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## To Give or Not to Give: The Crisis of Confidence in Charities

PAUL C. LIGHT

Public confidence is essential to America's 1.5 million charitable organizations and the 11 million Americans they employ. Confidence clearly affects the public's willingness to donate time and money, shapes the political and regulatory environment that governs charitable organizations, and has at least some influence on morale within the charitable workforce.

Confidence slipped when charities were slow to respond after 9/11,



A week after the September 11 terrorist attacks, President Bush thanks charitable organizations for their disaster relief efforts. With him are Red Cross President Bernadine Healy and interim United Way President Christopher Amundsen (at right). Since then, both groups have been hit hard by scandals.

and it has been battered in the past year by scandals. The news media have delved into lavish spending at some of the nation's leading philanthropies, improper payments at the United Way of the National Capitol Area, conflicts of interest at the Nature Conservancy, and the firing of new YWCA president and feminist leader Patricia Ireland after just six months on the job. In turn, these stories have sparked legislative investiga-

tions and calls for tighter regulation, most recently from the California State Attorney General, who joined his colleagues in Minnesota and New York in calling for a new era in charitable accountability and the legislation to create it. Where the media go, Congress, state attorneys general, and watchdog groups are sure to follow.

### WHAT WENT DOWN

Prior to September 11, 2001, public confidence in charitable organizations was generally high and largely unqualified. Americans gave the benefit of the

doubt to charitable organizations despite occasional high-profile scandals such as the ones that rocked the United Way and New Era in the 1990s, and they never wavered in believing that charitable



TABLE 1: TRACKING CONFIDENCE

<i>How much confidence do you have in charitable organizations?</i>	<i>September 2002</i>	<i>August 2003</i>	<i>October 2003</i>
A great deal	13%	12%	18%
A fair amount	47	48	45
Not too much	26	27	27
None	11	10	7
Sample Size	1,381	1,075	770

organizations play a major role in making their communities better places to live.

Unfortunately, as this report shows, public confidence in charitable organizations was shaken in the weeks and months following the terrorist attacks on New York City and Washington, D.C., and has yet to rebound two years later. Americans were watching closely as the Red Cross and other charities came under fire for moving too slowly to disburse billions in September 11 relief funds, and did not like what they saw.

According to ongoing tracking surveys by the Center for Public Service, the percentage of Americans who said they had “a lot” of confidence in charitable organizations fell from 25 percent in July 2001 to 18 percent in May 2002 while the percentage who said they had “none” rose from 8 percent to 17 percent. These changes were not only statistically significant, they were confirmed in two additional surveys conducted on behalf of the Center for Public Service in August and September 2002.

The decline was all the more significant because it came during a period in which confidence in virtually every other civic institution went up. Charitable organizations got none of that surge. Although most of these institutions dropped back down to pre-September 11 levels, confidence in charitable organizations ended up roughly 10 percentage points lower than it had been before the terrorist attacks, and has stayed there since. Simply put, charitable organizations got none of the surge and more than their share of the decline.

As table 1 shows, the decline was still visible in August and October 2003. Although confidence edged up slightly in the October 2003 survey, the change is well within the plus-or-minus 3 percent margin of error that comes from using random samples of Americans to represent the population as a whole.

#### WHAT STAYS DOWN

Unlike the Center’s past updates on confidence, which have been limited to a handful of questions tacked onto other surveys, the October 2003 survey



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was long enough to allow a deeper examination of public opinion. The survey showed more than just stagnation in confidence. It also revealed significant public doubts about how charitable organizations deliver services, help people, work, and spend money. Even though respondents said that charitable organizations have the right priorities, they also said charitable organizations waste a surprisingly large amount of money and pay their leaders too much. The problems are clear in the following findings:

- 14 percent of respondents said charitable organizations do a very good job of spending money wisely, compared to 28 percent who said not too good or not at all good, and 46 percent who said somewhat good.
- 18 percent said charitable organizations do a very good job being fair in their decisions, compared to 17 percent who said they did not do too good a job or not a good job at all, and 52 percent who said they did a somewhat good job.
- 21 percent said charitable organizations do a very good job of running their programs and services, compared to 18 percent who said they did not too good a job or not a good job at all, and 53 percent who said they did a somewhat good job.
- 46 percent of respondents said the leaders of charitable organizations were paid too much, 27 percent said they were paid about the right amount, and just 8 percent said leaders were paid too little.
- 20 percent of respondents said charitable organizations waste a great deal of money, another 40 percent said they waste a fair amount, 30 percent said they do not waste too much, and just 3 percent said charitable organizations waste no money.

Not all the news is negative. Despite their concerns about charitable spending and estimates of charitable waste, 34 percent of respondents still said charitable organizations do a very good job of helping people, compared to just 12 percent who rated charitable assistance as not too good or not at all good.

