

GIVING IN THE WORKPLACE

The Changing Face of Workplace Giving

by John Coy

Until the early 1990s, workplace giving was synonymous with the United Way.

CHARITABLE GIVING IN THE WORKPLACE IS AN important part of the corporate nonprofit relationship, but the traditional payroll deduction, the United Way–directed giving model, has not kept pace with the overall growth of philanthropy in America.

According to estimates, slightly more than \$2 billion comes from the traditional-style payroll deduction workplace-giving campaign.

From the nonprofit's perspective, workplace giving continues to be a high-yield, low-cost method of fundraising, a renewable and sustainable source of funds as long as the company or employer provides access to the workplace as a fundraising vehicle to connect employees with charities.

Until the early 1990s, workplace giving was synonymous with the United Way as the annual campaign that raised money for local and national charities. At about the same time, the Combined Federal Campaign opened the door to other charities and allowed access to solicit government employees. This began the transition in workplace giving that we see evolving today.

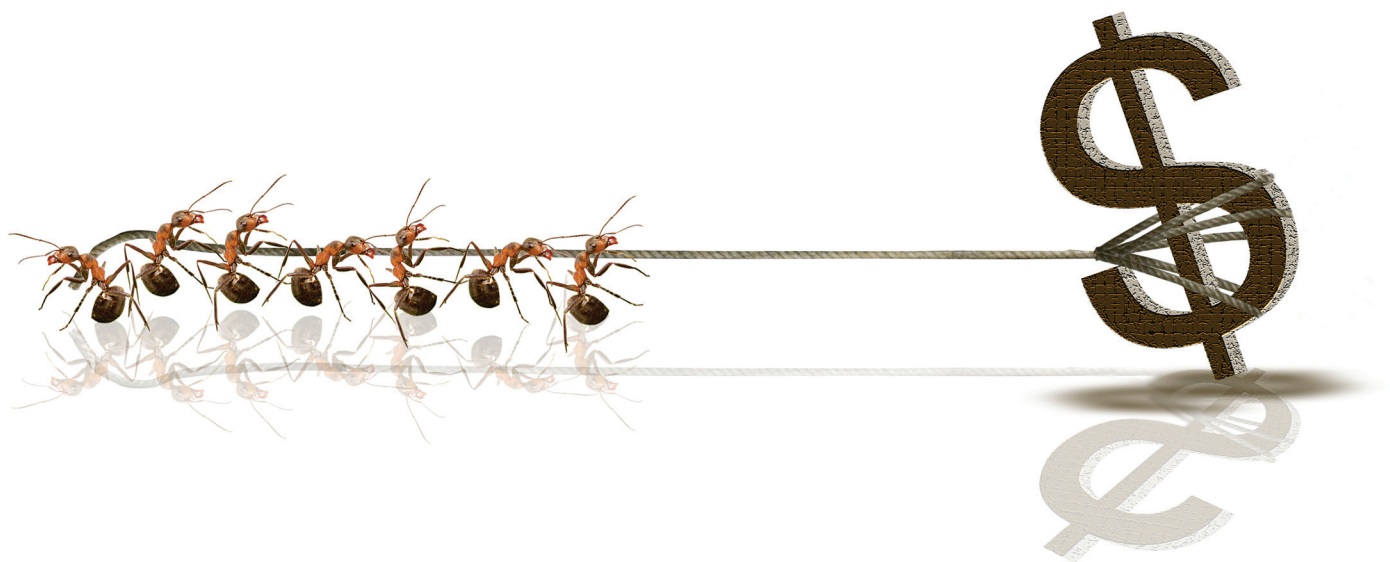
In 1992, United Way of America commissioned the Consulting Network (TCN) to study the trends

and implication of something then referred to as “donor choice.” United Way had experienced more designations to specific charities by donors and more movement by individual United Ways to offer giving choices to retain donors for their campaigns. There were three key findings that supported donors becoming more proactive in selecting charities themselves:

1. Employees were getting, or already had, more choice in the workplace regarding health-care coverage and managing their retirement portfolios, and they had been introduced to empowerment and self-directed work.
2. Employee volunteerism had emerged as an important asset for how a company and its employees could join together to make a difference in the community while also building stronger company-employee relations.
3. A new generation of corporate leaders was less inclined to dictate where or how employees should give.

