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Charitable Giving in the Time of COVID-19

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Charitable Giving in the Time of COVID-19

Using a Behavioural Lens to Understand
Canadian Perceptions of the Charitable
Sector and Factors that Inspire Giving

Community Ideas Factory: Creative Behavioural Insights



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The Community Ideas Factory: Creative Behavioural Insights (CIF-CBI) is a community-college partnership exploring the application of Behavioural Insights and Creative Design within the charitable sector of the Halton Region. The CIF-CBI is made possible by the College-Community Social Innovation Fund (CCSIF) of the Natural Sciences and Engineering Research Council of Canada (NSERC).

The CIF-CBI is directed by Dr. Michael J. McNamara (Sheridan College) and Dr. Nathaniel Barr (Sheridan College). Research collaborators include Dr. Joel Lopata (Sheridan College), Ethan Meyers (Ph.D. Student, University of Waterloo), Tony Tarantini (Sheridan College), and Marco Cibola (Sheridan College).



The Oakville Community Foundation is a local charitable solutions provider, delivering the tools to realize your charitable passions. The Foundation acts as a philanthropic medium, providing donors with local research, knowledge, and solutions to make an impact in the local community, both today and in the future. With more than 25 years of leading expertise, since inception The Foundation has granted more than \$53 million to support charities locally and beyond.



BEworks is a purpose-driven company whose goal is to transform society and the economy through scientific thinking. BEworks is the world's leading behavioral change firm. Co-founded by the field's pioneers Kelly Peters, Dan Ariely, and Nina Mazar, the team is dedicated to helping global leaders unlock growth and stakeholder value through cutting-edge insights from behavioral economics, data, and rigorous scientific methods. BEworks' global consultancy, training academy, and research institute are headquartered in Toronto, Canada and support firms and government agencies throughout North America, LATAM, EU, and Japan.

The Challenge

It is hard to overestimate the societal and economic disruption that the COVID-19 pandemic has wrought upon Canada. It has changed the way we connect with each other socially, how we work alongside one another, and has cast many individuals, businesses, and organizations into incredibly difficult circumstances. Perhaps no sector has been as adversely impacted in Canada as the charitable sector.

In a survey of over 1,000 Canadian charitable organizations that took place near the end of 2020, Imagine Canada found that only **15% of charities were operating “as usual” and 8% had suspended operations.**¹ Additionally, more than half of the charities (55%) reported a decrease in revenue due to the pandemic. Such figures provide little reason to doubt estimates like the one put forth by the Ontario Nonprofit Network stating that up to **1/5 of nonprofit organizations in the province are at risk of closing.**² In a Letter to the Editor published in the Oakville News, YMCA of Oakville President and CEO Kyle Barber, articulated this stark reality:

“Many of these organizations will emerge through the other side of the pandemic tunnel in far different shape than they were at the start of 2020. Some may not make it at all.”

This increased need for financial support from charities coincides with increased demand from community members needing support from charities.^{1,2} Many organizations are increasingly strained, as the fiscal constraints caused by the pandemic collide with the imperative for charities to rise to the occasion and help the most vulnerable. One consequence of this is that there are fewer people to do even more work. According to a survey

conducted by CharityVillage and The Portage Group of Canada, 33% of charities have laid off at least one staff member since the beginning of the pandemic.³ To make matters worse, 64% reported a decrease in volunteers with 26% having lost more than three-quarters of their volunteers within the past year. Despite this reality, **Canadian charities are doing everything in their power to continue supporting their communities.**

As Wendy Rinella, CEO of the Oakville Community Foundation, put it, “Local charities have been working tirelessly to support those who need it most right now.” The pandemic has negatively impacted many of our neighbours and it is critical that charities are there for them, serving as hubs, supports, and helping hands in tough times.

In taking stock of the situation as a whole, we see a significant challenge. While government support for charities is imperative, it likely will be insufficient to bridge the gap in funding required to sustain a thriving charitable sector in Canada. Thus, now more than ever, Canadians who are able must be willing to contribute financially to the success of charities and community organizations.