But even the good news is tainted by persistent concerns about waste. Two fifths of respondents who said charitable organizations do a very good job helping people also said charitable organizations waste a great deal or fair amount of money.

Moreover, even though respondents said charitable organizations waste far less money than the federal government and large private businesses, they said charitable organizations waste much more money than small private businesses. Whereas 93 percent of respondents said

*“Even the good news is tainted by persistent concerns about waste. Two fifths of respondents who said charitable organizations do a very good job helping people also said charitable organizations waste a great deal or fair amount of money.”*

This report continues the research effort on charitable confidence launched in the wake of September 11, and builds upon last year's Reform Watch titled "Trust in Charitable Organizations," which was published in December 2002.



“Americans see small businesses, not charitable organizations, as the best at squeezing the most good out of a dollar.”

TABLE 2: THE RELATIONSHIP BETWEEN CONFIDENCE AND PERFORMANCE

	<i>Confidence in Charitable Organizations</i>			
	<i>Great Deal</i>	<i>Fair Amount</i>	<i>Not too Much</i>	<i>None</i>
<i>Respondents who said charitable organizations were doing a <b>very good</b> job:</i>				
Delivering programs and services	44%	41%	8%	6%
Helping people	68	35	12	4
Being fair	39	44	15	4
Spending money wisely	48	42	6	3
<i>Respondents who said charitable organizations were doing a <b>somewhat good</b> job:</i>				
Delivering programs and services	13	55	26	3
Helping people	9	57	30	4
Being fair	16	57	22	4
Spending money wisely	17	51	21	3
<i>Respondents who said charitable organizations were doing <b>not too good</b> a job:</i>				
Delivering programs and services	2	27	54	14
Helping people	6	11	69	12
Being fair	4	22	56	14
Spending money wisely	8	34	52	6
<i>Respondents who said charitable organizations were doing a <b>not at all good</b> job:</i>				
Delivering programs and services	0	4	36	57
Helping people	1	0	12	78
Being fair	1	0	36	52
Spending money wisely	1	0	34	60

Sample size = 770

the federal government wastes a great deal or fair amount of money, 81 percent said the same about large private businesses, and 60 percent said the same about charitable organizations, only 41 percent said the same about small private businesses. Americans see small businesses, not charitable organizations, as the best at squeezing the most good out of a dollar.

These doubts about charitable performance do vary with race, income, education, and age, however, which suggests that they could bear some imprint of the uncertain economic times and/or worries about the rising federal deficit. However, the doubts do not vary with party identification, which suggests that they are not related to general views of the Bush administration or the performance of other political institutions.

Whatever the cause, these doubts clearly make a difference in explaining overall confidence. As table 2 shows, perceived performance varied with overall confidence in charitable organizations. For example, 68 percent of respondents who said charitable organizations do a very good job of helping people also expressed a great deal of confidence in charitable organizations, while 78 percent of respondents who said charitable organizations did not do a good job at all in helping people also said they had no confidence in charitable organizations.

Confidence varied with views of the Red Cross and United Way. The more confident respondents were in these two brand names, the more confident they were in charitable organizations overall.

Confidence also varied with views of charitable waste and leader pay. Respondents who said charitable organizations waste a great deal or fair amount of money were almost four times more likely to express not too much or no confidence than respondents who saw little or no waste, while respondents who thought charitable leaders were paid too much were more than twice as likely to have not too much or no confidence than respondents who thought leaders were paid about the right amount or too little.

Finally, confidence varied with volunteering and giving activity. Exactly two-thirds of respondents who had donated money and exactly three-quarters who had volunteered for a charitable organi-

zation other than their church, synagogue, mosque, or college/university also said they had a great deal or fair amount of confidence in charitable organizations, compared to 54 percent of those who had not donated money and 59 percent who had not given time. As with confidence in the Red Cross, United Way, and March of Dimes, it is not clear which comes first, the volunteering and donating or the confidence. What is clear is that confidence is related to two things that matter very much to charitable survival—time and money.

### LOOKING UP

The question for those who worry about confidence in charitable organizations is how to spark a rebound. If the disbursement controversy sparked the decline, what might spark a renewal?

A first wrong answer is to change priorities. When asked to pick the bigger problem facing charitable organizations, only 15 percent of respondents said they had the wrong priorities, while 70 percent said they had the right priorities, but were inefficient.

A second wrong answer is to unleash the watchdogs. As we shall see below, charitable waste is not a significant predictor of confidence. Rather, it is more likely to be a product of beliefs about charitable performance in spending money wisely, helping people, being fair, and running programs. Views of performance lead to views of waste, not vice versa.

