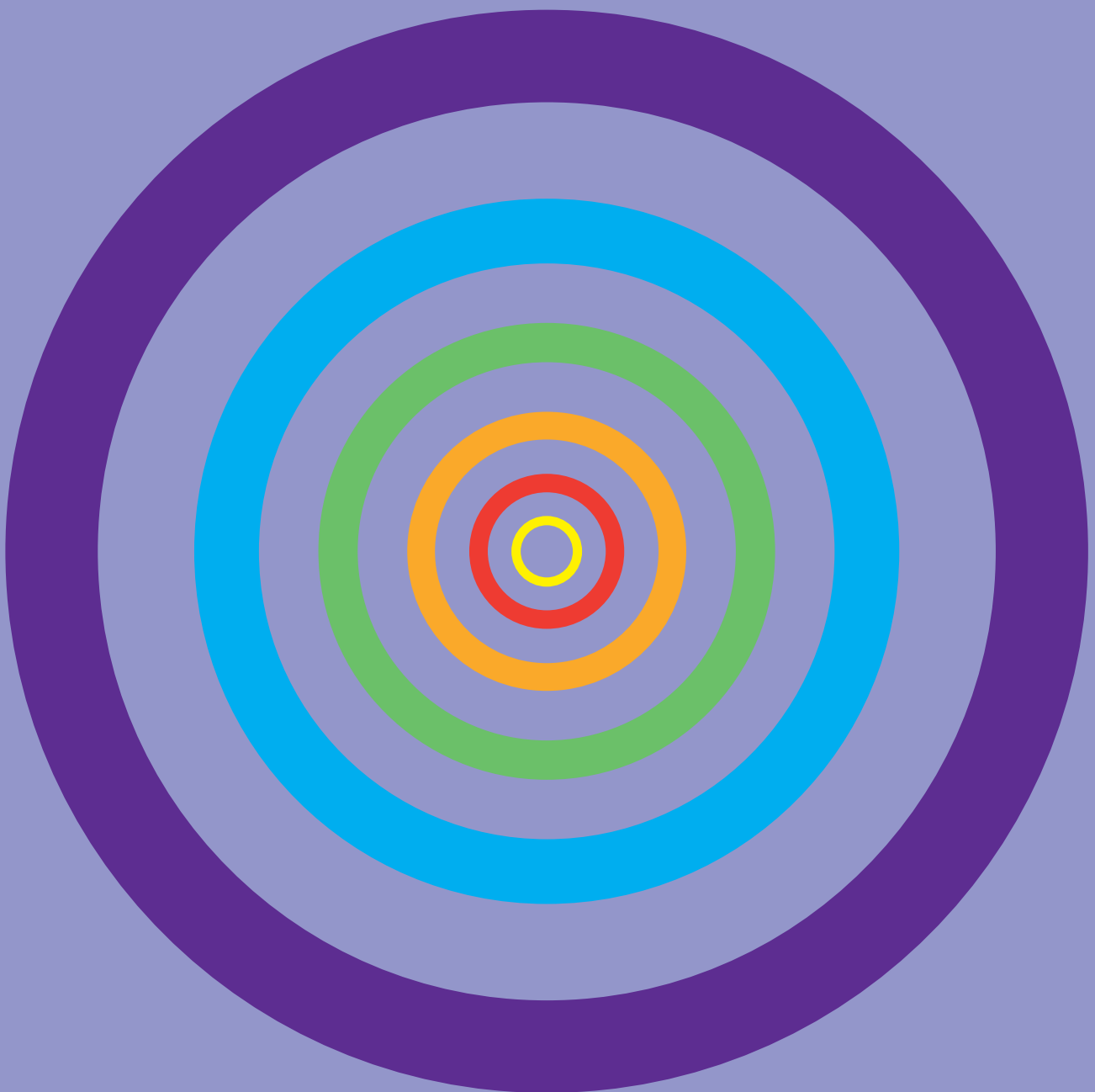


# THE BUSINESS OF GIVING

**A summary report of  
the business benefits  
of Payroll Giving**



## Foreword

The voluntary sector plays a vital role in the well being of Britain and its importance continues to grow. To date Payroll Giving has been a lost opportunity. Here in the UK only 2% of employees support charities through Payroll Giving. In America nearly twenty times as many people do. If we could achieve this in the UK it would mean an additional one billion pounds for the voluntary sector each year.

