



# SWEET ANYONE?

## USING BEHAVIOURAL ECONOMICS TO ENCOURAGE CHARITABLE GIVING

In May 2013 the CMPO, Cabinet Office Behavioural Insights Team and the Charities Aid Foundation published a report entitled “Applying Behavioural Insights to Charitable Giving” the main core of which was a set of five randomised controlled trials aimed at encouraging giving. **Michael Sanders**, a CMPO PhD student working with the team, discusses the results of these trials.

Charities are important for the current coalition government, with the provision of more public services by charities and other voluntary bodies forming an important plank of David Cameron's "Big Society" agenda. This agenda faces a serious challenge in achieving a step change in levels of giving, as research by Cowley et al (2010) shows that giving has been flat as a share of consumption spending for much of the last 30 years. There is, therefore, little to suggest that voluntary donations of money and time will rush to fill the void left by a shrinking state.

As well as public service provision, work by Elizabeth Dunn from the University of British Columbia, and Michael Norton from Harvard Business School, suggests other reasons why governments may wish to increase giving. They find that people given money and told to spend it on someone else are significantly happier than people who were told to spend it on themselves, who were no happier than people not given any money at all. In the workplace, they found that this same experiment increased not just happiness but productivity, making a strong business case for this kind of workplace giving.

In addition to dramatic changes in the way in which people give, smaller changes to the way in which donation decisions are presented, or the incentives are offered, can also make substantial differences. Behavioural economics offers several insights into how people might be encouraged to give (Smith and Sanders 2011). The efficacy of different interventions to encourage donations was tested using a series of randomised controlled trials, or field experiments.

## 'Automatic escalation is a viable option.'

### **Trial 1: Testing automatic increases**

The first trial was with the insurance company Zurich. Every year Zurich runs a fundraising campaign among its staff to ask them to sign up to matched, tax effective donations through their pay. This trial was conducted with the Zurich Community Trust, the company's charitable trust, on its current pool of donors and was designed to test responses to automatic annual increases in giving. Some people were given the chance to make a one-off increase in their donations, while others were offered regular, annual increases.

The company is large and geographically dispersed so the fundraising campaign is conducted through email. For the October 2012 campaign employees who currently give monthly to charity were sent one of three

emails asking them to increase the amount they donate. All three emails were identical except in the way in which donors were asked to increase their donation.

The first set of employees were given a standard escalation option. They were provided with information about the charitable work their donations achieved and asked to increase their donation by £1, £2, £3, £5 or £10. The 'pitch' component of the email was phrased:

"To ensure we continue to support disadvantaged people in our communities and to protect against the effects of inflation over time, would you be prepared to give a little extra each month from 25 January 2013?"

We then have two treatment groups of employees – both offering annual increases, but with two different pitches or 'frames'. Employees were provided with the same information about the charitable work of their donations, and asked to commit to increasing their donations every year from now on from a list of the same five buttons. The text for this treatment group read:

"To ensure we continue to support disadvantaged people in our communities and to protect against the effects of inflation over time, would you be prepared to give a little extra each month from 25 January 2013 **and commit to increasing your donation by the same amount on an annual basis?**" (emphasis added)

In the second treatment group (Frame 2), employees received an email which was identical in its wording to those in the first annual increases treatment. They were, however, offered a different 'menu' of choices (£2, £4, £6, £8 and £10), which is less skewed towards the lower end of the donation range than was the first frame.

This trial had 702 participants, split across 30 clusters. All participants were employees who currently gave through payroll giving to the Zurich Community Trust charity.

Overall, levels of responses to treatment did not differ systematically between groups, with three per cent of donors responding in all three groups. There are weak indications of a decline in the size of average increases chosen under the first annual increase treatment, from £5.57 in the control group to £2 in the first frame group, suggesting that people may be averse to the uncertainty about the future. However, the second treatment framing group increase donations by £4.98 on average, which is not significantly different to the control group.

We are cautious about reading too much into the results of this trial. Overall levels of response were particularly low in the 2012 cohort: three per cent compared with roughly 10 per cent in previous years. This limits our capacity for inference, as the three per cent of responders may differ in important ways to the seven per cent who would ordinarily have responded but in this year did not. Importantly, this reduction in participation also reduces our statistical power.

However, based on the results we do find, the proportion of donors choosing to increase their donations does not appear to be influenced by offering them annual rather than one-off increases. For those donors who engage with requests to increase their donations automatic escalation is clearly a viable option and ensures for those donors that donations are not eroded by inflation. We also find a slight increase in the size of donations made under frame 2 compared with frame 1, suggesting that menu effects may play a role here.

Active opting out, rather than opting in, resulted in the proportion of donors signing up to annual increases rise from 6% to 48%.

### **Trial 2: Automatic enrolment into automatic escalation**

Trial 1 has shown that donors do not choose automatic increases in giving any less often than they choose one-off increases in their giving.