In order to mobilize Canadian giving and create effective campaigns that maximally benefit the charitable sector and our communities, it is necessary to understand the perceptions, motivations, intentions, and behaviours of Canadians when it comes to donating to charities.

Understanding the mindsets of the Canadian public around helping charities is a critical aspect of ensuring that when ‘we emerge through other side of the pandemic tunnel’, the charities that support our communities are still there to help us.

The Approach

To shed light on these important issues, the CIF-CBI at Sheridan College, The Oakville Community Foundation, and BEworks, conducted Canada-wide research in April 2021. A sample of over 3,000 Canadians containing participants in every province was recruited by global research tech company Delvinia via their AskingCanadians platform. **The sample included people of a diverse range of ages, gender, levels of education, and household income.**



Our research, informed by insights from the psychological^{4,5} and behavioural sciences^{6,7}, had two primary aims. Firstly, we sought to understand the impact of the pandemic on perceptions of and action toward the Canadian charitable sector. Secondly, we sought to determine which factors are the most (and least) effective at incentivizing charitable donations from average Canadians. The purpose of the first aim



was to further our understanding of **how people view the charitable sector** in this challenging time and their intentions and behaviours of giving to charities. The purpose of the second aim was to provide leaders in the charitable sector with **actionable insights toward increasing the effectiveness of their fundraising campaigns.**

To accomplish these aims, the foundation of our approach was modelled following best practices for survey-based research^{8,9} and implemented an analysis known as “conjoint analysis”.^{10,11,12} We utilized both open- and closed-ended (e.g., multiple choice) question formats throughout the survey to characterize the beliefs held of and behavior toward the Canadian charitable sector most accurately. As for the questions themselves, we used a mix of novel, internally generated questions and framings in addition to select items developed and implemented previously by both the Oakville Community Foundation and the Angus Reid Institute.¹³

Our empirically-grounded approach affords greater certainty in the conclusions drawn from the observed data.



The Results

Perceptions of the impact of the COVID-19 pandemic on the charitable sector

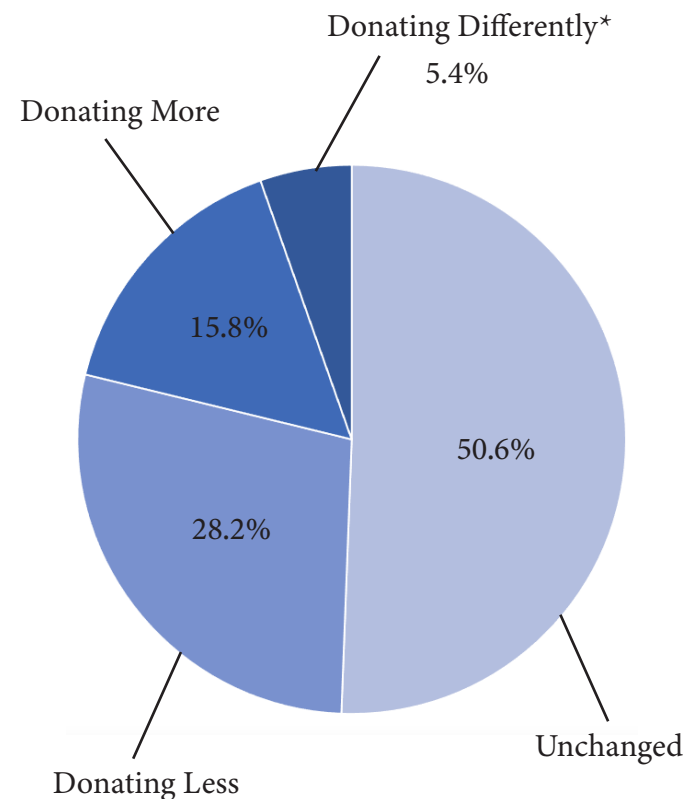
Canadians widely agree that the COVID-19 pandemic has severely burdened the charitable sector. We found that 76% believe that charities are facing an **increase in demand for services** and a similar proportion of Canadians believe that charities are also facing a decrease in donations. Furthermore, 60% believe that due to the COVID-19 pandemic, **charities can now help fewer people than in previous years**. The charitable sectors thought to be most impacted by the pandemic are Mental Health, Food Insecurity, and Housing and Shelter. Importantly, these results were independent of all demographic information we collected.