*“When asked to pick the bigger problem facing charitable organizations, only 15 percent of respondents said they had the wrong priorities, while 70 percent said they had the right priorities, but were inefficient.”*



TABLE 3: CONFIDENCE IN THE RED CROSS AND UNITED WAY

<i>How much confidence do you have in the Red Cross?</i>	<i>September 2002</i>	<i>August 2003</i>	<i>October 2003</i>
A great deal	39%	45%	45%
A fair amount	39	36	37
Not too much	12	9	10
None	9	7	7
<i>How much confidence do you have in the United Way?</i>	<i>September 2002</i>	<i>August 2003</i>	<i>October 2003</i>
A great deal	17%	15%	20%
A fair amount	41	40	39
Not too much	21	21	22
None	14	3	9

Sample size = 770. The question wording for confidence in the United Way changed slightly in 2003. Instead of asking respondents about their confidence in "federated appeals such as the United Way," respondents were asked directly about confidence in the United Way.

A third wrong answer is to let big national organizations lift the rest of the charitable sector. As already noted, confidence in charitable organizations writ large varies with confidence in both the Red Cross and United Way. As go the big brand names, perhaps so goes the charitable sector.

Charitable organizations could hardly be faulted for riding the coattails of these two brand names, if, in fact, coattails exist. Moreover, as table 3 shows, the percentage of Americans who expressed a great deal or fair amount of confidence in the Red Cross rose from 78 percent in September 2002 to 82 percent in October 2003, while the percentage who expressed not too much or no confidence at all in the United Way fell from 35 percent to 31 percent over the same period. Both are statistically significant improvements.

Even if the Red Cross or United Way could guarantee that their chapters will remain above reproach, further statistical analysis of the October 2003 survey suggests that confidence in the Red Cross and United Way are not the most powerful levers for improving confidence. Nor, for that matter, is reducing charitable waste. According to table 4, which shows the relative strength of potential explanations, spending wisely is the top predictor of confidence in charitable organizations, followed by charitable performance in helping people and in running their programs and services.

The analysis also showed that party identification, income, trust in one's own neighbors, charitable performance in being fair, and views of leader pay have no significant bearing on overall confidence when pitted against the other



TABLE 4

<i>Explanation</i>	<i>Strength</i>	<i>Significance</i>
1. Spending money wisely	.219	.000
2. Performance in helping people	.154	.000
3. Performance in running programs and services	.149	.002
4. Confidence in the Red Cross	.126	.002
5. Education (greater education = higher confidence)	.115	.004
6. Race (being white = higher confidence)	.099	.007
7. Age (being young = higher confidence)	.082	.031
8. Sex (being female = higher confidence)	.073	.041

Sample size = 770. These results were produced through ordinary least-squares regression of charitable confidence in the October 2003 survey. Strength is measured using standardized beta weights, significance is based on t-tests, which indicate the chance that a given result is not the result of random occurrence. The adjusted r-square for the overall model was .410, which was significant at the .000 level.

explanations in the statistical tournament. Nor do perceptions of charitable waste. This does not mean the public is unconcerned about charitable waste or willing to accept significant increases in leader pay, however. Rather, it means that stewardship and effectiveness are much stronger predictors of charitable confidence.

The message from table 4 could not be clearer. Since charitable organizations can do little to change the overall education, race, age, and sex of the population, they can either put their hopes in the Red Cross, which may or may not actually improve confidence in their own organization, or take action to improve public perceptions that they are spending money wisely, helping people, and running their programs and services effectively. The latter course may be more difficult, but will almost surely prove more effective in

the long run, especially given the extraordinary impact of spending money wisely on public confidence.

Table 4 also makes a strong case for strengthening charitable organizations. If Americans believe the greater problem with charitable organizations is inefficiency, not misplaced priorities, it seems reasonable to suggest that one solution is to reduce inefficiency through capacity-building interventions such as strategic planning, board development, alliances and mergers, employee training, and so forth. However, complementary research by the Center for Public Service suggests charitable organizations need help making the capacity building stick. Too much charitable capacity building is the “do-it-yourself” variety, meaning it occurs without contact with the outside world, not to mention without any outside funding.

*“Spending wisely is the top predictor of confidence in charitable organizations, followed by charitable performance in helping people and in running their programs and services.”*



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CONCLUSION

Changing public perceptions about performance is no doubt difficult, especially given unrelenting scrutiny from regulators, Congress, watchdog groups, and the media. Some charitable organizations will rightly argue that they are already effective. Others will rightly complain that they simply do not have the time or money to advertise their effectiveness. Still others will rightly suggest that charitable confidence is a collective good that must be generated by organizations and funders working together to reverse perceptions.

But, whether correctly or incorrectly, the public has come to believe that substantial numbers of charitable organizations are either not doing well enough or not doing enough good. Absent any argument to the contrary, whether through more aggressive self-regulation, advocacy, and collective action, the confidence that went down after September 11 will stay down, as will the volunteering and giving that are clearly linked to it. **B**

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