The research conducted for this report found that the vast majority of companies found it easy to set up and expand schemes. The case studies show this clearly and outline how success was achieved. At Marks & Spencer we believe that Payroll Giving enables our employees to help those causes they most care about.

This is an area in which business really can make a difference and I commend all business leaders to realise the opportunities and the potential of Payroll Giving.

Luc Vandavelde  
Chairman, Marks & Spencer



# Executive Summary

The Ashridge Centre for Business in Society conducted this research for The Giving Campaign. Through a series of interviews and a survey of companies this study sought to identify:

- The business benefits of Payroll Giving.
- How companies managed and promoted Payroll Giving to increase participation.
- The barriers to companies starting and expanding programmes.

Within the United Kingdom, companies have had a long tradition of supporting charities and good causes. Some of the largest UK companies have community programmes that provide over £10 million in annual support. This study found that 99% of respondents had supported charities or good causes.

However, nationally only 2% of employees are involved with Payroll Giving. In stark contrast, in America nearly 20 times as many employees contribute through Payroll Giving. In this light Payroll Giving emerged as a lost opportunity for companies to offer a valuable service to their employees which would enable them to make tax-effective donations to charities.

The research found that companies with programmes in place were very positive about Payroll Giving. Nearly all (96%) thought that it was something a good employer should offer and they also wanted to see participation levels increase (96%).

## Business Benefits:

Ashridge also found that a high proportion of respondents with programmes in place believed that Payroll Giving brought a host of business benefits. The three most commonly reported were:

Improves company image	61%
Enhances community involvement programmes	58%
Supports employee volunteering	40%

Payroll Giving enables companies to engage large numbers of employees in community support in a less resource intensive way than many other programmes require.

## What Increases Participation:

A key focus of the research was to identify how companies with high levels of participation, which was taken as companies where 5% or more of employees participated, achieved their results. Here a clear pattern emerged:

### Features of High Participation Companies

**Broad, Strategic Communication** Used a broader, more strategic and active range of mechanisms – most notably posters, induction packs and presentations. They communicated regularly and worked hard to get the tone right – explaining not selling.

**Management Support** Exhibited senior management commitment and leadership. They also involved community affairs more often. While 53% of companies with community affairs having a major responsibility achieved at least a 5% participation rate, only 38% of companies did so where community affairs did not play a major role.

**Recognise Business Benefits** Had a much greater propensity to report business benefits in terms of enhancing community programmes, boosting morale and improving image.

**Matching** Used matching. While 58% of companies with matching achieved a 5% participation rate, only 35% of companies without matching did so.

## Perceived Barriers:

Our research identified two perceived barriers to launching and growing Payroll Giving programmes:

- A lack of staff interest and demand for Payroll Giving
- Concerns that staff prefer more private forms of giving

In response to a perceived lack of staff interest, this study found that when companies explained how their contributions through Payroll Giving would result in more money going to their causes of choice employees responded very positively.

In addition to these perceived barriers, a few companies expressed concerns about the difficulty of administering Payroll Giving. Among companies who already have Payroll Giving schemes, the difficulties of setting up and running programmes emerged as a barrier for only a small proportion. For example, less than one in ten (8%) experienced difficulties in running their programmes, while nearly four in five (79%) found it simple to run Payroll Giving.