How the COVID-19 pandemic has affected donation behavior and intent

Despite widespread recognition of the crisis facing the charitable sector, 50% of Canadians reported that the COVID-19 pandemic had not changed their charitable giving behavior. Those whose charitable giving had changed were **twice as likely to have donated less than previous years than donated more**. Notably, these results were independent of annual household income. As for future donations, a similar pattern emerged: Most Canadians (68%) did not intend to change their donation behavior. Those who intended to change were nearly twice as likely to intend to donate less in the future compared to more.

While a majority of Canadians agree that the charitable sector is in great need of help, only a small percentage have attempted to redress the issue or intended to do so through future donations.

Changes in the Donation Behaviour of Canadians since the beginning of the COVID-19 Pandemic

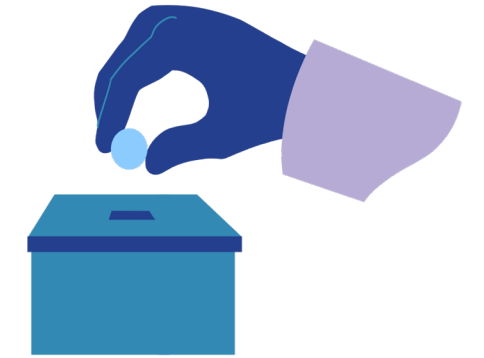


*Donating approximately the same amount but to causes/areas different from before.

The Results

The role of trust in donation intentions

In light of recent Canadian charity scandals (most notably the “WE Charity scandal”¹⁴), we examined the trust Canadians have in charities using questions previously implemented by the Angus Reid Institute.¹³ We found that most Canadians hold at least some degree of trust in charities overall, believe that most charities do good work and get the job done, and believe charities can be trusted with the money donated to them. However, we also found that **most Canadians believe the government should increase regulation of the charitable sector** and believe that charities are spending far too much on administration and fundraising costs. We consider Canadians to hold a moderate degree of trust in the charitable sector and suggest that a healthy degree of skepticism appears present. Importantly, the degree of trust held in the charitable sector was not predictive of donation intention nor meaningfully predictive of donation behavior.



Financial spending during the COVID-19 pandemic

One possible explanation for the discrepancy between perceived charitable sector need and donation behavior and intention is that due to the COVID-19 pandemic, people simply have less money to donate than they did prior to the pandemic. However, of the 63% of Canadians who stated that their spending had changed during the pandemic, they were three times more likely to report spending less instead of more. On one hand, this suggests that nearly half of all Canadians have more, not less, potential to donate. On the other hand, the decrease in spending could instead reflect a temporary loss of income caused by pandemic related outcomes and restrictions.



We were unable to find much support for the loss of income argument. Those who were employed full time (44% of the sample) were no more likely to report spending less during the pandemic than those who were retired (45% of the sample). During the pandemic, those employed full-time faced higher odds at losing their income, even temporarily, than those already retired. If loss of income would lead to spending less during the pandemic as we would expect it to, then we should see an association between spending less and employment status, which we did not. Furthermore, we also failed to find any association between age and pandemic spending or donation behavior, which also argues against the temporary loss of income argument.

Based on our data, we suggest that the discrepancy between the recognized increase in need of the charitable sector and a decrease in donation behavior cannot be well-explained by a loss of income. It instead appears that people are likely to have even greater means to be donating to charities now than prior to the pandemic.

The Results

What factors matter for donations

If Canadians identify the need to donate, have the means to donate, but are more likely to be donating less or leaving their behavior unchanged, how can they be incentivized to do the opposite? One answer can be obtained by looking at the features of a charitable donation that incentivize Canadians to donate. To do this, we implemented an analysis titled “conjoint” taken from research into consumer psychology¹⁵ and behavioral economics.¹⁶ **A conjoint analysis allows us to determine how important each feature of a charitable donation is relative to each other feature when it comes to making a donation decision.** The higher the importance, the more influential that feature is in swaying a donation decision. Each feature also had several levels that were compared that provide insight and specificity into how each feature is important. That is, the features tell us which is more important and the levels tell us why and how. Our analysis tested across seven features each with multiple levels which are outlined in the table below.



