging times are often defining moments. For many people, especially the youth of today, September 11 is such a moment, much like Pearl Harbor and the assassination of JFK were for earlier generations. The activities and awareness of young people in philanthropy should be acknowledged and encouraged. Share your experience and mission with this new group of donors and volunteers, and make sure your organization remains relevant to this new generation of philanthropists.

Paulette V. Maehara, CFRE, CAE is the president and CEO of the Association of Fundraising Professionals (AFP), formerly the National Society of Fund Raising Executives (NSFRE), the professional association of individuals responsible for generating philanthropic support for nonprofit organizations. AFP represents more than 26,000 members in 169 chapters throughout the United States, Canada, and Mexico, working to advance philanthropy through advocacy, research, education, and certification programs. The Association fosters development and growth of fundraising professionals and promotes high ethical standards in the fundraising profession.

Figure 8 Annual Household Giving by Volunteers

Volunteers, generally the best givers, give less when they are worried.



Economic concerns produced no measurable difference for those with incomes of \$25,000 and less. The observed difference of \$50 (a 6% difference) is insignificant in statistical terms. (Figure 8)

Economic Worry Lessens Propensity to Volunteer

Not only do those who are worried about finances give less, they are also less likely to volunteer. Over half (53%) of those who are not economically worried volunteered in the last year, while fewer than

four in ten (40%) of the economically worried people were volunteers. If the sense of personal economic concern grows during times of economic uncertainty, and if the patterns of the past hold into the future, a smaller percentage of people will volunteer.

The propensity to volunteer differs by income, with higher-income people being more likely to volunteer. However, as with the other income groups, those who are economically worried volunteer at a lower rate. Sixty-one percent of people from

Figure 9 Percentage Who Volunteer by Income Level

At all income levels, people with economic concerns are less likely to volunteer.



Percentage of adults with economic concerns who volunteer compared to percentage of adults with no concerns who volunteer.

■ Not Worried ■ Worried

households with incomes of \$75,000 and higher volunteer when they are not worried about money, versus 56 percent when they are. Likewise, those with incomes between \$50,000 and \$75,000 volunteer at a 61 percent rate when they are not worried and 51 percent when they are.

In the \$25,000 to \$50,000 household income group, the volunteering rate declines by 12 percentage points, from 47 percent to 35 percent, while the decline is 9 percentage points (36% to 27%)

for households with incomes of \$25,000 and less. (Figure 9)

Volunteers are generous people, but they are not immune to economic conditions. Middle- and upper-income volunteers give much less when they are worried about their personal finances, and people from all income groups are less likely to volunteer. Being worried about money has a double impact on nonprofit organizations, reducing how much people give in terms of both time and money.

Nonprofit Survival Tactics in Difficult Times

Michael Seltzer

*Author, **Securing Your Organization's Future: A Complete Guide to Fundraising Strategies***

Everything old is new again.

—Peter Allen

Hard economic times put a strain on nonprofit organizations when they most need resources to maintain a safety net for their constituents and to press for important causes. This was certainly the case in the early 1980s and early 1990s when federal social service programs were cut back.

Today, after the unprecedented economic boom of the late 1990s, nonprofit leaders are now faced with a triple challenge in financing their work:

- Ongoing economic uncertainty that is reducing the giving of corporations, foundations, and many individuals;
- Continuing reductions in government support; and
- Realignment of many individuals' immediate charitable priorities after September 11.

Since more than 50 percent of Americans now have investments in the stock market, negative fluctuations in stock prices have decreased the discretionary income from which many people make their charitable contributions. In essence, people who worry about money are giving less. A decline in foundations' assets and in corporate revenues has also had an immediate negative impact on funds available for grantmaking allocations. Also, although the epicenters of the September 11 attacks were in three particular locales, New York City, Washington, D.C., and western Pennsylvania, nonprofit and nongovernmental organizations around the world have all been affected. Many donors responded to emergency appeals from major frontline September 11-related relief efforts, and decreased or stopped their contributions to other nonprofit efforts.

In spite of this gloomy landscape, nonprofit leaders and managers can take steps to ensure their organizations'

IN SPITE OF THIS GLOOMY LANDSCAPE, NONPROFIT LEADERS AND MANAGERS CAN TAKE STEPS TO ENSURE THEIR ORGANIZATIONS' VIABILITY.

short- and long-term viability and to stay the course dictated by their missions. Here are some suggestions.

1. Up the "cause ratio" of your organization.

The terrorist attacks of September 11, 2001, unleashed a groundswell of civic goodwill unmatched in recent decades. As Senator Tom Daschle noted in *The New York Times* on the one-year anniversary of the attacks, Americans "gained a renewed appreciation for the importance of family, friends, faith, duty, and community." Nonprofits are well positioned to capitalize on this ethos.

To tap into that reservoir of goodwill, nonprofit organizations must adequately communicate to their various stakeholders the beliefs that underpin their daily work. A good way to start is to do an audit of the values that staff, board members, and (most importantly) constituents hold. You may find that some of your institution's most cherished ideals

correspond to today's reigning values, such as community, appreciation of diversity, and respect for human and civil rights. Use your newsletter, electronic communications, and events to demonstrate how your organization lives these values. By more publicly "owning" these values, you are enhancing your ability to rally both current and prospective supporters to your efforts.