### Views of Companies Running Payroll Giving Schemes:

	% Who Agree or Strongly Agree	% Who Are Neutral	% Who Disagree or Strongly Disagree	% Who Don't Know
It is simple for staff to join	83	13	4	0
It is simple to run	79	13	8	0
It is easy to explain the tax benefits	71	15	12	2
It is simple to set up	61	14	19	6
It is cost effective for the company to run	48	40	8	4

These findings suggest that these barriers may be perceived to be greater than they actually are in practice.

#### Detailed Findings – Report Structure:

More detailed findings from our research are presented in the following sections:

- Research Elements
- Business Benefits
- What Increases Participation
- Aspirations and Barriers

#### Acknowledgement:

Ashridge and The Giving Campaign would like to thank all of the companies whose support made this project possible. It is the sincere hope of Ashridge and The Giving Campaign that companies find this report useful in developing Payroll Giving and in this way benefit both themselves and the communities in which they operate.

# Detailed Findings:

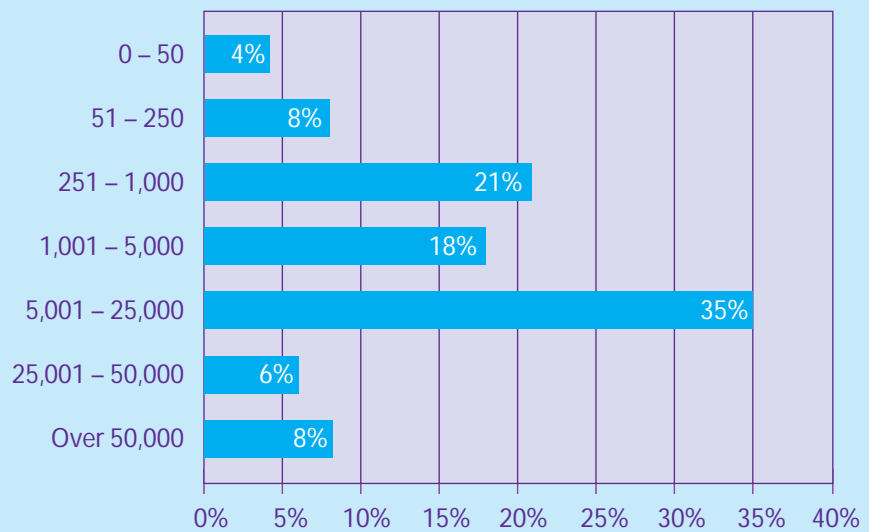
## 1. Research Elements

This project combined 20 in-depth company interviews and a questionnaire survey sent to over 750 UK employers during June and July 2002. The sample comprised three groups:

- FTSE 100 and FTSE 200 companies
- Companies who had sponsored individuals on the Ashridge programme, Managing Corporate Community Investment
- A group of small and medium size employers

68 companies responded giving an overall response rate of 9%. Large employers represent the majority of respondent companies, although a third of the sample employ 1,000 staff or less, including 4% who employ less than 50 people.