Donation Matching	Donation Specificity	Admin. Costs	Funding Progress	Size and Scope	Cause/Sector	Impact
Matched	A specific project	0% of donation goes to admin & fundraising	0-20% of funding target met	Small, locally-focused charity	Food Insecurity	Charity that helps some of their target population in large ways
Unmatched	A specific charity	5-15% of donation goes to admin & fundraising	40-60% of funding target met	Medium-sized, provincially-focused charity	Physical Health	Charity that helps most of their target population in small ways
	A foundation	15-30% of donation goes to admin & fundraising	80-99% of funding target met	Large, nationally-focused charity	Mental Health	Charity that helps contribute to meeting UN Sustainable Development Goals
				Very large, internationally-focused charity	Housing & Shelter	
					Education & Community Connections	

The Results



We found that the most important factor to Canadians when choosing where to donate is a charity’s allocation of Administration and Fundraising costs.

That is, charities can incentivize as well as disincentivize potential donors depending on the size of these costs. For instance, **Canadians strongly dislike donating to charities that spend more than 15% of a donation on administration costs.** On the bright side, if costs range between 5-15% then charities seem to mostly avoid this penalty. If costs can be kept **under 5%, then Canadians become strongly incentivized to donate.** From a fundraising perspective, charities should be chiefly concerned with how they are advertising the size of their Administration and Fundraising costs.

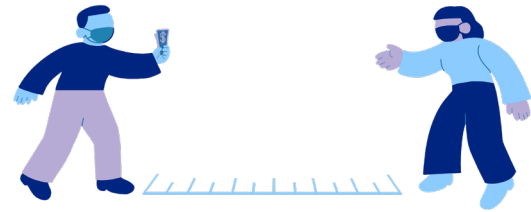
A charity’s Size and Scope and its Cause were the next two most important features incentivizing charitable donations, markedly behind Administration and Fundraising costs. As for Size and Scope, Canadians strongly prefer to donate to **smaller, locally-based charities.** The broader a charity’s scope becomes (the closer it gets to a large, international organization), the less attractive it becomes to potential donors. As for Cause, Canadians are **more incentivized to donate to charities dealing with Mental Health, Housing and Shelter, and Food Insecurity** with no notable preferences between them. The least attractive sectors were Physical Health and Education and Community Connections. This result is consistent with the sectors that Canadians thought to be most impacted by the pandemic so far.

This suggests that it is possible Canadians can be incentivized to modify their donation behavior to match the perceived need of the charitable sector.

The Results

The feature Funding Progress was slightly less important than Size and Scope and Cause, but it revealed that Canadians are far more incentivized to donate when a funding goal is close to being met. This is consistent with research that demonstrates people are motivated to complete projects and are especially motivated to do so when the finish line is within sight.^{17,18}

The least important features of those we tested were Donation Matching, Impact, and Donation Specificity. While we cannot say these features do not matter at all, we can say that they matter far less in comparison to the other features described above. Understanding the range of influence these features have on incentivizing donations will help charitable organizations tailor their operations moving forward. Unsurprisingly, a charitable donation is more attractive when the donation is going to be matched in kind. What is surprising is how unimportant this feature was. We believe this may reflect Canadians' distaste for high administration and fundraising costs. **If the matching of donations comes from the charity itself, people may construe matching donations as an example of a charity's lack of frugality.** Moreover, if the charity is spending a sizable proportion of the donation on such costs, then Canadians may perceive their donation (and the matched donation) as less effective overall as the money meant to go to directly to the cause is being diverted elsewhere.



As for Donation Specificity, Canadians have no preference between donating to help a specific charitable project and a specific charity. However, they have some distaste for donating to a charitable foundation. We suggest this mostly reflects a lack of understanding as to the operational purpose of a charitable foundation. 73% of our sample reported not having even heard of the term “community foundation”. As for Impact, **Canadians have no discernable preference between whether only a few people are helped in large ways by the charity or if many people are going to be helped but in small ways.** However, they have some distaste for a charity that helps to contribute meeting the United Nations Sustainable Development Goals (UNSDGs). We believe this might partially reflect the aversion Canadians have toward charities that are more internationally focused (this may also reflect a misunderstanding that the UNSDGs do not necessarily make a charity “internationally focused”).