These three factors worked against the traditional United Way campaign model. It was hard to tell employees who were empowered and in control of their health care and pension investments that they had to choose a single option on a pledge card. It was simply inconsistent with other changes in the workplace. As one colleague

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told me, "It's difficult to have employees volunteer for a charity they then cannot give to." Another added, "We wanted a workplace campaign that the employees owned and was uniquely theirs, not the company's."

At the same time, charities and federations of charities, which were successful in the Combined Federal Campaign, turned their attention to the private workplace. Add to this the growing importance of the Internet and the ability of individuals to access information about their favorite or interested charities, and it set the stage for a new era in workplace giving.

New Models Emerge

In a 2009 survey conducted by the Consulting Network, only 25 percent of the companies in the survey reported that they conducted a traditional United Way-only campaign. This finding was consistent with earlier surveys that showed that a growing percentage of company workplace programs offer choice in giving to their employees. There are three most common workplace-giving models. In nearly every model, United Way remains a valued partner:

- Specific charities would include one to 10 charities that are featured alongside United Way.
- The federated model features one or more federations often representing issues such as health, the environment, international relief and development, and social justice, and these issues are positioned within United Way as a range of giving choices.
- The open campaign provides employees with the opportunity to select any qualified charities of interest to them.

Although the Combined Federal Campaign includes thousands of charities and federations, the private workplace is more selective. The primary federations represented in the private workplace are America's Charities, Community Health Charities, EarthShare, Global Impact, and United Way.

Some examples of individual charities commonly selected and participating in private campaigns include the American Cancer Society, the American Heart Association, the American Red Cross, and Doctors without Borders, among others.

Motivations for Change

No one factor motivates a company to offer employees expanded giving choices at the workplace. Over the past several years, one of the major influences is the growing importance of employee volunteers and the value employee volunteerism brings to a company, a community, and to employees' work experience.

Increasingly, companies have developed comprehensive employee-engagement programs where hands-on volunteering and workplace giving are part of a larger program that includes workplace events, days of caring, volunteer recognition, and monetary incentives such as matching gifts and volunteer grants. As companies embrace this holistic approach to engaging employees and give ownership of these programs to employees, it is inconsistent to have a workplace-giving campaign that does not meet employee interests or where employees don't feel a sense of ownership.

Shifting Expectations

Perhaps one of the more interesting shifts in attitudes is what companies expect from providing a workplace-giving program. When asked to put a value on four outcomes (employee satisfaction, employee participation, growth of dollars raised, and total revenue raised) 66 percent of TCN survey participants said employee satisfaction and participation are the most important. While respondents said that total amount and growth of the amount raised are also important, they are secondary expectations.

These findings differ greatly from the traditional United Way approach of measuring success (i.e., by the amount raised and reaching a community-wide campaign goal).

The Implications of the United Way's Community Impact Model

In 2000, United Way of America announced that it would shift its strategic focus from a fundraiser to a community-impact organization. For the next several years, United Way of America began promoting the Agenda for Community Impact model, and local affiliates began adopting the model. United Way of America promoted issues that included education, income stability,

and healthy lives. At the heart of the Community Impact approach was that United Way organizations could select and focus on local issues, raise funds for those issues, and make grants to organizations that demonstrated the capacity to affect the selected issues.

The greatest implication for employees is that in its purest form, the major shift moved United Way from being a collection of funded agencies to an organization that funds issues that a community deems a high priority. The other significant implication is that funding causes rather than member agencies reallocated dollars and reduced funding available to United Way's traditional agency base. In many cases, this resulted in drastic funding cuts for many agencies, no funding for others, and in several communities, an abandonment of the member-agency model altogether.

