



Ireland

Critical Fundraising Report #1

Editor - Gaby Murphy
v1.1 July 2017

askdirect

ROGARE
THE FUNDRAISING THINK TANK

About Rogare

Rogare (Latin for ‘to ask’) is the independent think tank for the global fundraising profession.

We are the engine that translates academic ideas into professional practice, and we aim to bring about a paradigm shift in the way fundraisers use theory and evidence to solve their professional challenges.

Our main current research topics are:

- Fundraising ethics
- Relationship and donor-centred fundraising
- Beneficiary framing
- Professionalisation of fundraising
- Regulation of fundraising
- Gender issues in fundraising

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Suggested citation

Murphy, G (ed). (2017) *Critical Fundraising (Ireland) Report, v1.1*. London, UK: Rogare - The Fundraising Think Tank.

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About CFR reports

Critical Fundraising Reports are explorations of the issues and trends relating to particular areas of fundraising, providing a snapshot or barometer of the current important and critical issues in those fields.

Rogare produces three types of CFR reports, for:

- Types of fundraising, e.g. telephone, major gifts
- Issues in fundraising, e.g. ethics, regulation
- National reports.

The national reports aim to:

- Identify the key current and emergent critical issues and challenges in those countries
- Identify the knowledge gaps that exist in fundraising in those countries - these could be lack of theoretical knowledge (such as a paucity of ethical theory) or a lack of practical knowledge (such as not enough research on gender differences in giving)
- Outline any suggested, preferred or recommended courses of action - including recommendations for future research (NB these will only be outlines, not fully developed solutions).

Each national report follows a similar framework, allowing comparison between countries, but of course, each report only carries information that is relevant to that country, so not all reports will cover the same areas.

Each report begins with a SWOT and PESTLE analysis, from which some, though not all, of these factors are selected for further detailed analysis.

Critical Fundraising Reports are compiled and collated by members of Rogare's International Advisory Panel and others invited to work on these reports. The content of these reports therefore represents those factors and issues that members of these task groups consider relevant and important. These reports do not aim to be comprehensive, and there may well be issues that other people would have included.

However, the aim of these reports is to highlight trends, issues and challenges that general consensus would most likely suggest are the most important and topical issues that fundraisers in the country need to be aware of.

Critical Fundraising Reports are 'live' documents that will be regularly updated as new things appear on the radar and others drop off.

Finally, it should be borne in mind that Rogare focuses on theory and evidence, and trends and issues; Rogare is not a best practice body. Therefore, *Critical Fundraising Reports* are not guides on how to improve a particular piece of fundraising, whether that is a type of fundraising such as telephone fundraising, or something more wide-ranging such as regulation.

Rogare's aim is to get fundraisers thinking more about the kinds of theory and evidence they need to overcome the professional challenges they face, and so our *Critical Fundraising Reports* are designed to describe these challenges and highlight what kinds of knowledge fundraisers will need to meet them. 6

I am delighted that the first Critical Fundraising Report to be published looks at the challenges facing the fundraising profession in the Republic of Ireland. My huge thanks are due to Rogare International Advisory Panel member Gabrielle Murphy and the team of Advisory Panel members and co-optees she assembled to research, compile and write this report, as well as to Damian O'Broin, of Ask Direct, who agreed to launch this report at his annual Summer School in Dublin.

They have produce a report to an extremely high standard, which sets the bar at a high level for our subsequent CFR reports to match, but match it I am sure they will.



Ian MacQuillin
Director, Rogare -
The Fundraising Think Tank

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Introduction



Gaby Murphy
Chair of CFR (Scotland)
Task Ireland

The aim of this report is to identify and explore the main issues facing fundraising in Ireland today. This is the first report compiled by the Irish members of Rogare and presents an exploration of some of the current issues facing fundraising in Ireland today.

In line with Rogare's guidelines on the compilation of this report, we have sought to present evidence-based information and have addressed areas that the working group felt were issues for fundraising in general, not just for specific types of fundraising or personal 'hobby horses'.

Finding adequate evidence for some of the issues covered has proved a challenge. Indeed we have devoted a whole chapter on the problems caused by the lack of research and robust data in Ireland around fundraising practice and giving trends.

My sincere thanks must go to all members of the task group for the time and energy they put into creating this report. In identifying the key issues facing fundraisers in Ireland we sought input from a number of sources outside of the task group and we extend our thanks to Charities Institute Ireland (CII), The Wheel, Philanthropy Ireland and the Community Foundation for Ireland for their input. We also circulated a short survey to CII's heads of fundraising group to seek their input into the key concerns and issues they were facing.

Of just over 50 recipients, we received seven replies, so the sample was small, but consistent and nevertheless informative. We recognise that the scope of the report is limited and it should be noted that we did not consult with the education, arts and culture, or sports fundraising sectors, limiting our focus to the charity sector only.

Perhaps most notable from this report is that, with the exception of the new European regulation on data

protection (General Data Protection Regulation - GDPR) and recent media developments, all of the other issues have been around for at least 10 years, if not longer.

Despite some progress in areas such as charity regulation and governance, and the promotion of Irish philanthropy, as a sector we have not made huge strides in addressing many of the key issues: in fact we may perhaps even be moving backwards in some areas, such as the education and training of fundraisers.

We hope that this report will spark not only debate but joint and collaborative action across the sector, perhaps even a round table discussion that reviews the issues raised in this report (and others that may not have been covered).

Certainly the compilation of the report raised questions around whether we need a sector-wide strategy and prioritisation of the key issues for fundraising that we can work to address over the next three-to-five years. Perhaps greater levels of discussion and collaboration may be needed across the sector if we are to address the key challenges faced by Irish fundraisers. ⑥

Task Group members

Rogare International Advisory Panel members

Gabrielle Murphy (chair)
Damian O'Broin
Simon Scriver
Colin Skeehan

Co-opted members

Bruce Clark
Aoife Garvey
Seamus O'Conghaile.

