

**A REPORT TO SUPPORT THE PROPOSAL FOR
PORTABILITY OF PAYROLL GIVING**

UNDERTAKEN BY

CCWORKS LTD

ON BEHALF OF

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1. Executive Summary

The objective of the report has been to

‘Substantiate the case for making payroll giving donations portable from one employer to another.’

The report has set out to do this in the following way:-

Section 1 – Substantiates the case for portability of Payroll Giving by:-

- defining the expected benefits of portability
- forecasting potential increased income to charities
- identifying the immediate worth of portability should this become a reality today

Section 2 - Builds on the data gathered in the 2004 Report and addresses HMRC’s comments on that Report by:-

- analysing trends on Payroll Giving attrition via update of the 2004 data
- explaining the propensity of employees to move from large employer to large employer
- establishing the number of lapsed donors who would agree to transfer their donation automatically were the option available.
- Providing feedback from 2 employers on the logistical viability of portable payroll giving

Key findings from this report show that:-

- Most (90%) large employers operate a payroll giving scheme.
- 10million people work for a large private employer (more than 250 employees).¹
- A further 5.6m people work for a public sector employer²
- In the past 8 years, potentially £71million has been lost through attrition through lack of portability from employer to employer/pension provider.
- Payroll Giving attrition rates (c. 10%) outperforms the job market ‘churn’ (15.1%).
- Between 61% and 70% of donors changing employment moved from one large employer to another or from a small to a large employer

¹ National Statistics

² National Statistics

- At least 66% of lapsed donors would have been happy to continue giving if portability had been in place.
- **It seems reasonable to assume that around two thirds of all payroll giving from donors moving employer could potentially be transferable now, within already existing schemes, if appropriately captured thus retaining between £6-7m in Year 1 alone.**

Recommendation

It appears that from the data collected that a significant proportion of donors could be retained if portability was a live feature.

It is recommended that a process for instituting portability should be developed in conjunction with major stakeholders to ensure that these valuable donors are retained throughout their working life and beyond

SECTION 1

Substantiating the case for portability of Payroll Giving

2. The Case for Portability of Payroll Giving Donations

2.1 Donor Attrition in Payroll Giving

One of the factors affecting restricted growth in payroll giving is attrition. People moving from one employer to another or from employment to retirement do not, in general, transfer their payroll giving. The repetitive simplicity of payroll giving which makes it such an attractive way for the donor to give, subsequently creates a situation where the donor almost 'forgets' that he/she is donating to charity. When the donor moves employer only a few initiate a new payroll giving donation themselves – others wait until they are asked if they wish to do so by their new employer, creating a situation where previous regular givers may never give again.

2.2 Attrition: How many donors are lost each year?

If there are **644,000**³ (06/07 figures) payroll givers, and **12%**⁴ of these move jobs to another employer within each year, then there is a potential loss of **77,200** of these donors a year.

A further **6%** leave the workforce (even if some may return later) so there is a further erosion of **38,000** in the latter way. Currently, there is little that can be done about the latter – most of whom are moving on to a reduced disposable income, as well as leaving the payroll system. That makes it all the more crucial to retain as many of the transferees as possible.

2.3 The Potential for Portability

Fig 1.⁵ below represents a sample of 1200 employers by sector from 6235 employers contracted to payroll giving (excluding SME's joining as a result of the Grants programme). The data shows us that **70%** of donors work for an employer in one of three sectors;

- 1. education, health and social work, public administration and defence (public sector)**
- 2. Financial Intermediation (banking, leasing etc)**
- 3. Wholesale, retail and distribution**

³ Association of Payroll Giving Agencies

⁴ Labour Force Survey 2004

⁵ Charities Aid Foundation 2006 Quality Mark data

The vast majority of employers in these sectors are large and very large employers. We can therefore presume that at least **70%** of payroll giving donors work for large employers.

The CAF lapsed donor survey⁶ tell us that **51%** of lapsed donors moved from large employer to large employer and a further **10%** moved from small employers to large employers.

These figures tell us that at least **61%** of lapsed payroll giving donations are currently potentially portable.