**Figure 1: Size of Respondents' Companies**

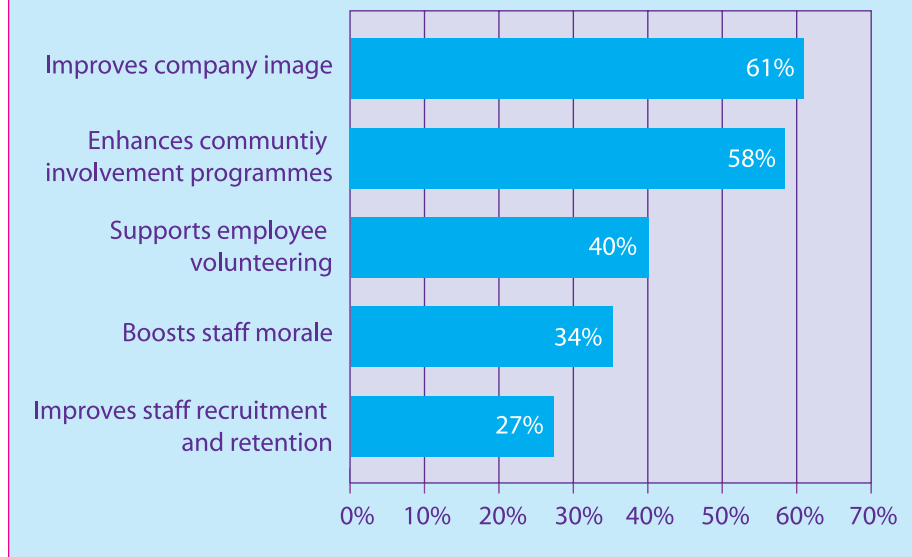


There are high levels of charity involvement among the companies and 99% have supported a charity or good cause in the past. Just over half the companies offer gifts of stock or equipment. More popular approaches are cash support and employee involvement. The majority of companies, 48, have Payroll Giving schemes. Nearly half of those with schemes (44%) involved 5% or more of employees and Ashridge defined these as high participation companies. Thus respondents differed from overall company practice in two ways: a much higher proportion had programmes and those with programmes had much higher participation rates than UK companies overall.

## 2. Business Benefits

Companies with programmes identified a number of business benefits:

**Figure 2: Identifying the Business Benefits of Payroll Giving**



The business benefits of Payroll Giving were also cited in many of the interviews:

*“Payroll Giving is straightforward, makes it easy for employees to give, is tax free – so charities benefit; and making it available makes employees feel good about the company, helping employee relations. It’s a win-win situation.”*

Steve Gray, Rolls-Royce

The extent to which companies perceive business benefits from their programme correlates strongly with levels of staff participation. For example, companies that had high levels of participation reported business benefits more frequently than the overall sample. What is even clearer is that a lack of perceived benefits correlates very strongly with below average levels of employee participation. The table below compares the overall levels of perceived business benefits against two sub groups – those with more than 5% of employees and those with less than 1% of employees:

*To what extent do you believe that Payroll Giving has brought the following business benefits to your company? (those that strongly agree/agree)*

	Improves company image	Enhances community involvement	Supports employee volunteering	Boosts staff morale	Improves recruitment and retention
All Companies	61%	58%	40%	34%	27%
Companies with 5% plus	70%	70%	50%	40%	20%
Companies with 1% or less	0%	0%	20%	0%	20%

### 3. What Increases Participation

#### Approach to Communications

#### Mechanisms Used

In terms of business benefits those relating to human resource management appeared to be weaker. Given the growing body of research<sup>1</sup> that exists showing that employees prefer to work for socially engaged companies and the positive impact of engaging them in community programmes this was somewhat surprising. A number of factors were seen as contributing to this lack of perceived human resource benefits:

- HR/Personnel were only involved with about a third of programmes and currently they are not structured to HR objectives. For example, only about one in four include Payroll Giving in induction packs.
- Companies are not currently assessing the HR benefits. For example, no respondent reported that they assessed the impact of Payroll Giving on morale.

Today this is an under-exploited area of business benefit and these HR benefits have been found to have real bottom line benefits. For example, In 2000 Towers Perrin analysed the impact of employee turnover on financial performance, and found powerful evidence that decreases in employee turnover can drive increases in financial performance.

Companies who had had Payroll Giving for a long time were found not to have higher levels of participation. However, the survey findings did reveal three factors that correlated with high levels of participation:

- Approach to communications
- Involvement of community affairs
- Matched funding

One of the clearest findings to emerge from this study is that effective, regular communication is what really helps to increase participation. Considering the results from the survey and the case studies three dimensions to communication emerged as significant:

- Mechanisms used
- Frequency and timing
- Tone

Companies were asked how they communicated with employees and ten different methods of communication were explored. These were: word of mouth, brochures, email, promotion by team leaders and champions, induction packs, company newsletters, posters, intranet, desk drops, and presentations.