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Executive summary

Following PESTLE (Chapter 4) and SWOT (Chapter 5) analyses of Irish fundraising, we identified what we felt were some of the major issues facing fundraising in Ireland today. We have set out the issues and proposed recommendations for dealing with each issue below and further information on each section can be found in Chapters 6.1-6.7.

1 The fundraising profession in Ireland

There is a lack of skilled/trained/experienced fundraisers across the profession in Ireland, with attendant difficulty in recruiting and retaining staff, not just into roles, but within the profession itself.

Recommendations

1. Establish a professional body specifically for fundraisers, as exists elsewhere, as a useful step toward increasing professional autonomy.
2. Research career opportunities and bottlenecks to understanding how and why people leave the sector.
3. Continue to develop and engage with a coherent body of knowledge and evidence – and bolster opportunities for continuous self-development.

2 Low levels of philanthropy and planned giving

Philanthropy and other forms of planned giving remain at low levels in Ireland when compared with the UK, the US and many other European countries.

Recommendations

1. Charities must combine their efforts to lobby for greater tax incentives for legacy gifts and major charitable gifts.
2. Find the right people to engage with major donors during a renewed period of economic buoyancy.
3. Re-visit tax incentives.
4. Learn from the social enterprise sector in terms of demonstrating and reporting the impact of donors' gifts.
5. More research data on the effectiveness of major gift initiatives is needed.
6. The charity sector needs to engage more actively with investment managers and advisors in a strategic way.

3 General Data Protection Regulation

The GDPR imposes significant new responsibilities and requirements on charities in relation to how they manage their data, and introduces substantial penalties for failure to comply with the new rules. This has potentially major implications for how charities approach and engage in data-driven fundraising.

Recommendations

1. The fundraising sector should engage with the Data Protection Commissioner to produce an agreed code of practice for charities that cements legitimate interest as a basis for direct marketing.
2. Charities need to clearly communicate with donors to spell out exactly how they process their data and provide donors with simple, clear means to opt out of any processing they are unhappy about.
3. Charities should invest in appropriate training for all relevant staff to ensure they understand GDPR and can manage and implement new regulations, policies and procedures.

4 Fundraising and financial regulation

There is a lack of fully-enforced fundraising regulation in Ireland: there are no established codes of fundraising practice; Guiding Principles are voluntary and under-subscribed; and there is low compliance with Charity-SORP accounting standards.

Recommendations

1. The Fundraising Codes of Practice need to be adopted, promoted, training provided and practical systems for monitoring, evaluation, enforcement and, where necessary, revision put in place.
2. All fundraising professionals, not just those whose employers are CII members, need to be consulted and represented so that they can input into and buy into this process.
3. Fundraising codes of practice need (CoP) to sit within a regulatory framework that comprises actual legislation and regulations, as well as guidelines from the regulator and the individual CoP developed by the sector.
4. For Charity-SORP to gain more traction and to become an effective tool for building confidence in charities, it needs to be understood outside the accounting

profession – not just by trustees, management and fundraisers within charities, but in simple terms by donors and the wider public, perhaps through a quality mark.

5. The law needs to be updated to prevent charities from availing of the exemption under the Companies Act, which allows them to produce abridged accounts. Ultimately, Charity-SORP needs to become a legal requirement for charities, with requirements proportionate to size.
6. The non-cash provisions of the Charities Act need to be amended to reflect the reality of Garda resources – and/or transfer licensing to adequately-resourced public bodies.
7. More work and funding needs to be put into promoting and resourcing the adoption and implementation of the Guiding Principles of Fundraising, Governance Code and Charity-SORP, particularly among the remaining charities with significant fundraising operations, cognisant of the dangers to the sector as a whole of further charity scandals.

5 Media relations and public perception of giving

Media relations work in conjunction with the public's perception of fundraising. A desire from the public to know more about the governance and expenditure of charitable organisations will lead to more coverage of this in the media. This coverage, or the investigations led by the media, will then influence what the public think and subsequently their support of charities.

Recommendations

1. Charities have to play their part in opening their accounts to the public a making the information easily digestible to the public for interpretation.
2. Charities need to be vocal about challenging the negative perceptions held by the public.
3. Supportive bodies such as Charities Institute Ireland and the Wheel need to represent the sector and challenge the wider perceptions of giving and celebrate the successes. It is these organisations that are best placed to challenge the media and bring the sector together as one unified voice.
4. Charities need to address fears and concerns from the public in everything that they do, at every touchpoint possible. A constant flow of transparent messaging will reassure donors and help protect fundraising income.

6 Lack of evidence and research about fundraising and giving

At present in Ireland there is a lack of evidence and research about the Irish fundraising sector. The Irish fundraising sector is faced with a scenario whereby we know very little about trends in giving behaviour.

Recommendations

1. The charity sector needs more transparency: operating in a poorly regulated environment for too long has led to several high profile scandals and erosion of public trust in the sector.
2. There is little or no academic research available about Irish fundraising. The Charities Institute Ireland, following on from Fundraising Ireland, still provides fundraisers with the opportunity to undertake a Certificate or Diploma in the area. However, there is perhaps a need for some of the larger third level institutions to provide courses.
3. Establish a programme to benchmark nonprofits' fundraising performances to produce better metrics and insight.

7 A crowded sector and the risk of market saturation

With a growing number of nonprofits in Ireland, the fundraising market is at risk of becoming saturated. Some members of the charity sector, media, politicians, and the general public assert that there are too many charities duplicating work and too many organisations asking for money. Fundraisers fear this may cause market saturation, compassion fatigue and have a negative impact on fundraising results.