Fig 1 – CAF Payroll giving donors by sector – a sample of 1200 employers

SIC	No donors	%age	Large employers
Mining, quarrying	20	0.03%	
Hotels and restaurants	26	0.04%	
Motor Trade	72	0.10%	
Construction	384	0.53%	
Agriculture, hunting or forestry	555	0.76%	
Property sale or rent and business activities	977	1.34%	
Non-profit sector	1349	1.85%	
Pharmaceutical	1960	2.68%	
Transport, storage and communication	3015	4.13%	
Electricity, gas and water supply	3796	5.20%	
Other	4408	6.04%	
Manufacturing	5171	7.08%	
Public Sector- Administration and Defence	12295	16.83%	16.83%
Public Sector - Education	1759	2.41%	2.41%
Public Sector - Health and Social Work	2007	2.75%	2.75%
Wholesale, retail and distribution	14234	19.49%	19.49%
Financial Intermediation (banking, leasing etc)	21011	28.77%	28.77%
	73039		70.25%

2.4 Portability: Potential Value in Year 1

The Potential

If all **77,200** donors who move jobs each year were retained (at an average annual donation of £100 per person) then this represents a potential **£7,720,000** of charity funding each year (with cumulative accrual year on year). An amount this large would be worth preserving – and this means making it as easy/automatic as possible for donors moving jobs to stay in the system. Clearly some do at present – but, as financial and time pressures on those still working continue to increase, things need to be made even

⁶ Fig 2. Page 15

easier. It is already well documented that donors find the 'automatic' nature of payroll giving one of its key advantages – so this facility needs to be further strengthened.

The Reality

In reality, the CAF data from both the lapsed donor survey (**Fig 2**) and the employer by sector data (**Fig 1**) tells us that between **61% and 70%** of lapsed donors are currently potentially portable. Therefore between **47,092** and **54,040** donors are portable based on 06/07 figures, representing an additional **£6,592,880 - £7,565,600** in Year 1 alone.

The cumulative effect of portability cannot be underestimated. An individual, spending their working life with, say, the Financial Sector could be worth a potential minimum £3,200 for a Charity, based on today's average donation with no uplift for inflation.

The portability of an individual's donation will also minimise the impact of 'job shock' on payroll giving, the reason why 24% of employees leave within the first year with a new employer.

3. Payroll Giving Portability – Individual Stakeholder Benefits

3.1 Benefits to Charities

Payroll Giving donations are a valuable, cost-effective source of sustainable core-funding for Charities. In 2006 over £89million was disbursed from 644,000 donors, employed by 9730 employers⁷. This disbursement, although growing steadily year on year is affected by attrition.

In any donor situation, retaining the 'loyalty' of existing donors is of key importance, since acquiring new ones always costs more than retaining those already committed. It is especially important for those involved in payroll giving to be kept 'in the fold' because of the following factors:

1. Duration of any one employment is very short, on average – only around 2.4 years⁸, so there is a constant risk of losing donors as they move on. In practise, Charities are 'running fast to stand still' with payroll giving income.
2. Core funding streams are vital to the long-term prospects of charities. Payroll Giving offers charities unrestricted income streams
3. 15.1%⁹ of all employees left their current employer last year and 12%¹⁰ went immediately/almost immediately into other employment. This means that potentially the current donor list could drop by 15.1% each year – if none of those leaving are retained – but that there is potential to retain at least 60% of these (and more – since some of the retired would continue to give, if it were made easy for them)
4. Donor recruitment costs for payroll giving are relatively low compared with other regular giving mechanisms. However, these costs are set to rise as development costs of Professional Fundraising Organisations (PFO's) which account for c. 80% of all new donors rise. In addition, charities such as Oxfam are now using other marketing mechanisms such as newspaper inserts. Costs involved are high and donor retention is crucial to the ongoing funding of new donor recruitment. ROI would improve dramatically for charities if payroll giving donations were portable

⁷ Association of Payroll Giving Agencies figures

⁸ Reed Consulting – Employee Attrition, Causes, Effects and Retention Strategies 2006

⁹ Labour Force Survey 2007 (unpublished)

¹⁰ Labour Force Survey 2007 (unpublished)

There are, therefore, key challenges to the future of payroll giving – and maintaining the loyalty of existing donors, for example by facilitating easy transfer of their gifting from one employer to another, is crucial.

Whilst a number will actively seek to continue to give when they move employer, not everyone will remember this, in the stress of a job move – but there is little to suggest that many would actively seek to quit the system at this point, if their authority for donation simply rolled on.

3.2 Benefits to Donors/Employees

Employees find payroll giving a successful and effective way to donate to their favourite good causes. **70%** of respondents to the recent survey of CAF lapsed donors (**Fig 2**) said that they would have been happy to carry on payroll giving when they changed jobs (of the people who lapsed and moved employer)

“I found this a simple way to give regularly to charity and would like to use it again”

“Good idea and painless. Like PAYE!”

“Employer changed and forgot about charity. Good idea to have portable payroll giving. It makes the change less hassle and the charity doesn't lose out.”

A portability scheme, if marketed to employees, would also encourage newly recruited staff to ask why their new employer does not have a scheme. It will add weight to employee pressure for employers to join a scheme

Portability also enables an individual to carry on giving throughout his/her working life without having to do any more. People who donate to charities are more likely to become volunteers and long-term donors more likely to form relationships with their chosen charities.