However, the proportion of donors choosing increases of any kind is very low. One possible explanation for this is that the method of approach: sending an email to people who already choose to donate lacks salience to many donors; employees may be busy and receive many emails a day; or may be fatigued, having been approached for donations the same way many times.

If people's inertia prevents them from increasing their donations periodically throughout their life as a regular giver, through payroll giving or direct debit, the behavioural science literature offers a powerful tool for helping them to increase their donations – changing the default.

Working with Charities Trust and Home Retail Group, we tested a change in the

default for annual increases. Employees already signing up for payroll giving had previously been given the choice to opt-into the “Xtra Factor”, which committed them to automatic three per cent per annum increases in their donations. After the change, new donors would need to opt-out of these increases.

On the old design of form Xtra Factor was introduced with the wording:

“Indicating the Xtra Factor YES box authorises Home Retail Group to increase your donation each year in June by a nominal 3%, so for every £1 you give will increase by £0.03.”

By ticking the “yes” box donors would opt into annual increases.

In the new form Xtra Factor was introduced with the wording:

“By signing up to Xtra Factor, your donation will be increased by a nominal 3%. So every £1 you give will be increase by 3p. If you don’t want to be included in the Xtra Factor, tick here.”

By ticking the box donors would opt out. This change in wording, from an opt-in to an opt-out, was the only substantive change in the structure of the form.

These forms were gradually disseminated from August 2012 onwards. From October only the new forms were available and were also used by Hands On Helping, a professional fundraising organisation responsible for fundraising in Home Retail Group.

This small change yields very positive results. We find that roughly half of people opt-out, increasing participation in automatic escalation by 42 percentage points. We also find that no fewer people sign up for payroll giving (as a portion of those approached by Hands On Helping) and that the average donation size does not decline over this period.

Including a picture of a person doubled the number of HMRC staff that signed up for donations.

### Trial 3: Peer effects & faces

This trial was designed to test if the use of photographs of individuals vs. a named person has any effect on people’s giving. It

was conducted on staff of HMRC’s Southend Centre. The trial was conducted using a custom-built website. Over the course of the trial participants were invited by posters and an email to visit this website to view a winter greetings card from an HMRC colleague.

On visiting the website and entering their email address they are randomly assigned to one of the greetings cards and one of two treatments.

Cards seen by the control group displayed the winter greetings card to which they had been randomly assigned, a brief description of the donor who had written the case study (“Harriet, a fellow HMRC employee from Bristol”), and two links: one to sign up for payroll giving, and another for more information.

Other participants were allocated to a “picture” treatment. Participants allocated to this group received the same information as those in the control group, but alongside the case study was a picture of the donor who had written it, with their name underneath.

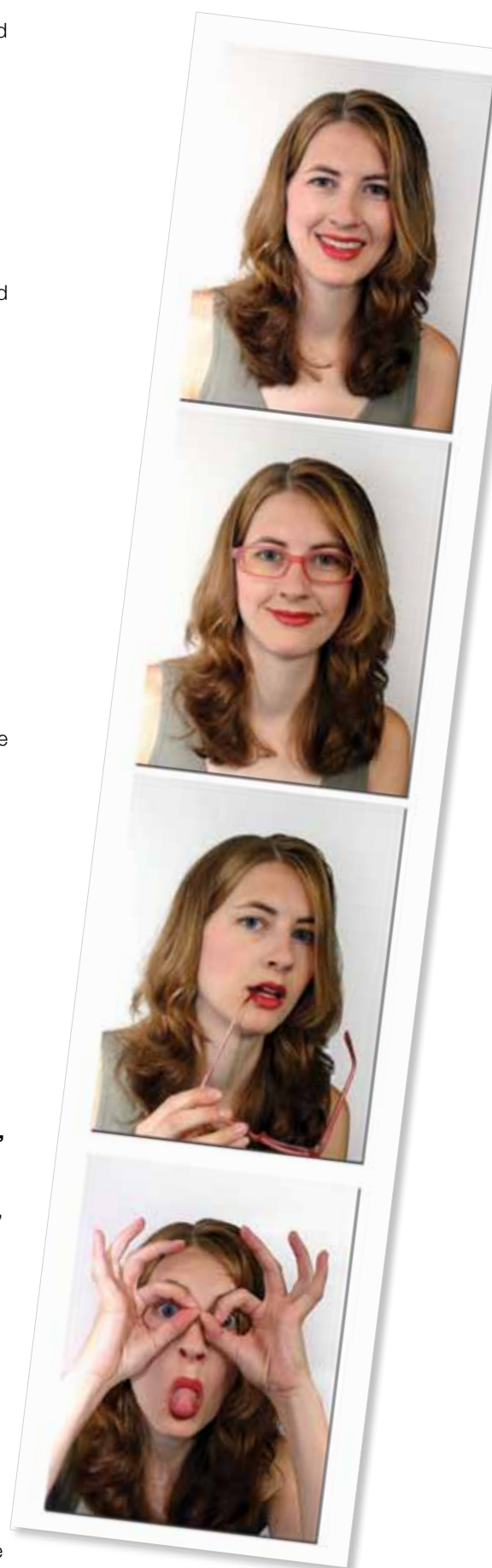
Comparing sign-ups based on the properties of cards to which people were randomly assigned, we find two points of interest. First, that geographic proximity to the case study donor, which we thought might be influential, has absolutely no effect. The picture of a face, however, has a large effect, roughly doubling the proportion of people signing up from 2.9 per cent to 6.4 per cent.