Recommendations

1. Organisations should consider looking to donor retention and maximising the value of their current supporters rather than investing in acquisition.
2. We must acknowledge that the charity sector is competing with the private sector and their sales of goods and services. By raising the standard of fundraising through training (and the other suggestions in this report) we can widen the market and defer saturation.
3. Professional bodies and state agencies need to provide support and advice to new charities and those considering forming charities so as to reduce duplication. Existing charities should consider how they could diffuse impulses to set up 'competing' charities and instead motivate potential founders to support existing fundraising efforts. ❹

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PESTLE analysis of fundraising in Ireland

Political

Charities Regulatory Authority and fundraising codes of practice

- In response to a number of high profile charity scandals in 2013, the Irish government introduced a Charities Regulatory Authority in 2014, which has changed the regulatory landscape of charities in Ireland. All registered charities must report annually to the CRA.
- Organisations that qualify for charitable status are expected to comply with the Statement of Guiding Principles for Fundraising. Currently however, only a small number of organisations engage with these voluntary measures. Ambiguity still exists, as the Revenue Commissioners do not require an organisation to be incorporated before granting charitable tax exemption.
- There are still no codes of best practice in fundraising developed by the sector in Ireland. The Statement of Guiding Principles offers only broad guidelines and is voluntary.
- While in the UK, SORP is mandatory, in Ireland it is not. A recent analysis of nearly 8,000 organisations showed that 91 per cent of these did not use SORP standards in 2014 (Benefacts, 2016). Those that did adopt SORP were subsectors with high reporting standards, notably international and health organisations.

Political instability and Brexit

- The current coalition government is unstable and with the election of a new leader of Fine Gael in June 2017 there may be a general election in the coming months.
- Brexit is causing a large degree of uncertainty and falling sterling values have already had a negative impact on the Irish economy. population share, which is 8.3 per cent.

Changes in data protection legislation

- The new European General Data Protection Regulation (GDPR) is causing uncertainty among many fundraising organisations, with a lack of clarity to date on what the full implications of the code will be.

Competitive tenders for government funding

- There has been a move away from grant funding for services by central and local government, towards a tender based system for awarding government contracts. This has meant that charities now have to compete with other service providers, including private companies, for much of the available government funding. As government funding sources account for 49 per cent of all income to the charity sector in Ireland, the knock on effect from this change may have a significant impact on the sector if charities are not able to operate effectively in a competitive environment.

Economic

Positive economic outlook

- Overall there is an upswing in the economy in Ireland, which is good news. The most recent disposable income survey has shown a rise of 6.2 per cent (Central Statistics Office of Ireland 2016).

Brexit and instability of ste

- Brexit has led to a number of charities, particularly those raising funds overseas, to lose substantial revenue due to foreign exchanges losses. It is as yet unclear what impact Brexit may have on the corporate sector in Ireland, but there is a risk that some international businesses may re-locate. This could potentially have a negative impact.

Corporation tax and international competition

- Pressure is mounting internationally in many countries for a levelling out of corporation taxes. The Trump administration in the US is considering reducing corporate tax and many European Union members are lobbying for a single corporation tax across all EU members. Ireland's 12.5 per cent corporation tax is its major attraction to foreign investors and the reason many international companies locate their EMEA headquarters here.

Postal Service

- Postage costs rose in April from €0.72 to €1 for domestic 1st class letters and there is instability in the postal service in Ireland. This will have a significant impact on those charities that are heavily reliant on direct marketing and could pose future threats to the viability of this type of fundraising.

Social and cultural

Ireland is becoming a secular and multi-racial society

- Ireland continues to see a decline in the Catholic church and in the number of people attending church. As Irish society becomes increasingly secular, it is not known what impact this may have on giving, as religion has to date been a key driver in many people's motivation to give.
- Irish society is becoming more diverse and more multi-racial (Central Statistics Office of Ireland 2016)..

Charity scandals and falling trust

- As in the UK, the Irish charity sector has been dogged by scandals over the last few years and there has been some negative publicity. However, unlike in the UK, the scandals have predominantly been related to poor governance and focused on salaries of senior staff in a number of charities, rather than on fundraising practice. The result of these articles has been a decrease in trust in charities among the general public.

Lack of stability in the housing market

- Housing shortages and spiralling house and rental prices have an impact on people's disposable income and their ability to donate.

Splintering of the media

- There is a splintering of media, both print and broadcast media, which means it is more challenging for any organisation (charity or commercial) to get its message across.

Technological

Use of mobile

- There is a continuing increase in the use of mobile, online and digital platforms among the general population but no statistics are available showing whether Irish charities are increasing digital fundraising in line with changing consumer.
- Given the double opt-in required by the Data Protection Commissioner, SMS fundraising has not proved to be a profitable source of revenue for many Irish charities.

Single Euro Payments Area (SEPA)

- There is a move from cash to cashless donations.
- SEPA changes have impacted on direct marketing income due to increased processing fees.

Environmental

(We interpreted this as the wider fundraising environment.)

Skills shortage among fundraisers

- Anecdotally, there is a lack of the broad skills base among fundraising professionals in Ireland that would be required for a buoyant fundraising sector. This is borne out by some evidence and the difficulties encountered by many organisations when trying to recruit effective fundraisers at all levels.
- There is high turnover among fundraisers, again anecdotally, with a belief that high numbers of people are leaving the profession and organisations are failing to attract people into the sector in any great number. Evidence and studies on the size and scope of the profession in Ireland are close to nonexistent however, so it is currently difficult to verify the exact scale of the problem.