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<sup>1</sup> For example, Fleishman Hillard in 1999 found that 87% of European employees feel greater loyalty to socially engaged employers. In 1996 Walker Information found through interviews with US employees that employees involved in employer-sponsored community events were 30% more likely to want to continue working for that company and help it be a success.

Comparing companies with less than 1% participation with those achieving at least 5% revealed stark differences. Companies achieving at least 5% differed in the following ways:

- Consistently employed a broader range of mechanisms – on average the more successful group employed five mechanisms while the poorest performing group only used three.
- Some forms of communication divided the sample dramatically. These were in particular presentations, poster campaigns and induction packs. In the more successful group half or more of respondents used each of these mechanisms. In contrast, in low participation companies only one in five made use of each of these mechanisms.

Desk drops and promotion through team leaders or champions were evident in only a third of the companies with over 5% of employees engaged. The most likely reason for these comparatively low levels is because these approaches are not in keeping with some corporate cultures.

Interestingly company newsletters and the Intranet were used extensively by both groups. As such these mechanisms cannot by themselves be viewed as effective mechanisms for increasing participation. Ashridge believes that it is no coincidence that both these forms of communication are passive.

## Frequency

Many schemes use a single annual approach to communications. In contrast, a number of the case study reports mention the value of constant communications and paying attention to timing, e.g. Christmas or bonus time. Many of the interviewees also stressed the need to maintain on-going communications:

*“You can’t inform staff too much or too often about Payroll Giving. I’ve been involved with setting up two other Payroll Giving schemes and this, together with what I hear from staff at Whitbread, indicates that it’s important to promote Payroll Giving on an almost constant basis.”*

Jerry Marston, Whitbread

## Tone

In both the interviews and from comments from the survey respondents, getting the tone of communication right is important. The focus should be on explaining rather than selling and particularly not hard selling:

*“Be careful how the scheme is promoted to staff, a focus on ‘explaining’ rather than ‘selling’ is more likely to strike the right tone.”*

Wendy Ramm, Marks & Spencer

*“More events to promote Payroll Giving would encourage more staff to participate although it’s important to be sure there is no hard sell.”*

Lynne Smethurst, Diageo

## The Important Role of Community Affairs

Companies were asked to identify which parts of the company had a major responsibility in administering or promoting Payroll Giving. Often there was more than one department involved. The three most commonly cited areas were: payroll (45%), community affairs (43%) and HR/personnel (32%). Examining participation rates against which functions are involved with Payroll Giving revealed that community affairs involvement is associated with higher levels of participation:

Proportion of companies with 5% or more participation:

Overall Sample	44%
Community Affairs involvement	53%
No Community Affairs involvement	38%

This higher figure for participation levels at companies that involve community affairs reflects the strength of the business case for various corporate objectives.

## Matched Funding

Companies may need to provide additional incentives to encourage individuals to give through Payroll Giving. Matching provides this additional reason and was found to be more significant than paying the administration fees:

Overall response 5%+ of staff involved	44%
With matching funding	58%
Without matching	35%