National agencies with local affiliates seem to have been affected by the Community Impact model. The American Red Cross has been defunded or has seen substantially lower allocations by United Way organizations serving New York, Portland, Dallas, Palo Alto, and Orange County, to name a few. Salvation Army funding was cut so severely in Philadelphia, Cincinnati, and Boston that the organization withdrew from those United Way affiliates. Examples of other groups feeling the impact of the new United Way approach and allocation of funds include the Boy Scouts of America, Girls Inc., the Girl Scouts of USA, YMCA, and Goodwill Industries International.

But not all local United Way organizations have adopted the Agenda for Community Impact model. Many still retain member agencies (now referred to as partners) alongside the priority causes or issues representing each community's needs. While this approach responds to local needs, it means that organizations like the American Red Cross, the Boy Scouts, or regional agencies that cross multiple local United Way organizations may be funded by one United Way jurisdiction and not by an adjacent United Way. The situation also creates problems for corporations that have multiple work-site locations throughout the country and want their campaign to have a company-wide look and feel.

In an August 2008 *Chronicle of Philanthropy*

article, Don Sodo, (then president of America's Charities), said that he doubted that United Way's Community Impact model could win more money from donors, especially those who give through campaigns run by their employers. "It's counter to what employers and employees want," Soto said. "Research shows that about 70 percent of people would rather designate their gift to a charity they know than give it to an organization that will simply regrant it."

Brian Gallagher, the president of United Way of America, disagrees. It no longer makes sense to try to reach donors at work, he says. "There are fewer people in large workplaces and so many more in small workplaces, we just can't get to them." In 2006, the most recent year for which figures are available, gifts to United Way's on-the-job drives represented 58 percent of the nearly \$4 billion raised by United Way that year, a decrease from 63 percent in 2002. Gallagher says he would like that percentage to shrink even further.

Data from United Way of America confirms its desire to diversify its funding base. At the end of 2006, United Way of America reported \$3.98 billion in total dollars raised, with \$3.63 billion from its annual workplace campaign. For the 2009 campaign year, United Way reported aggregate revenue from contributions of \$3.85 billion, of which workplace campaigns accounted for 78.7 percent of the total contributions, or \$3.03 billion. Between 2006 and 2009, this represents a decrease of \$600 million raised from workplace campaigns.

It is also important to understand that United Way organizations collectively raised \$3.91 billion in 2001 and \$3.85 billion in 2009. In light of these figures and the decreasing revenue from workplace campaigns, the strategy to reduce the portion of United Way funding from the workplace is, in fact, happening. While United Way's strategy of diversifying its funding sources has not achieved an increase in revenue, it may be a necessary strategy given what appears to be the deteriorating appeal of United Way in the workplace. So unless charities can find other sources of revenue, \$600 million per year will likely continue to be lost through the decline in United Way workplace giving.

During a nine-year period, giving to United Way has lost market share as a portion of total U.S.

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Year	Total U.S. Giving (in billions)	Total United Way Donated Revenue (in billions)	Revenue from Workplace Campaigns (in billions)
2001	\$270.55	\$3.91	\$3.52
2006	\$303.31	\$3.98	\$3.63
2008	\$315.08	\$3.91	\$3.14
2009	\$303.31	\$3.85	\$3.03

giving and has also suffered from the continued erosion of dollars donated through workplace campaigns.

By all reports, over the past year the economy has had an impact on total U.S. giving, but the local results reported by United Way and individual company campaigns show mixed results. In the spring of 2010, the Consulting Network conducted a survey. Of the 35 responding companies, 53 percent reported increases in overall employee giving for the 2009 campaigns.

United Way reports that giving increased in several community campaigns, including Fargo, North Dakota, and Milwaukee, Wisconsin, but that other communities—such as Columbus, Ohio, and Austin, Texas—saw significant reductions in revenue.