Relatively low levels of charitable giving

- With regards to charitable giving, a McKinsey study in 2009 (McKinsey 2009) showed that in terms of percentage of income donated, Ireland ranks well below the US and below many of its European counterparts, including Sweden, Switzerland and the UK, where people donate at least one per cent of their disposable income compared to the Irish figure of 0.8 per cent. The UK figure is 1.2 per cent. I
- A recent survey showed giving levels at €183 per capita, half of UK giving levels and four times less than the US (2into3 2016). These figures should be treated with caution as the sample size for this report was small. 6

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SWOT analysis of fundraising in Ireland

Ireland's charity sector is a large and diverse sector and plays a major role in life in Ireland. According to Benefacts.ie¹ there are 19,505 registered nonprofit organisations (40 per cent of them registered charities), employing at least 149,360 people and turning over €10.9bn, of which €5.6bn comes from non-government sources, including €725m which is fundraised (Benefacts 2017). Of those nonprofits for which financial income data is available for 2015, 35 per cent report total income of €50,000 or less. Another 44 per cent had a turnover of €50,000-€500,000, nine per cent reported a turnover between €500,000-€1m, and 12 per cent had a turnover in excess of €1m. It is estimated that 500,000 people volunteer annually for various charities (Dept. for the Environment, 2012). All charitable organisations are legally required to be registered with, and to report annually to, the Charities Regulator. The Charities Regulator has established a Public Register of Charities where information on all registered charities is available.

Strengths

- Irish people do give to charities. Unfortunately, there is little robust data available to indicate how much and how we compare internationally (although some research indicates we give significantly less than the UK or the US).
- The fundraising sector is small and there is good collaboration between fundraisers across the sector. Formal groups, such as Fundraising Ireland (now Charities Institute Ireland), the Wheel and MyLegacy.ie, as well as informal groups such as the Direct Marketers Forum, have all fostered good collaboration among fundraisers.
- There are some leading Irish fundraisers who play an important role in international thought leadership and speak at conferences around the world.
- Ireland is an English-speaking country, which allows access to a broad knowledge base about fundraising and the sharing of information and best practice with other more developed English-speaking fundraising countries.
- After years of lobbying, a Charity Regulator is now in place and all charities are required to register with and report to this body

Weaknesses

- Whereas fundraising is on the academic agenda in the UK (e.g. in Plymouth University, led by Prof Adrian Sargeant, and The University of Kent, led by Dr Beth Breeze) formal academic research into, or training on, fundraising is nonexistent in Irish universities. Formerly, Fundraising Ireland offered a Certificate and Diploma in Fundraising. These courses were accredited by the European Fundraising Association, with content developed by Professor Adrian Sargeant and Stephen Pidgeon. The courses included a number of sessions throughout the year, with assessment via a number of relevant, practical and demanding assignments on each, and a three-hour examination on the diploma. These have been replaced by a number of modular seminars. Although the Certificate in Fundraising still remains and there is increased teaching time, the assessment is now conducted by way of a brief multiple choice exam at the end of each one-day module.
- There is no longer a professional body for fundraisers in Ireland. Fundraising Ireland has been replaced by Charities Institute Ireland (CII), which has a much broader remit to represent the charity sector as a whole. With professional development for fundraisers as only one part of the remit of CII, much of the focus on upskilling the profession and providing networking and shared learning opportunities among fundraisers has been lost.
- There are still no codes of fundraising best practice in Ireland, although it is understood that CII is near completion on these codes. Nor is there a formal code of ethics which fundraisers are required to adhere to, although the Guiding Principles recommend ethical forms of fundraising.
- There is a serious lack of up-to-date research and data relating to fundraising or giving in Ireland. Little research is carried out and there is just one

benchmarking study on fundraising, which itself states that its sample is too small to arrive at any definitive conclusions.

- The small size of the Irish fundraising market makes it difficult to test and analyse scale-based fundraising initiatives.
- There are very few organisations that take a structured approach to major giving. Philanthropy in general is under-developed in Ireland, with the exception of a handful of high profile philanthropists.
- In 2012 there were only 30 active grantmaking foundations in Ireland – compared to more than 8,000 in the UK – which is significantly behind the European average per capita (Dept. for the Environment, 2012).
- Recent government backed attempts to increase national giving have not led to any significant upturn in giving.

Opportunities

- The Irish fundraising market is not a mature fundraising market, which presents a number of opportunities to Irish fundraisers. It has not yet been over-saturated like the UK market and certain areas, such as major gifts and philanthropy, remain under-developed.
- Levels of planned giving are low. Approximately 15 per cent of donors in Ireland give in a regular planned fashion compared to 36 per cent in the UK (Dept. for the Environment, 2012).
- There is an untapped major donor and legacy market. The top 400 earners in Ireland account for 10 per cent of the tax-deducted charitable giving. In Germany, the UK and the USA, the top income earners account for more than 30 per cent of private donations (McKinsey, 2009).
- Ireland is currently re-entering a period of economic buoyancy, which is an opportunity for the fundraising sector, if charities can find the right people with the right skills to exploit this opportunity fully.

Threats

- Continuing economic and political uncertainty, with Brexit and potential changes to the national government in Ireland.
- Uncertainty around GDPR implementation is of concern and may pose a threat to the future profitability of certain types of direct fundraising.
- The media continues to be hostile to the sector and ‘lazy’ journalism in some cases means that issues are not robustly researched.
- Ongoing poor governance in some organisations means that there is a potential for future scandals, which could have a negative impact on the broader sector.
- Anecdotally, morale appears to be low within the fundraising sector. The difficulties in finding qualified staff mean that often teams are under-staffed and over-worked. Recurring issues in the media and scrutiny of fundraisers’ salaries may also have had a negative effect on morale.
- A lack of consolidation across the sector means that there continue to be a large number of small charities, with over 50 per cent raising less than €100,000 a year (2into3 2016). This means that the sector continues to be highly fragmented. ❹

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6.1

The fundraising profession in Ireland

Colin Skehan

Problem statement

There is a lack of skilled/trained/experienced fundraisers across the profession in Ireland, with attendant difficulty in recruiting and retaining staff not just in roles, but within the profession itself.