Staff respond positively to personalisation of email.

### Trial 4: Personalisation, social influence, and reciprocity

The trial with Deutsche Bank tested donors’ reciprocity to a small gift (a packet of sweets), and whether they were influenced more by a personalised email from the firm’s CEO than by an impersonal one. Around 6000 employees were asked to donate a day’s salary to two charities – Help a Capital Child, and Meningitis Research UK.

Individuals’ donations are strongly influenced by the behaviour of those around them. This trial investigates the role of workplace networks in charitable giving through two treatments. In the first, employees are allocated either to receive a personalised or an impersonal email from the firm’s CEO, testing whether or not decreasing social distance in this way increases people’s tendency to donate in this environment. In the second, employees are given a gift, of a small



packet of sweets, and asked to donate.

Participants in the control group received an email similar to that used in previous years asking them to donate money to charity. Specifically, participants are invited to donate a day's pay to charity. To do this they could either respond directly to the email or via a website. Participants in the control group received the same body text addressed to "Dear Colleague", while the treatment group received an email addressed to them personally, for example "Dear Dave".

Information about the campaign was also distributed around offices and varied between offices. Offices received one of three treatments: either posters displaying information about the campaign, or volunteers offering information on fliers, or volunteers offering both information and a small packet of sweets worth approximately £1.50.

Due to the relatively detailed information provided by Deutsche Bank, we are able to identify whether people in different positions in the company, ranging from analysts at the bottom to managing directors at the top, respond differently to the treatments in the campaign.

We find that people at both the top and the bottom of the firm responded positively to the personalisation of the email, with the overall effect being a 6.9 percentage point increase in donations compared to 8.7 per cent in the control group. Offices where volunteers had fliers performed no better than those with no volunteers, but the gift of a small packet of sweets increased the proportion donating by a further 6.3 percentage points. In this case, no subgroups were affected by the volunteers

at all, but the effect of the sweets was declining the further up the company we look.

**A small packet of sweets increased the proportion of employees donating by 6.3 percentage points.**

#### **Trial 5: Legacy giving**

For this trial, we worked with Cooperative Legal Services (the legal branch of the Cooperative), and Remember a Charity, a part of the Institute of Fundraising, to help encourage people to make a donation to charity through their will. Thirty-five per cent of people would like to leave a gift to charity in their will, but only seven per cent of people end up doing so.

Here, we test the effect, first of a simple prompt during their first phone call – asking people whether they would like to give any money to charity through their legacy – compared to no prompt. Further to this, we tested the effect of a small 'emotive' prompt, which asks donors whether there are any causes they are particularly passionate about. These prompts fall within Co-Operative Legal Services' public pledge to ask all of their customers whether they would like to leave a legacy gift to charity. Importantly, these are very 'light-touch' asks of customers, who are on the end of the phone, rather than writing their will in person.

This trial, conducted on 2150 customers of CLS' will-writers, shows a few interesting results. First, the effect of priming people, by asking them to think about leaving a legacy gift to charity during their first phone call, is close to zero. However, when donors are asked whether or not they would like to donate to charity during the will writing process itself, twice as many (10 per cent vs. five per cent) leave a gift to charity. Using the emotive norm statement increases this again, to 15 per cent of customers leaving a legacy gift, at the same time as increasing average donation size from £4000 to £6000. Perhaps even more interesting is that these effects do not seem to significantly decline with an estate's value – meaning that the effect of an emotive norm prompt on the likelihood of donating for a millionaire appears to be the same as for everyone else.

**Asking people if there were any causes they were passionate about tripled legacy gifts.**

#### **Conclusion**

These trials add to our understanding of human behaviour, particularly the way in which we are often self-sacrificing for the good of others, and will contribute to the already large literature on behavioural economics and charitable giving. However, there is much work still to be done in this area, and we hope to continue conducting more trials in the near future.



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#### **Further reading**

Cowley, E., McKenzie, T., Pharoah, C. and Smith, S. (2011), *The New State of Donation: Three decades of household giving to charity*. ([www.bristol.ac.uk/cmpo/publications/other](http://www.bristol.ac.uk/cmpo/publications/other)).

Smith and Sanders (2011), *New directions for giving: Raising levels of giving in the UK?*, *Voluntary Sector Review* Vol.2(3) p415-424.