Combined Federal Campaign

After campaigns with private corporate employers, the next largest player in workplace giving is the Combined Federal Campaign (CFC), which represents civilian and military personnel. A 2009 report shows that the 211 CFC campaigns raised \$282.6 million. The two largest campaigns are the CFC of the National Capital Area and the Overseas Campaign, which together represent 29 percent of the total amount raised in 2009; each raised \$66.5 million and \$15.6 million, respectively. Global Impact, not United Way, manages both campaigns, which achieved a 5 percent increase in revenue in 2009 as compared with 2008.

The overall trend for all CFC campaigns is that they now raise more dollars from fewer donors, which translates into a higher average gift per donor. Between 2000 and 2009, giving through CFC has increased 26 percent. Contrary to United Way experience, this suggests that the workplace is capable of increased revenue.

Competition for Workplace Access

Once CFC established an open workplace campaign for federal employees, federations and individual charities turned their attention to the private workforce. As a result of changes in the workplace and missteps by some United Ways regarding financial and fiduciary issues, the private workplace began to open access to new charities during the mid-1990s. And throughout the next decade, it continued at a quickening pace.

A key factor in opening private campaigns came during the early 1990s, when four major federations (America's Charities, Community Health Charities, EarthShare, and Global Impact) established a coalition to collaboratively promote and market open employee campaigns to the private sector. These four federations represented more than 400 qualified charities and aligned with issues of interest to most companies. Under the banner of Charities@Work, these federations promoted expanding workplace giving and provided support services to companies interested in new campaign models. A sample of companies where these federations are represented as partners include American Express, J.P. Morgan Chase, United Airlines, United Health, and Serco.

Individual charities such as the American Cancer Society, the American Heart Association, St. Jude Children's Research Hospital, the Salvation Army, and other national and regional charities have or are gearing up to more closely partner with companies and the private workplace. The American Heart Association and the American Cancer Society report having raised nearly \$20 million from employees in private workplace campaigns and have established joint marketing efforts to promote access to corporate employees.

Greater competition for access is also taking place at the community level. In the greater Washington, D.C., area, some agencies—which are leaving the United Way either because of

continued reductions in United Way allocations or because they are no longer funded by the local United Way—have formed their own competitive federation called Community First. Agencies have created similar coalitions or worked together in communities such as Austin, Orlando, Philadelphia, and Tampa to compete with United Way and to gain access to workplace-giving campaigns.

The Salvation Army, the Red Cross, YMCA, Boy Scouts, and other local affiliates and charities have decided to leave United Way as well. Given the reduced United Way allocations, many see independence from United Way as a better alternative. These organizations are free from United Way fundraising restrictions and other policies limiting the cultivation and solicitation of corporations, individuals, and other local funders.

Although there are no collective numbers, it is estimated that these federations, agencies and coalitions have raised in excess of \$100 million from private-workplace employees. As most companies expand employee choice in the workplace campaign, the assumption is that, over the next 10 years, this number will grow substantially. If United Way revenue from the private-workplace campaign shrinks at a rate of millions per year, those dollars will be available if campaigns are not open to worthy charities of interest to employees.

Corporate Response to the New Workplace-Giving Environment

Overall, corporate response to employees' interest in having more giving choice at the workplace has been positive. In the recent TCN survey, 75 percent of companies surveyed indicated that they conduct a giving campaign that provides employees with at least one other giving choice in addition to the United Way. Only 25 percent reported retaining the traditional United Way campaign, while 36 percent conduct open campaigns where employees can give to any qualified charity.

Those that have expanded their campaigns have done so as part of an overall branding of their employee-engagement programs. Others have redesigned their campaigns to provide a unified, company-wide look to their employee offerings and to give employees greater ownership in the approach and operation of the workplace campaign. Some

companies have designed campaigns that are more aligned with their core values or missions—health, environment, and global development, for example—or social issues that are close to a company's interests, such as education, workforce development, and economic development.