Description of the issue

The experience of this working group, along with feedback from heads of fundraising polled in preparation for this national report suggest the above, while some evidence supports the idea. Charity Careers Ireland (CCI) surveyed the sector in 2014 finding that fewer than one in five fundraisers had a vocational qualification in fundraising. This suggests fundraising lags not only behind more established professions, but behind our peers in the UK, where roughly 40 per cent of the members of the UK's professional body hold a professional fundraising qualification (MacQuillin, 2017).

Evidence is scarce on the size of the profession or typical tenure of fundraisers but the same report finds that more than half of those polled have been in their current post for less than two years, while one-third expect to move job in the next year (Charity Careers Ireland 2014). More research is needed to place this in its proper context against the wider market and other professions, but this lends weight to a picture of limited training and transience.

What motivates us at work?

To help us get the right people on the fundraising bus, let us consider what motivates people at work generally.

In his 2009 book *Drive: The Surprising Truth About What Motivates Us*, Daniel Pink considers evidence and theory from a number of eminent thinkers from the behavioural sciences and the business world. He finds that a consideration of intrinsic motivation is crucial for the type of complex, creative work typical of fundraising. More on that in a moment. First, consider baseline rewards. The starting point is to ensure that wages, salaries, benefits and so on are adequate and fair, particularly in comparison with peers in similar positions. Without a healthy baseline, motivation of any sort is often impossible at work. (Pink 2010, p34).

It is reasonable to think that fundraisers will compare

their financial situations with those of peers in the private sector. For instance, in our commercial cousin marketing, evidence suggests the grass is substantially greener for comparable positions. In 2014 a typical salary for a director of fundraising was found to be €67,000 (Charity Careers Ireland, 2014), while the typical salary range for a director of marketing was €100,000 to €160,000 in the same year (Brightwater P32 2014).

If we struggle to compete with other professions financially, this increases the onus on appealing, as a profession, to the intrinsic motivations of fundraisers. Edward L. Deci and Richard M. Ryan (Ryan and Deci 2000), psychologists at the University of Rochester, originated 'self-determination theory'. This states that "human beings have an innate drive to be autonomous, self-determined and connected with one another. And when that drive is liberated, people achieve more and live richer lives" (Pink 2010, p73). While American psychologist Douglas McGregor's theory of intrinsic motivations assumes work is as natural for human beings as rest or play, that creativity and initiative are widespread and that if people are committed to a goal, they will actually seek responsibility (ibid, pp18-21).

Building blocks for intrinsic motivation: autonomy, mastery and purpose

The fundamentally autonomous quality of human nature is central to self-determination theory. Deci and Ryan cite autonomy as one of three basic human needs, and of the three, it's the most important.

The work of Carol Dweck, a psychology professor at Stanford University, finds that mastery is a mindset: a view where intelligence is not a fixed trait, but something you develop. Incremental theorists believe ability is malleable; they see working harder as a way to get better (ibid 2010, pp73, 120-125).

Plymouth University professors Adrian Sargeant and

Jen Shang also note, in their Great Fundraising report, the importance of an organisational learning culture in successful fundraising organisations (Sargeant and Shang 2013).

Pink reflects that autonomous people working toward mastery perform at very high levels. But those who do so in the service of some greater objective can achieve even more. The most deeply motivated people – not to mention those who are most productive and satisfied – hitch their desires to a cause larger than themselves. As psychologist Mihaly Csikszentmihalyi says: “Purpose provides activation energy for living.” Indeed, Pink notes how often we leave more lucrative jobs to take lower-paying ones that provide a clearer sense of purpose (Pink 2010, pp28, 134). I know I did – and you may well have too..

Fundraising as a profession

In Ireland, as elsewhere, the path is no clear from school into the hallowed halls of a fundraising office. Again and again we hear how fundraisers stumbled into their roles (I learned how to make cartoons in college!). The fundraisers surveyed by CCI came from the marketing sector primarily (19.8 per cent), with events management (15.4 per cent), sales (12.3 per cent) and administration (9.9 per cent) rounding out the most common background (Charity Careers Ireland 2014). As of now, formal knowledge of fundraising is not necessary to become – or remain – a ‘professional’ fundraiser in Ireland.

So, many fall into fundraising with relatively little barrier to entry. This brings to mind professor of psychology Robert Cialdini who writes, citing examples including some very gruelling initiation rites from around the world, that those who “go through a great deal of trouble or pain to attain something tend to value it more highly than persons who attain the same thing with a minimum of effort” (Cialdini 2007). While I am not suggesting the hazing of prospective fundraisers, fun as it might be, it may well be that it is psychologically easier to leave a career when you haven’t invested years in a directly relevant degree, for instance, especially if you entered fundraising from a different career, to which you may easily return.

And, indeed, is fundraising a true profession at all? A recent paper (MacQuillin 2017) from the think tank Rogare recently opened this discussion (or can of worms?). In it, Rogare’s director Ian MacQuillin examines broad methods of classifying occupations as professions.

To quote this paper: “The traditional way is through a stipulative definition of ‘professionhood’ that assesses the prospective profession against qualifying criteria, such as whether it has a code of conduct or a professional body. This is called the ‘sociological approach.’”