3.3 Benefits to Employers

Payroll Giving, once set up, is seen as an easy way for employers to support their employees' charitable activity.

The past 20 years has seen the emergence of Corporate Social Responsibility programmes in large and medium-sized employers. Payroll Giving no longer sits in Human Resources, a passive 'employee benefit' but now most commonly forms an integral part of an employer's Community Investment programme.

The growth of online payroll giving sign-up in the past 5 years has facilitated promotion for white-collar employers. The Royal Bank of Scotland allows no external promotion of its scheme to staff yet still has an 14% take-up.

Payroll Giving is now seen as an easy and 'quick-win' for Community Engagement/Investment programmes.

Portability of payroll giving donations will bring the following benefits to an employer:

- It enables an employer to gain a higher value Payroll Giving Quality Mark by increasing the %age take-up with no effort involved
- It positions the employer as a 'good' employer with new recruits – in comparison to those employers who do not operate a scheme
- It facilitates cost-effective promotion of payroll giving

Over 6,000¹¹ employers in the UK are large employers (employing more than 250 employees) and, excluding the recent recruitment of 3380 SME's¹² there are 6,230¹³ active payroll giving schemes. We also know that c. 900 of the 6,230 contracted employers are SME's. Therefore, it is fair to assume that the vast majority of large employers (nearly 90%) operate a payroll giving scheme.

3.4 Benefits to Government

This Government has been fully supportive of payroll giving, which has been mentioned and supported in various Budget Speeches and Statements in the past ten years.

Three initiatives have been supported by the Government in this time. The success of the Children's Promise, 'Last Hour's Pay' campaign in 1999 led to the three-year 10% supplement on all new payroll giving donations. Following this initiative the Government has supported payroll giving further by funding the SME Grants programme. All initiatives have been successful to some degree, Children's Promise raising £35m for 7 children's charities, the 10% supplement increasing corporate interest and payroll giving revenues and the SME programme increasing the number of employers offering payroll giving by 50%.

The only initiative to potentially have any sustainable positive effect on the number of payroll givers or revenue is the Quality Mark which was attached to the SME Grants programme.

However, portability will definitely have an ongoing and sustainable positive effect on payroll giving donations! Research shows that potentially a minimum of £6million can be retrieved in the first year of portability. The cumulative effect will ensure substantial growth in payroll giving over a 10 year period.

Sustainable funding for charities is vital to ensure ongoing funding for projects. As charities undertake even more work previously carried out by the public sector, sustainable core funding will become increasingly important. It is in the Government's interest to support charities in securing sustainable and unrestricted core funds through payroll giving.

¹¹ Labour Force Survey 2004

¹² Institute of Fundraising Grants Programme collected by ZYen

¹³ Association of Payroll Giving Agencies

4. Payroll Giving Portability to Pension:

Finally, there could also be some further preservation of donated monies if payroll giving were made portable into the pensions' arena. Of the 6% of payroll givers who move out of employment each year, a proportion (say, 40%) will be retiring – this means around 16,100 donors being potentially lost in this way each year (and this group, unlike those becoming at-home carers, are likely to be permanently lost to the workplace). The CAF data shows that, not surprisingly, those about to retire are hesitant about making financial commitments. However, about a quarter of these said they would have wanted to continue payroll giving automatically, if offered this facility by their pension provider and a further fifth would at least have considered this option.

So, potentially, another 4,000 – 7,000 retiring donors might have continued with their payroll giving, if a system to continue this automatically had existed. (Note here that those involved in payroll giving are particularly likely to be working for employers (such as the public sector) who had/still have Defined Benefit pension schemes (ie. the final salary type). People in these schemes are likely to be able to predict their pension incomes much more accurately than the rest of the population – and, hence, may be more willing to contemplate continuing with payroll giving than would be a sample taken across the population as a whole)

The demographic base of the population is changing. In 2005 there were 11.3 million people in UK of State Pension Age or over and this number is expected to rise to 13.7 million by 2025. And not only will the absolute numbers of older people increase, but so will the proportion they represent within the population as a whole. Since the population of UK is more or less static, this means that the payment of state pensions – and also of the other services that older people require – will have to be born by a smaller number of working people. The future therefore holds the prospect of a smaller number of potential payroll givers, each with an increasing demand on their pay packet to provide for elder care

SECTION 2

BUILDING ON THE DATA GATHERED IN THE 2004 REPORT

5. Section 2: Payroll Giving Attrition

This section will build on the data gathered for the 2004 report. It will update the data and identify any trends which have developed.