Regardless of what motivates companies to expand their campaigns, a few key matters lie at the heart of such decisions:

- Companies no longer see employee-giving campaigns as a separate activity run by an outside agent. Such campaigns are an integral part of an overall employee-engagement strategy.
- A workplace-giving campaign is an employee-company partnership to address social issues that affect both parties.
- It is not the role of a company or its management to tell employees which organizations to give to or how much to give. A company's role is to promote the value of giving and then let employees choose what is in their interest and capacity.
- Companies see employee campaigns as an opportunity to communicate important messages, to engage employees, and to build valuable relationships with employees that create a preferred place to work.

There are important implications to expanding a workplace campaign beyond the traditional United Way-style campaign. First is the relationship with United Way and the potential that funding for its programs may be reduced. The second is the role United Way will play in the campaign, such as serving as a fiscal agent or donor interface to collect and distribute employee contributions as directed by an employee. Each United Way has its own policies regarding how it will handle designations outside its group of causes and agencies. Some take a higher percentage as an administrative fee, others may require a minimum contribution by the employee, and in some cases, United Way will not process designated contributions outside its programs.

For a company with multiple locations, dealing with an assortment of United Way policies can be a challenge for its payroll deduction-processing operations. Other companies balk at higher fees and minimum-contribution requirements

A recent survey indicates that 75 percent of companies provide choice in their workplace-giving campaigns.

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for employees who choose to give to agencies not included in United Way. This situation has prompted more companies to rely on outside vendors to process funds for the employee campaign. Often, this represents an additional cost to the company, but most are willing to absorb the cost or to allow a modest processing fee to be subtracted from an employee's contribution. If a company uses a vendor to process matching gifts, it will often use the same vendor to process the workplace-giving campaign.

What Does the Future Hold?

Will workplace giving be part of the private workplace in the future? It is safe to say yes, in some form. That form may not rely on payroll deduction or an annual campaign approach, but allowing employees to collectively give at the workplace is sustainable because of the benefits it provides to a company, its employees, and charities and social causes. Some giving models couple events, team activities, and employee community projects that raise money outside the workplace campaign.

Today's technology and social networking also provide new avenues for employees to promote and support their favorite charities. Future technology will surely provide new opportunities to gather, rally, and encourage employees to give to worthy causes.

Several trends have emerged that support the value of workplace giving:

- Employees will continue to seek volunteer opportunities through the workplace.
- Increasingly, more companies will see the value in owning and branding their employee-engagement programs, including the integration of employee giving.
- As more companies come to value employee engagement, they will design campaigns open to more charities that reflect the interest of their workers.
- Technology will enable employees to have and manage their personal workplace-giving accounts.
- Companies can expect the future to bring greater competition for access to the workplace.
- National charities will develop strategies and resources to gain access to private workplace

campaigns and to support their local-affiliate organizations' capacity.

- United Way will see greater competition as emerging local and national federations seek their place in workplace campaigns and employees ask for more choice in giving.
- Employees will expect transparency and accountability from charities they support and will continue to designate their giving to charities with which they identify.
- Technology will enable employees to have giving accounts where they can deposit funds and allocate donations at their choosing.
- External service vendors other than United Way will provide employee and charity interface just as companies use service vendors to manage health care and retirement funds.
- Companies will be advocates for employee community engagement and giving and take a less active role in directing employees on how and when to give.
- New social and online giving will provide employees with alternatives to give directly, bypassing company-sponsored workplace campaigns.

It is a new era in workplace giving. New corporate approaches, United Way's Agenda for Community Impact approach, increased competition for access to workers, and "direct-to-charity technology" will keep this space dynamic for years to come. Gone is the one-model-fits-all workplace-giving campaign. Models that efficiently engage employees, promote the value of giving, and generate revenue for organizations seeking to address our most threatening social problems will emerge as the winners in workplace giving.

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