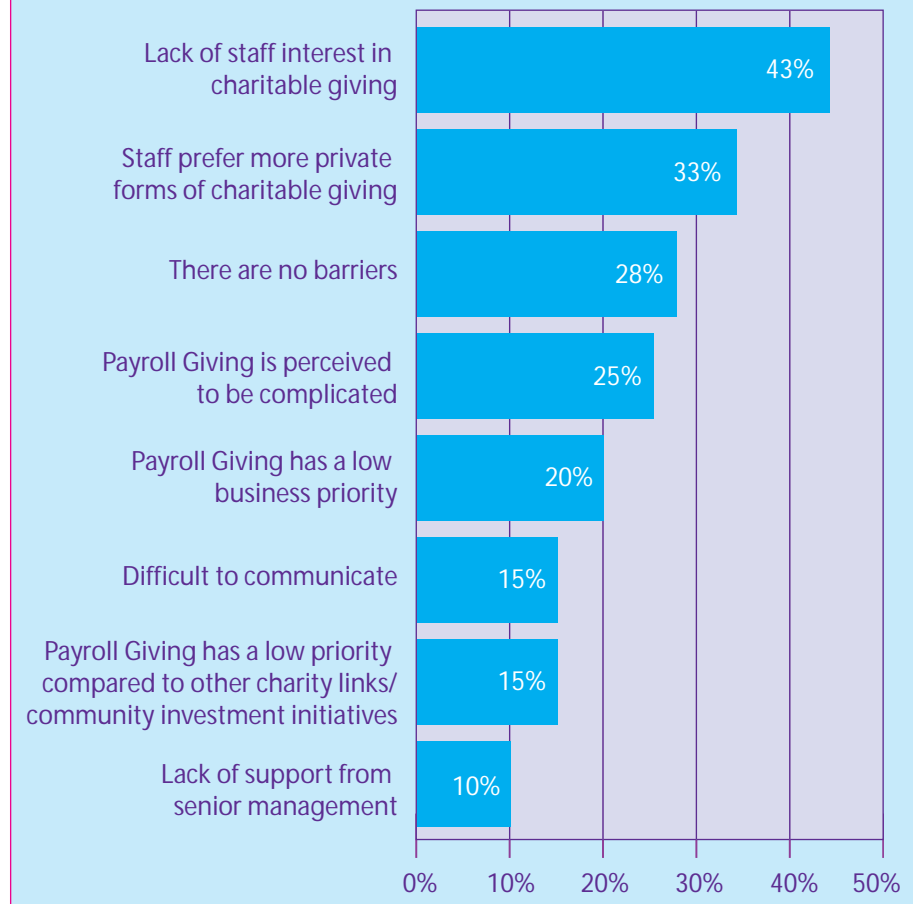
In 1998 the Royal & SunAlliance extended its matched funding to all charities and this virtually quadrupled the annual amount given by staff. The importance of matching, both by companies and Government, can also be seen in the Deloitte & Touche and Marks & Spencer case studies.

## 4. Barriers and Aspirations

Nearly all of the companies (96%) with Payroll Giving programmes wanted to see them expand. Indeed there was an almost universal belief (96%) that it was something that good employers should offer. However, the research identified a series of perceived barriers to the expansion of programmes.

The top two perceived barriers to expanding programmes also emerged as the greatest barriers to companies establishing programmes. A lack of staff demand and concerns that staff preferred more private forms of giving were both identified by 64% of companies without programmes.

**Figure 3: Perceived barriers Stopping Further Take-up of Payroll Giving**



However, in companies where employees understand that their causes of choice will receive more money if they give through Payroll Giving this did not appear to be a problem. This was reflected in the interviews.

*“Promotions at our stores are carefully managed. We are very careful about when and where we promote Payroll Giving and the feedback from staff is very positive. They say that they really appreciate the chance to make charitable donations and to take advantage of the Government’s 10% top-up.”*

*Linda Marsh, Tesco*

Companies with schemes challenged many of the myths surrounding Payroll Giving in terms of cost and difficulty:

- For every company that found it difficult to set up a scheme there were three that had found it easy
- For every company that found it difficult to run a scheme there were ten that found it easy
- For every company that didn’t find it cost effective there were six for whom it was cost effective

Interviewees expressed similar views:

*“Whether you are a large employer like WH Smith or a very small company, Payroll Giving is extremely easy to set up and to operate. If a company has a payroll scheme then Payroll Giving can be included in exactly the same way as any other salary deduction. The time taken here each month to check all salary deductions takes approximately three people a month, and of that there is probably 30 minutes attributed to Payroll Giving.”*

*Yvette Lamidey, WH Smith*



## **There has never been a better time to give**

The Giving Campaign has been established to encourage a stronger culture of giving in the UK and increase the amount of money donated to charity. We are supported by and work closely alongside UK charities and many other bodies, including the Government.

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