5.1 CAF Lapsed Donor Survey

Following the 2004 report, HMRC indicated that they would like to see more information in the following two areas:

1. The propensity of employees to move from large employer to large employer ie. To employers with a higher chance of having a payroll giving scheme in place
2. The number of lapsed employees who would have agreed to transferring their donation automatically, were the option available

A survey of **2999** lapsed CAF donors was carried out early in 2007. **390** questionnaires were returned. The objects were to establish the propensity for employees to move between large employers and to discover what proportion of lapsed donors would have welcomed their donation being automatically transferred. **Fig 2** below gives respondents answers. The full survey can be found in **Appendix 1**

The CAF study data indicated that only 16% of the sample (lapsed donors) had specifically chosen to cancel – the remainder had ‘fallen out of the payroll system’ for various reasons (38% had retired, 17% were now non-working – and 36% had changed employer). Of those who had changed employer, very few (13%) thought that they had actually been offered an option to continue to be payroll givers.

It is likely that employees tend to move jobs within the same employment sector, and also that those working for large employers tend to move to another similar. It seems probable that some of these ‘lapsed donors’ did have a payroll giving scheme available to them, but simply had not been made sufficiently aware of it or encouraged actively to join it. This would clearly be a big opportunity missed, since 72% of those donors moving companies said positively that they would have looked favourably on continuing to donate, if the opportunity had (perhaps more clearly) been made available to them. And this is the proportion who said they would have possibly made a positive step to continuing donating – others would doubtless also have continued to donate without engaging with a specific decision

Fig 2: CAF Lapsed Donor Survey (Full survey Appendix 1)

2999 lapsed donors surveyed 390 surveys returned (13%)		NS = Not sure/don't know	
Q.	Yes	No	NS
Are you still donating through payroll giving?	73	308	
Why did your payroll giving stop?			
I cancelled myself	48	15	
I changed employer	110	21	
I retired	118		
I am currently not working	51		
I became self-employed	13		
Changed Employer			
Were you offered payroll giving at your new employer?	14	95	
If NO would you want to continue PG automatically at your new job?	66	10	16
Please tell us the staff numbers of your past and current employer			
Staff numbers: Past employer		Staff numbers: New employer	
0-49	9	0-49	35
50-249	12	50-249	20
250+	85	250+	47

In addition, comments returned from lapsed donors were overwhelmingly in favour of portability in some form.

“It is an excellent service and I would happily have continued if it was still available with my new employer”

“I was sorry to lose the option of Payroll Giving - always found it a hassle-free way of helping my charities”

“I was really saddened when I was not offered Payroll Giving in my new company”

“Payroll Giving is a lot easier than organising standing orders and filling in lots of forms etc. I would definitely do Payroll Giving again if it was on offer to me.”

“Payroll Giving is an excellent idea and means for charitable giving. All employers should be encouraged to use, no matter what size of company. Procedures and negotiations should be kept to a minimum and as simple as possible”

“Would be better if GAYE was not linked to employer (ie it continued notwithstanding change of employment)”

5.2: The propensity for employees to move from a large employer to a large employer – ZYen Analysis

One aspect of the CAF lapsed donor portability research of particular interest to HMRC are the responses to questions about employer size provided by those respondents who have changed jobs.

The original (Charities Trust) research had too few responses of this kind to draw statistically valid conclusions.

Following consultation with HMRC, only three size categories for the CAF survey were used, which accord with HMRC size bands. Table One below sets out the relevant responses to the CAF survey in that way.

Current Employer

	0-49	50-249	250+
0-49	7	1	1
50-249	4	5	1
250+	23	14	45

TABLE ONE – CAF EMPLOYER SIZE DATA

- ◆ Of the complete answers, 45% are people moving from large employer to large employer (was 55% in the Charities Trust smaller sample). 37% are people moving from large employers to SMEs of various sizes and 17% are moving between SMEs.
- ◆ Although the Charities Trust research used more size bands, those bands were consistent with the above bands, enabling us to combine the data from the two surveys where we had complete responses – results are in Table Two.

Current Employer

Past Employer		0-49	50-249	250+
	0-49	11 (6%)	2 (1%)	3 (2%)
	50-249	6 (3%)	7 (4%)	5 (3%)
	250+	35 (19%)	19 (11%)	92 (51%)

**TABLE TWO – CAF AND CHARITIES TRUST COMBINED
EMPLOYER SIZE DATA**

A few reflections on the above data:

- ◆ We now have 180 complete responses to this particular question across the two data sets.
- ◆ 51% are people moving from large employer to large employer. 30% are people moving from large employers to SMEs of various sizes and 14% are moving between SMEs. 5% are moving from SMEs to large employers.