6 | *In Ireland, as elsewhere, the path is no clear from school into the hallowed halls of a fundraising office. Again and again we hear how fundraisers stumbled into their roles.*

The paper then looks at one of the first attempts at a sociological approach to considering whether fundraising qualified as a profession by Robert Carbone (1989), who considered the essential components of a profession

of fundraising to be:

- Autonomy
- Knowledge of fundraising principles
- Self-regulation
- Career commitment
- Service to a higher cause
- Advocating and monitoring ethical behaviour.

MacQuillin then describes the similar approach of James A. Donahue (1995), who argued a profession:

- is engaged in a social service that is essential and unique
- possesses a high degree of specialised knowledge
- possesses the ability to apply a special body of knowledge
- is part of a group that is autonomous and claims the right to regulate itself
- recognises and affirms a code of ethics
- exhibits strong self-discipline and accepts personal responsibility for its actions
- is committed to and has a concern for the communal interest rather than the self
- is more concerned with services rendered than with financial rewards.

The building blocks of intrinsic motivation feature clearly: autonomy/self-regulation are cited in both; as is mastery (“high degree of specialized knowledge”, and “ability to apply it”); and sense of purpose (“service to a higher cause”, “a concern for the communal interest rather than the self”). So let us consider how fundraising fares against these ‘motivational’ metrics of professionhood.

How do we fare on professional autonomy?

Measured against a sociological definition, fundraising’s claims to professionhood often falls short. Problems associated with not being seen as a profession are that fundraisers are treated with a lack of professional respect, and are viewed as employees who are told what to do, rather than specialists whose advice on matters of income generation is sought (MacQuillin, 2017).

Does a lack of autonomy and disrespect of the discipline contribute to staff attrition? Anecdotal evidence for these frustrations is rife. Simone Joyaux’s foreword to the same paper (ibid) will resonate with many readers:

“Too often, I’ve seen board members and CEOs insist their own opinions (and power) trump the fundraiser’s knowledge. These same leaders wouldn’t talk that way to an accountant or a brain surgeon...or even a building contractor. This common disrespect harms nonprofits and beneficiaries and our communities. The contempt for fundraising and fundraisers demeans our value and commitment.”

Professional autonomy as measured against sociological definitions?

In 2016 Fundraising Ireland, the professional body for fundraisers, merged with Irish Charities Tax Reform Group to form Charities Institute Ireland (CII). CII is a membership body for nonprofits rather than fundraisers. Its broader remit includes “good governance, best practice fundraising and transparent financial reporting” delivering worthwhile training, advocacy and a collective voice for charities in Ireland (Charities Institute Ireland 2016).

CII serves this broader remit well and is also the only organisation delivering accredited vocational training for fundraisers in Ireland in the shape of the Certificate in Fundraising (on which I teach from time to time) and the forthcoming Diploma in Fundraising. However, there is, technically, no longer a dedicated professional body for fundraisers. And this harms claims to professionhood under a sociological definition.

Purpose – our ace in the hole?

Writer Sylvia Hewlett found in her research into motivations of baby boomers and millennials (whom we’re trying to attract into the fundraising profession at present) “neither generation rates money as the most important form of compensation. Instead they choose a range of nonmonetary factors – from “a great team” to “the ability to give back to society through work.” (Pink 2010, p135). Indeed there is also evidence that a brief chat with a beneficiary – connecting a fundraiser with their purpose – can have a lasting impact on motivation.

In a 2007 study, a team of researchers at the University of Michigan arranged for one group of call centre workers to interact with the scholarship students who were the recipients of financial support. This was just a five-minute session where the workers were able to ask the student about his or her studies over the next month, but that chat made a big difference. The call centre was able to monitor both the amount of time its employees spent on the phone and the amount of donation dollars they brought in. A month later, callers who had interacted with the scholarship student spent more than twice as long on the phone, and brought in vastly more money: a weekly average of \$503.22, up from \$185.94 (Wharton School 2010).

Implications

Accepting that the profession in Ireland cannot compete salary-wise with the private sector, the fact that we fall down in two of the three pillars of intrinsic motivation – the areas of professional autonomy and mastery – becomes even more important. To address this, it will be useful to consider where we don’t meet the definitions of professionhood under sociological measures and how to bridge these gaps.🔗

Recommendations

1. While non-profit membership and umbrella groups doubtless do dedicated and crucial work providing what opportunities do exist for fundraising training, would a professional body specifically for fundraisers, as exists elsewhere, be a useful step toward increasing professional autonomy?

2. There is little evidence on the scope and shape of the profession in Ireland. A study of career opportunities and bottlenecks could be instructive in understanding how and why people leave the sector. It would be interesting to examine, in a future report perhaps, whether there are clearly defined paths of career progression for fundraisers in Ireland, and how they might differ when we compare the small number of larger, more established charities with the many thousands of smaller non-profits in Ireland.

3. We must continue to explore how we can further develop and engage with a coherent body of knowledge and evidence – and bolster opportunities around growth and continuous self-development. To do this, we should encourage our colleagues to avail of such formal opportunities as the Certificate and Diploma in Fundraising in the short term. Perhaps we should begin to require these qualifications when recruiting for certain fundraising roles. Beyond that, we will need to continue to connect with what research and educational opportunities there are around the world, including via international organisations such as Rogare. And, when it comes to the concept of mastery, we would do well to consider the Great Fundraising report’s finding that successful teams were consistently offered opportunities for personal self-improvement in their roles, e.g. the provision of career development or training in areas such as leadership, problem solving, communication, negotiation, conflict-management, and coaching as well as access to mentorship opportunities (Sargeant and Shang 2013).