2. Create more "checkbook-plus" opportunities for your supporters.

Gloria Steinem once asked at a fundraiser, "How many of you would like to be remembered by your checkbook stubs?"

September 11 has led to a groundswell desire to act. It provided a unity of experience that transcended all geographic boundaries. Members of the Masai tribe, who live in the remote village of Enosae near Kenya's border with Tanzania, gave 14 cows—the most precious gift they can give—to the people of the United States. In South Dakota,

schoolchildren emptied piggy banks and ranchers sold cattle so they could help people they never met in places they had never visited.

Now more than ever, this is the time for a call that captures the spirit and spurs others to action. Nonprofits are a logical outlet for those seeking to channel their energies into concrete social change. Nonprofits can create more opportunities beyond “checkbook” activism by offering people chances to donate their time and talent as volunteers and activists. Providing a simple meeting ground for members and constituents through special events can also be of great value. People are seeking opportunities to spend time with cherished friends, colleagues, and other like-minded souls. The desire for connection could not be stronger.

3. Articulate a vision publicly.

In times like these, a vision statement takes on greater importance. A vision, after all, is the public assertion of an organization’s optimal goal, the reason for its existence. It is a view of a desired future. That statement binds one’s membership, constituents, board members, and staff. While a mission statement is important in articulating how an organization will seek to make a difference, a vision can be a more powerful tool to rally supporters.

Nonprofits should utilize every communications vehicle available to them—email signatures, website, newsletters, publications, press releases, annual reports, etc.—to broadcast a vision of how the world might be different if their efforts were to succeed. Brevity helps in making a vision memorable. “A world without AIDS,” for example, is a compelling vision that many HIV/AIDS organizations use.

4. Get back to basics.

Some of the long-standing precepts in development and financial management continue to hold true, including:

- Bank wisely;
- Budget aggressively;
- Cut costs wherever possible;
- Diversify funding sources and strategies;
- Make greater use of one’s relationships and intellectual capital to create earned income ventures;
- Recruit effective board leadership;
- Review your indirect costs rate to make sure that it is sufficient;
- Seek out general support funding over and above project-specific grants, and multiple-year over single-year commitments from foundations and corporations;
- Solicit in-kind support and employee involvement from businesses; and
- Strengthen your case for support.

5. Position your organization as “the partner of choice.”

While many nonprofit entrepreneurs are more inclined to go it alone, others will find fertile territory in entering into collaborations, partnerships, and strategic alliances with others. Intra- and cross-sector partnerships have certainly been growing in recent years and will continue to expand in number and scope. Such moves demonstrate to outside stakeholders that mission can transcend organizational turf, and it can also lead to cost savings. Alliances can take the form of sharing offices and back-office services or be more programmatic in nature.

6. Plan for the long haul.

Even in tight economic times, there is value in seeking revenue that can be applied to long-term purposes. Shifts in philanthropic and public financing are as cyclical as upturns and downturns in the stock market. There are no major indications yet that today's challenges will lead to a major restructuring of how nonprofits finance their work.

If organizations have not yet created reserve funds or launched planned giving programs, the timing is right to consider such options. Planned gifts are excellent options to discuss with supporters at a time when they may be choosing to

curtail their immediate giving. At the same time, it is necessary to keep an eye on building long-term relationships with donors even when their current gifts may decrease.

It would be both unrealistic and irresponsible to envision this current climate leading to all-out destruction from whose ashes the nonprofit community will rise like a phoenix. These are painful times for our world, nation, and our communities. Yet nonprofit leaders have always shown great resilience and ingenuity in both good and hard times—today's realities force independent sector leaders to do so once more.

Author of *Securing Your Organization's Future: A Complete Guide to Fundraising Strategies* (published by the Foundation Center), Michael Seltzer is well-known as a pioneer in the field of nonprofit management and philanthropy. His experience as a manager, educator, consultant, grantmaker, and writer gives him a unique perspective on the challenges facing nonprofit organizations. He is now the director of Business Enterprises for Sustainable Travel of The Conference Board, a leading business research and membership organization.

The Potential for Decreased Giving and Volunteering

If the percentage of people who worry about their personal finances increases, both giving and volunteering will decline. In the 2001 *Giving and Volunteering in the United States* national survey, conducted in relatively good economic times, a majority (55%) of the upper-income households reported that they were not worried. However, now that economic conditions have declined in the time since the survey was conducted, this group may have changed its economic outlook—and it is these upper-income households whose giving could be most dramatically cut. In the lower-income households, more than two-thirds already reported economic worry, thus their giving is less likely to be affected in times of greater economic stress. Changes in the economy that cause higher-income people to worry will have a large differential impact on their level of giving.

Summary and Conclusions

How people view their economic well-being and how concerned they are about having enough money affects both how much they give and their propensity to volunteer. These trends, gathered in 2001, when the economy was relatively strong, do not portend well if the current economic conditions cause more people to worry about their finances. Especially important are the findings that the declines in giving are greatest in the highest income groups, and that the economically concerned are less likely to volunteer. If these trends continue into the future, then non-profit organizations can anticipate a challenging fundraising atmosphere.





INDEPENDENT
SECTOR

1200 Eighteenth Street, NW
Suite 200
Washington, DC 20036
202 467-6100 phone
202 467-6101 fax
info@IndependentSector.org
www.IndependentSector.org