The above statistics, and the anecdotes provided by respondents, support the view that many people who are lost to payroll giving when they change jobs would choose to continue payroll giving if it were made easier for them to do

5.3 CAF Lapsed Donor Survey - Key Findings

In summary, the CAF lapsed donor survey found:

- **36% of the sample had changed employers**
- **Of these, only 13% had been offered payroll giving at a new employer**
- **72% of lapsed donors moving employer said that they would have automatically continued if the option was open to them**
- **51% moved from a large employer to a large employer**
- **A further 5% moved from a small employer to a large employer**

6. Payroll Giving Attrition Rates

6.1: Current Attrition Levels

This section will look at actual payroll giving attrition and the effect that it has on payroll giving income. It will track attrition over an eight year period and identify any trends. **Fig 3** below calculates attrition in 05/06

Fig 3 – Current Attrition Levels

1. Number of payroll giving donors at the end of March 2005	578,000
2. Total number of new donors 2005/2006*	82,088
3. Total number of payroll givers if no attrition –end March 2006	660,088
4. Actual number of payroll givers at end March 2006	605,000
5. Attrition number – existing donors	55,088
6. New Donor Attrition – number of new donors joining and leaving within the year**	10,671
7. Total Attrition	65,759
8. Percentage attrition rate	10.86%
<i>*Figures include signings from PFO's, charities, SME's and companies, minus the PFO signed donors who do not make their first deduction for any reason</i>	
<i>** Calculated as 13% (figures supplied by charities, figures unavailable for 2004 report)</i>	

Calculation Used

1. Donor numbers from Association of Payroll Giving Agencies (APGA)
2. New donor numbers calculated from figures supplied by the Association of Payroll Giving PFO's (APGPFO) with 20% uplift for donors recruited directly by charities/employers and minus the employees recruited but never making a first deduction.
3. 1 + 2. The total number of payroll givers if no donors lapsed.
4. Donor numbers from Association of Payroll Giving Agencies (APGA)
5. 3 – 4. The difference between the actual number of donors at the end of the year and the figure should there have been no attrition
6. The number of donors not accounted for in 1 or 4. These are donors joining and leaving within the year. Based on 2 charities figures, calculated at 13%.
7. 5 + 6
8. 7 as a percentage of 3

An overall attrition of 10.86% is lower than the annual job separation figures, currently 15.1%.¹⁴ We believe that the average payroll giver is less likely to be a first-year employee (who is more likely to leave within a year) and more likely to be someone who is secure in the job.

¹⁴ Labour force Survey 2007 (unpublished)

The 10.86% attrition rate is also substantiated by the charity Blindcare, a consortium of charities supporting visually-impaired people, which knows that 50% of its payroll givers are still giving after 5 years.

However, the attrition rate of newly recruited donors is higher and at least 13%¹⁵ leave in the first year alone. It is not known what proportion of these newly recruited donors leave simply because they change jobs.

A Payroll Giving Agency’s Attrition 06/07: Actual Figures

The figures in **Fig 3** used two estimates, the new donors joining in the year and the number of new donors joining and leaving in a year. However, the attrition rate arrived at, 10.86%, can be verified by one of the Payroll Giving Agencies, which has provided actual figures for 06/07 in **Fig 4** below

Fig 4 – A Payroll Giving Agency’s Attrition 06/07 – Actual Figures

1. Number of payroll giving donors at the end of March 2006	113,531
2. Total number of donors registered on system*	22,686
3. Total number of payroll givers if no attrition –end March 2006	136,217
4. Actual number of payroll givers at end March 2006	123,065
5. Attrition number – existing donors	13,152
6. Percentage attrition rate	10.68%
* All donors making a minimum of 1 donation	

6.2 Cumulative Effect of Attrition

When gauging the cumulative effect of attrition, we will use the 10.86% attrition figure as an average over the period. It is reasonable to use this figure as an average as job separation levels have not varied dramatically in the period. The 2004 report used 9.85% as an average attrition. We now believe this to be higher and at least 10.86% as we have taken into account donors joining and leaving within the same year. However, for simplicity, we have left the figures as they were presented in 2004.

An average donation level of £100 per year has been used for the most recent years (**Fig 5**). This is because, although the average donation level is c. £140 we know that a small proportion of very high level donors distort these figures. The average donation levels of newly recruited donors (80% from PFO’s) are giving at c. £80 per annum. However, we have also factored in donors giving spontaneously or for the past few years at a much higher level.