4. Regarding sense of purpose it’s clearly arguable that this is our current USP, but we would do well not to take that for granted. Just as we must connect donors with their impact, in real, human terms it would be wise to consciously and repeatedly connect our fundraisers with the issues and people who benefit from their labours – and reap the motivational rewards.🔗

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Notes

- 1 With thanks to Charities Institute Ireland who very kindly helped us reach their membership to conduct the relevant survey, and for sharing information regarding the Certificate and Diploma in Fundraising.

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Suggested citation

Skehan C. (2017). *The fundraising profession in Scotland*, in Murphy, G (ed). *Critical Fundraising (Ireland) Report, v1.1*. London, UK: Rogare - The Fundraising Think Tank.

6.2

Low levels of philanthropy and other forms of planned giving

📍 Gabrielle Murphy

Problem statement

Philanthropy and other forms of planned giving remain at low levels in Ireland when compared with the UK, the US and many other European countries (Dept. for the Environment 2012). Longer term giving often takes second place to more traditional social or spontaneous methods of giving. This may have an impact on charities due to the short-term nature of this type of giving. It also has implications for donors and their ability to maximise charitable impact by making considered, long-term and, in some cases more tax-efficient, gifts.

Description of the issue

This chapter will examine how philanthropy and other forms of planned or longer term giving, such as regular giving and legacies remain relatively under-developed in Ireland.

Philanthropy is defined here as a particular kind of charitable giving that focuses on the root causes of problems and on making a sustainable improvement, rather than contributing to immediate relief.¹

Philanthropic gifts, regardless of size, are often given with a degree of reflection and a clear purpose, rather than spontaneously

Low levels of legacies and planned giving

The Irish fundraising market is not yet a mature fundraising market, when compared to its closest neighbour, the UK. Levels of planned giving are low. Approximately 15 per cent of donors in Ireland give in a regular planned fashion compared to 36 per cent in the UK (Dept. for the Environment 2012). There is also a relatively untapped legacy market. The latest research on legacy giving (Amarach Research 2016) commissioned by MyLegacy² showed that only 30 per cent of Irish people have made a will and of those only 12 per cent plan to leave a gift to charity in their will. This figure is comparable to Scotland but lower than legacy giving rates in England, with 16.5 per cent of English respondents saying that they plan to leave a gift in their will to charity (Smee and Ford 2015).

Trusts and foundations

In 2012 there were only 30 active grantmaking foundations in Ireland compared to more than 8,000 in the UK. With only 0.7 charitable foundations in Ireland per 100,000 inhabitants, the number of Irish foundations lags far behind the European average of about 20. Ireland

If Ireland continues to lag behind other countries in terms of philanthropy and planned giving, fundraisers will continue to rely on less cost-effective forms of fundraising, such as direct marketing and community fundraising.

6 *The closure of the two largest grant giving foundations in Ireland has had a significant impact. This gap has not yet been filled by the new generation of philanthropists. Although research and specific data is once again lacking in this area, the hundreds of applications received by organisations such as the Ireland Funds show that there is huge competition to win funding from the very few grant giving philanthropic organisations.*

would need 857 grant giving foundations to match the European average (Dept. for the Environment, 2012).

By 2015 there were 32 grantmaking philanthropic bodies in Ireland. Only three of these (the Community Foundation for Ireland, the Ireland Funds and the Atlantic Philanthropies) gave more than €5 million in 2015. Four other foundations spent more than €1 million but less than €5 million in 2015 and 25 foundations spent less than €1 million (Benefacts 2017).

Despite these low levels, there have been some major champions of Irish philanthropy over the last 10-20 years. The above-mentioned Community Foundation for Ireland was established in 2000 to be a driver of philanthropy across the country. Over its first 15 years it built up an endowment of €40 million and has given more than €30 million to community groups and charities. One focus of the Community Foundation is to make giving as easy as possible, and as such it hosts a number of private, family and company charitable trusts.

Another champion of Irish philanthropy is The International Ireland Funds. The Ireland Funds has been a leading player on the global stage of philanthropy for the last 40 years, raising more than \$550 million from across the international Irish diaspora for projects in Ireland and beyond.

Philanthropy Ireland is another organisation that is working to promote a culture of philanthropy in Ireland, regularly hosting talks and giving events and encouraging more Irish people to consider the benefits of philanthropy. However, despite the notable efforts of the above-mentioned organisations, philanthropy is still relatively under-developed in an Irish context.

The closure of the two largest grant giving foundations in Ireland has had a significant impact. Atlantic Philanthropies, which gave more than €1 billion to projects in Ireland since 1990 and the One Foundation which gave more than €40 million since 2004, have both spent down their investment and exited the Irish market in the last few years.

This gap has not yet been filled by the new generation of philanthropists. Although research and specific data is once again lacking in this area, the hundreds of applications received by organisations such as the Ireland Funds show that there is huge competition to win funding from the very few grant giving philanthropic organisations.

Major gift and legacy fundraising by charities

There is insufficient data to give a clear picture of the level in which charities in Ireland are working to engage philanthropists and major donors in their work, but given that more than half of all charities in Ireland raise less than €100,000 a year, it is unlikely that charities within this segment have a structured major gift programme. Just 11 per cent of charities have income of more than €1 million and these are more likely to engage in major gift fundraising (Benefacts 2016).

The most recent fundraising survey (2into3 2016) showed that, of those who responded with detailed information on their fundraising mix, only 5 per cent of total income came from major gifts and 10 per cent from legacies. However, the sample size of 24 was not significant to draw any robust conclusions. In total, just three per cent of charity income in Ireland comes from legacies and less than one per cent from major gifts, although this latter figure may be under-reported (ibid 2016).

Philanthropy and the tax environment

One major reason for the low levels of philanthropy in Ireland may be the unfavourable tax environment, compared to the UK or the US.