Our research has focused squarely on the perceptions, motivations, intentions, and behaviours of Canadians when it comes to donating to charities in the time of COVID-19. Our hope is that this information may provide some useful guidance to leaders in their effort to garner charitable donations from Canadians going forward. Specifically, when it comes to fundraising, charities might consider the following strategies:



Key Takeaways

Emphasize local:

- Make explicit that you are a local charity, comprised of members of your community aiming to help members of your community

Highlight low administrative costs:

- If your administration costs are low, this should have a prominent place in your fundraising efforts, otherwise do not focus on them

Emphasize increased demand vs. decreased supply:

- Point out that most Canadians recognize the impacts of COVID-19 on the charitable sector but that despite recognizing this, are more likely to donate less to charitable organizations, not more

Avoid thinking Canadians cannot give:

- While less money went into Canadian households during the pandemic, much less went out

Emphasize Progress:

- People are more incentivized to donate when funding progress is higher
- Frame your progress in terms of how close you are to reaching your goal

Canadians trust you, but not completely:

- Potential donors are likely to hold some skepticism toward your organization and its efforts
- Emphasizing transparency can reduce the potency of this potential barrier

Where do we go from here?

The charitable and non-profit sector in Canada is considerable in both size and importance. According to Imagine Canada, there are over 170,000 charitable and non-profit organizations in the country, nearly 200 of which are community foundations, employing more than two million people, with many millions more dependent on the vital services these organizations bring to our communities and our country. It is imperative that these organizations receive the financial support they require to survive and thrive. Now more than ever, leaders within and beyond the sector need to work together to mobilize Canadians to give.

In taking stock of the landscape illuminated by these results, the potential for more fulsome engagement with charities from the public becomes clear—Canadians seem to recognize the difficulties charities face in these times and appear to be as capable financially, if not more capable, to donate as they have been in the past. However, **there is much work to be done to ensure the vitality of the charitable sector** as we emerge from the heights of the COVID-19 pandemic.

Understanding the perceptions and mindsets of Canadians is an important first step. **Starting with behavioural insights that shed light on the way Canadians think and act when it comes to the charitable sector allows us precision in grasping what the barriers and possible points of persuasion to be leveraged are that will inspire Canadians to give.** Next, we need to construct creative and scientifically-informed strategies, campaigns, and communications attuned to the reality of needs and built to emphasize the factors that have been shown to be compelling to Canadians. **This report offers a suite of findings that can inform efforts, but the task to turn these insights into actionable change remains.**



As we watch the COVID-19 pandemic evolve, and possibly herald the era of endemic COVID-19, together with the right methods, we can yet ensure that this is not the end of the era of thriving charitable organizations in Canada.

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About the CIF-CBI

The objective of CCSIF Grants is to **foster social innovation by connecting the talent, facilities, resources, and capabilities of Canada’s colleges with the research needs of local, community-based organizations and local communities**, more broadly. Since its initial launch, CCSIF grants have supported numerous academic-community projects across Canada that, for example, seek to alleviate poverty, integrate vulnerable populations, increase access to healthy food, combat bullying, and promote a greater sense of global citizenship. For those on the front lines of social justice work, colleges have shown themselves to be a valuable resource and ally in terms of their ability to mobilize new technologies, equipment, resources, and other capabilities in support of beneficial social change efforts. For the colleges, affording students the opportunity to work directly on applied research projects for social change provides invaluable experiential learning opportunities that allow them to hone their technical skills while simultaneously developing the softer aptitudes and social awareness that characterize global citizens.

The **Community Ideas Factory: Creative Behavioural Insights** was made possible by a grant from the CCSIF. Through this grant, we hope, in our own small way, that we have contributed to positive social change in the Halton Region. We also hope that in providing our students with an opportunity to work on the front lines of this research, we have helped to promote a greater sense of social awareness, empathy, and understanding within them.