¹⁵ National Charity’s Data

Fig 5: Cumulative Effect of Attrition 98/03

Year	Total Amount of Payroll Giving	Number of Payroll Givers	Attrition Rate Number	Average Value Per Year	Total value of lost income calculated at £70 per donor per annum
1998/1999	£29,157,786	406,314	44,410	£72	£3,108,700
1999/2000	£37,303,959	759,896		£49	
2000/2001	£52,459,625	500,000	54,650	£105	£3,825,500
2001/2002	£72,098,259	501,123	54,772	£144	£3,834,500
2002/2003	£85,075,348	517,049	56,508	£164	£3,962,070

Fig 6: Cumulative Effect of Attrition 04/07

Year	Total amount of Payroll Giving	Number of payroll Givers	Attrition Rate Number	Average Value per Year	Total Value of Lost income calculated at £100 per donor per annum
2004/2005*	£83,000,000	578,000		£143	
2005/2006	£85,000,000	605,000	65,759	£140	£6,575,900
2006/2007	£89,000,000	644,000	55,738	£138	£5,573,800

*Unable to calculate due to the addition of individuals from Charity Staff Funds to payroll giving figures, distorting figures

If 61% of lapsed payroll giving donations between 1998 and 2007 were portable (estimate based on ZYen analysis of CAF/Charities Trust data), an additional **£71,107,077** would have been donated to charities in this time

6.3 Attrition Trends and Conclusions

- Actual value of lost donors is increasing due to the average donation level increase since 2000
- Actual level of payroll giving receipts have only grown by 3.5% in the past 4 years – Charities will be experiencing zero to minimal growth in payroll giving funds – portability will help to grow payroll giving if the market remains static.
- If at least 61% of all lapsed donors were portable throughout the 8 years(CAF/Charities Trust lapsed donor surveys), an additional **£71,107,077** would have been accrued for charities over the period

7. Attrition: Employer Case Studies

7.1 Payroll Giving Statistics

Three employers have provided data for this part of the report. We returned to the two of the three financial employers who provided data in 2004. In addition a global pharmaceutical company has provided figures.

The data provided varies as it is apparent that every employer captures different information. In some instances we have had to estimate data based on Labour Force Survey statistics. Where this has happened we have italicised figures.

Fig 7 Employer Case Study 1

	No. of Payroll Givers	No. of Employees	% of Workforce	Annual Amount	Av. Gift pp. yy	Lost Donors in Year (2)	Value to Charity
May 04	11,549	103,000	11.21%	£2,269,980	£196	1919	£377,179
May 05 (1)	13,033	103,000	12.65%	£2,737,128	£210	2166	£454,881
May 06	13,964	100,400	13.9%	£3,092,064	£221	2320	£513,717
May 07	14,966	n/a		£3,341,844	£223	2487	£555,322
Average					£212		
Voluntary Job Separation Numbers							
Using the average Voluntary Job Separation rate from the Labour Force Survey data (2004-2007) 12.2%							
Year	Voluntary Job Separation Rate	Number of Voluntary Separation	Assume 67% of people would be re-employed in 3 months	Value to Charity (using average £212.82)			
May 04	12.2%	1408	943	£200,689			
May 05		1509	1011	£215,161			
May 06		1703	1141	£242,827			
May 07		1825	1222	£260,066			

(1) Please note these figures include one off donations made between Jan 05-Apr 05 for the Tsunami Appeal

(2) Figures of donors lost have not been recorded by the company and are calculated using the average total Job Separation rate (2004-2007) from the Labour Force Survey – 16.62%

Fig. 8 Employer Case Study Two

	Number of Payroll Givers	Number of Employees	% of Workforce	Annual Amount	Average Gift pp. yy	Lost Donors in Year (1)	Value to Charity
2004/05	240	3,190	7.52%	£54,753	£228	39	£8897
2005/06	266	3,048	8.72%	£76,731	£288	44	£12692
2006/07	269	3,231	8.32%	£74,745	£277	44	£12225
Average					£264		
Voluntary Job Separation Numbers							
Using the average Voluntary Job Separation rate from the Labour Force Survey data (2004-2007) 12.2%							
Year	Voluntary Job Separation Rate	Number of Voluntary Separation	of	Assume 67% of people would be re-employed in 3 months	Value to Charity (using average £264.82)		
2004/05	12.2%	29		19	£5031		
2005/06		32		21	£5561		
2006/07		32		21	£5561		

(1) Figures of donors lost have not been recorded by the company and are calculated using the average total Job Separation rate (2004-2007) from the Labour Force Survey – 16.62%

Fig 9: Employer Case Study Three

	Number of Payroll Givers	Number of Employees	% of Workforce	Annual Amount	Average Gift pp. yy	Lost Donors in Year	Value to Charity
Apr 04-Mar 05	503	5000	10.06%	£242,555	£482	64	£30,848
Apr 05-Mar 06	505	5000	10.1%	£252,781	£500	60	£30,000
Apr 06-Mar 07	492	4800	10.25%	£253,820	£515	77	£39,655
Average					£499		
Voluntary Job Separation Numbers							
Using an average from the Labour Force Survey data (2004-2007) 12.2%							
Year	Voluntary Job Separation Rate	Number of Voluntary Separation	of	Assume 67% of people would be re-employed in 3 months	Value to Charity (using average £499)		
Apr 04-Mar 05	12.2%	61		40	£19,960		
Apr 05 - Mar 06		61		40	£19,960		
Apr 06 – Mar 07		60		40	£19,960		

7.2 Overall Conclusions

Growth of payroll giving from all companies surveyed ranges from minus growth, (Case Study 3) to moderate growth (Case Study 1).

Case Studies 2 and 3 show what happens when payroll giving is not overtly promoted by an employer. The scheme either remains static (Case Study 2) or even declines slightly (Case Study 3). The employer in Case Study 1 promoted payroll giving on a regular basis and shows steady growth.

However, the impact of the employees of Case Study 1 leaving the scheme is high. Half a million pounds annually is potentially lost if these employees do not rejoin a payroll giving scheme. We know that between 60% and 70% of these employees are likely to join another employer with a payroll giving scheme.

This means that, potentially, £350,000 per annum could be clawed back if portability was in place from just one employer.

7.3 Payroll Departments Feedback on Portability Impact

HMRC wanted more feedback from employers regarding the potential impact of portability on their payroll systems and processes. A more detailed study will form part of a further report on portability processes and logistics. For the purposes of this report we have interviewed two payroll departments for their views. In both cases, payroll officers were interviewed and views expressed were not necessarily those of the company.

Employer 1: 4800 employees – 492 payroll givers

Employer 1 did not see portability as an issue operationally. For colleagues leaving the company, forms would ideally be in an electronic format. From April 2009, legislation requires large companies to produce their P45 electronically. If payroll giving donations were part of the leaving process and could be administered with the same software as the P45 it would be simple to add the data required with minimal time.

For new people joining the company, information would ideally be received at the same time as the P45. This would need to be electronic after 2011 when all companies need to produce P45's electronically. An electronic and a paper based method would be needed until this time. It would be simple to add the donation in at the same time as setting up the new employee on the system again with minimal time.

Both processes would need to be attached or connected to the P45 in some way as they could see that it would be forgotten if it was a separate process or a document was required.

Another issue they could see was that software companies (who are developing the programmes to produce a P45 electronically) would need to be aware that this may happen so they could build it within the new systems currently being developed.

Employer 2: 100,000 employees – 14,000 payroll givers

Employer 2 has some concerns about the operation of portability within a large company like themselves.

For someone leaving the scheme unless payroll giving was part of the P45 process, they would have to send payroll giving information out separately to the individual. As they may have a large number of leavers in any one month and the P45's are produced externally the time it would take to marry up the two sets of paperwork would be too long. It would be more cost effective to send it separately. However, this could be addressed if the outside agency producing the P45's were in the position to produce any documentation required for payroll giving at the same time.

They did wonder if an automatic transfer* would increase the number of queries from new staff who may want to change their donation and if it will increase in the number of leavers wanting to cancel their donation, Both of these may create some extra work.

* Whilst the principals of the logistics of automatic transfer of payroll giving donations have been discussed in general, HMRC would need to consult with employers before any changes to the P45 or new employee procedures, take place.

8. Effect of Attrition on Net Growth for Charities

8.1 Ben – Motor and Allied Trades Benevolent Fund

As shown in previous sections, net growth of payroll giving is impeded by employee turnover . Attrition is also accelerated if an employer does not regularly promote the scheme to employees.

Ben – the Motor and Allied Trades Benevolent Fund, has provided figures demonstrating the devastating effect attrition can have over a protracted period (8 years) and without re-promotion.

Fig 10. Ben Single Campaign Attrition

ATTRITION OVER A PERIOD OF 8 YEARS - SINGLE CAMPAIGN .						
Employee Number	Promotion Year	Attrition Rate	% signed	Number Signed	Total Giving	Numbers Lost
1068	1999		64%	690	690	
	1999	5%			654	36
	2000	61%			252	402
	2001	44%			141	111
	2002	15%			120	21
	2003	12%			106	14
	2004	11%			94	12
	2005	15%			80	14
	2006	19%			65	15
Totals				690		625
9.4% of donors recruited still giving after 8 years						
Average churn rate of 22%						

In contrast **Fig 11** below demonstrates the effect of net attrition (minimal) over a protracted period where the scheme has been promoted regularly.

Fig 11. Ben Multiple Campaign Attrition Rate

Number	Year	Rate	%age signed	Signed	Giving	Lost	% Increase
20	1998		90%	18	18		
	1999	33%			12	6	
	2000	8%			11	1	
7	2001			7	18		
	2001				16	2	45%
	2002				16		
	2003	19%			13	3	
	2004	8%			12	1	
22	2005	54%		12	24		
	2005				20	4	166%
	2006	15%			17	3	
Totals				37		20	
Net loss over 8 years is 1 donor.							
Attrition rate for the overall period is 5.5%							

The Charity has carried out 2 additional promotions during the 8 year period. This has resulted in net attrition of only 1 donor. However, this indicates that charities have to 'work hard' just to stand still and mirrors the slow growth in payroll giving.

Working hard also has financial implications for charities. Promotion of payroll giving has a cost attached, whether using a charity's own staff as Ben have or the services of a Professional Fundraising Organisation (PFO). Portability could reduce this cost by ensuring lapsed payroll givers are not lost to the charity.

The effect of attrition on net growth of payroll giving should not be underestimated. Conversely, if portability of payroll giving donations is implemented, the ROI for charities would be greatly improved

9. Attrition: Charity Perspective

Charities incur expenditure in recruiting new payroll givers. The average cost of recruitment of a payroll giving donor through PFO's is £55.00. Costs of recruiting donors using charities own employees are at least as high. However, as has been stated previously, payroll giving donations are valuable and cost-effective for charities.

A medium/large disability charity says, "payroll givers give for longer and give more than other regular givers" Portability would further increase the lifetime value of a payroll giver, potentially stretching into pension giving and then legacy. Additionally, it is far easier and more cost-effective for charities to develop their existing givers than to recruit new donors. Portability will ensure that payroll givers give for longer, ensuring charities have the best possible opportunity to form a relationship with their donor.

Portability also makes payroll giving a more attractive proposition for charities. Currently significantly higher sums of money are invested by charities in other forms of fundraising for recruitment of regular givers. Methods such as face-to-face fundraising and direct marketing still command a large proportion of charities' fundraising budgets in comparison to payroll giving. The main reason for this reluctance to invest more in payroll giving is due, in the main, to limitations of scalability for payroll giving.

Portability counteracts these concerns and would ensure more charity support for payroll giving.

Fig 12: Charity attrition rates

National 'health' charity	New donors	Leavers	Attrition
2005/2006	3725	873	8.58%
2006/2007	3608	1391	11.05%

This charity's figures substantiate the figure of 10.86% attrition used in this report

Appendix 1: CAF Lapsed Donor Survey

2999 lapsed donors surveyed

390 surveys returned (13%)

Q	Are you:	Yes	No	NS
1	Still donating via Payroll Giving?	73	308	
2a	Still giving regularly via alternative means eg DD, SO Total	148	159	
	Direct Debit	76		
	Standing Order	47		
	Other	15		
b	Using alternative Tax Effective Giving eg Gift Aid etc Total	104	183	
	Gift Aid	97		
	Share Giving	3		
	GAYE	3		
	Covenant	1		
3	Payroll Giving has stopped because?			
A	I cancelled PG myself	48	15	
B	I changed employer	110	21	
C	I retired	118		
-	I am currently not working	51		
-	Became self-employed	13		
A	Cancelled myself			
	Financial circumstances changed	18		
	No longer wish to give via Payroll Giving	2		
	Want to give via other means	9		
	Do not wish to support particular charity any more	7		
	Other (cf Other Comments)	14		
B	Changed Employer			
	Offered Payroll Giving at new employer?	14	95	
	If No would you want to continue PG automatically at new job?	66	10	16
Please tell us the staff numbers of past/current employer:				
Past employer		New employer		
	0-49	9	0-49	35
	50-249	12	50-249	20
	250+	85	250+	47
C	I retired			
	Were you offered PG by your Pension Provider?	14	86	9
	If No, would you have wanted to continue PG automatically?	29	36	24
NS = Not sure/don't know				

Appendix 2: Report Contributors

The following organisations have provided information for this report

Voluntary Sector Umbrella Bodies

The Institute of Fundraising Payroll Giving Working Group

The Association of Payroll Giving Agencies (APGA)

The Association of Payroll Giving Professional Fundraising Organisations (APGPFO)

Government Offices/Departments

HMRC

The Office of National Statistics

Payroll Giving Agencies

The Charities Aid Foundation (CAF)

Charities Trust

Ben

South West Charitable Giving

Researchers

ZYen Ltd

Intimations Ltd

Companies

Royal Bank of Scotland plc

Bradford and Bingley plc

Pfizer UK Ltd

Charities

Help the Hospices

Blindcare

RNIB