Most countries offer incentives for charitable donations at 100 per cent of the income tax rate (whether that is the lower or the higher rate of tax) and the donor and/or the charity can then claim or be exempt from 100 per cent of the tax that has been paid or would be paid on the amount donated (Charities Aid Foundation 2016). For example, while in the UK the incentive on a £5,000 donation is 100 per cent of tax paid on that donation (even if it's at the highest tax rate), in Ireland for a gift of the same level the incentive is 78 per cent of the tax paid at the higher rate. The UK also operates a Gift Aid scheme where this incentive is split between the donor and the charity whereas in Ireland only the charity receives the benefit of the incentive (ibid, p38, 84).

Ireland is also unusual in that it places both a cap (€1 million) and a minimum threshold (€250) on charitable giving that is available for tax relief in any one year. This is not the case in the UK.

For legacy donations, the UK offers a specific incentive – where 10 per cent or more of an estate is donated there is a four per cent reduction on the tax paid on the entire estate. In Ireland no such incentive exists.

In addition, corporate donations in Ireland are deducted at the corporation rate of tax, whereas in the UK corporate donations are deducted from total profits before tax.

Social entrepreneurship - a new way of investing for the long term in the social sector

It is worth also mentioning within the context of this chapter on philanthropy that the rise in social entrepreneurship and social investing in Ireland. Organisations such as Social Entrepreneurs Ireland, which has invested €6.7 million into 204 social enterprises since 2004, provide an alternative to traditional charities for those donors interested in longer-term investing and in funding start up organisations that take a fresh and innovative approach. Social Entrepreneurs Ireland has attracted funding from major corporate sponsors, such as Ericsson and Diageo, as well as from wealthy individuals.

Perhaps one benefit that social enterprises have over traditional charities is that they are very focused on impact and cost efficiency, which may appeal to many philanthropists. Other organisations that have traditionally funded the charity sector, such as the Ireland Funds, are moving increasingly towards social enterprises, which may well be due to their ability to demonstrate impact and effectiveness.

New organisations such as the Social Finance Foundation and the Social Innovation Fund are also taking an interest in this growing area. This can only be seen as a positive to the social sector as a whole and may well be a way to attract a new type of philanthropist into the Irish market. Wealth that is self-made rather than inherited tends to have a positive effect on philanthropy: entrepreneurs and the companies they lead are more inclined to give to charity (Community Foundation for Ireland 2015).

Implications

If Ireland continues to lag behind other countries in terms of philanthropy and planned giving, fundraisers will continue to rely on less cost-effective forms of fundraising, such as direct marketing and community fundraising.

With the recent exit of two of the largest philanthropic foundations in Ireland, there is an ever more evident gap in the fundraising mix of many Irish charities. Without concerted attempts by the sector, in conjunction with the government, to incentivise philanthropy through tax changes, charities will continue to rely on funding from more mass response or short-term techniques. ❹

Recommendations

1. Charities must combine their efforts to lobby for greater tax incentives for legacy gifts and major charitable gifts. Tax incentives in Ireland for philanthropic gifts lag well behind other similar countries. Incentives such as the section 1003 of the Taxes Consolidation Act 1997, which allows 80 per cent tax relief on heritage items such as works of art, when donated to the state, have proved successful.
2. Ireland is currently re-entering a period of economic buoyancy, which is an opportunity for the fundraising sector to engage with major donors, if charities can find the right people with the right skills to exploit this opportunity fully.
3. The Irish state has engaged in a number of incentives to try to promote philanthropy in response to the 2012 report of its Forum for Philanthropy and Fundraising (Philanthropy Ireland 2012). However, it has stopped short of tax incentives, an area which may be worth re-examining. The Government remains supportive of the sector, providing funding for infrastructural organisations and matched funding to the Social Innovation Fund.
4. Some learning should be taken from the social enterprise sector in terms of demonstrating and reporting the impact of donors' gifts, as this will boost the case for philanthropy across the sector.
5. As noted in another chapter of this report (O'Conghaile 2017), more research data on the effectiveness of major gift initiatives would help charities and charity managers build a greater knowledge base on how to attract philanthropists.
6. The charity sector needs to engage more actively with investment managers and advisors in a strategic way to advise on how investors can benefit from philanthropy. ❺

❹ *Perhaps one benefit that social enterprises have over traditional charities is that they are very focused on impact and cost efficiency, which may appeal to many philanthropists. Other organisations that have traditionally funded the charity sector, such as the Ireland Funds, are moving increasingly towards social enterprises, which may well be due to their ability to demonstrate impact and effectiveness.*

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Notes

- 1 www.philanthropyireland.ie
2. MyLegacy is a consortium of over 70 Irish charities who have come together to promote the value of leaving a gift in your will to charity.



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Suggested citation

Murphy, G. (2017). Low levels of philanthropy and other forms of planned giving, in Murphy, G (ed). *Critical Fundraising (Ireland) Report, v1.1*. London, UK: Rogare – The Fundraising Think Tank.

6.3

Implications of GDPR for Irish fundraising

👤 Damian O'Broin

Problem statement

Following four years of debate, the EU General Data Protection Regulation (GDPR) was approved by the European Parliament on 14 April 2016 (Council of the European Union 2016). It will come into force throughout the EU on 25 May 2018. The GDPR imposes significant new responsibilities and requirements on charities in relation to how they manage their data and introduces substantial penalties for failure to comply with the new rules. This has potentially major implications for how charities approach and engage in data-driven fundraising. In addition, an updated ePrivacy regulation – the European Commission's Regulation on Privacy and Electronic Communications – which will cover electronic direct marketing is still being finalised (European Commission 2017).

Description of the issue

The key changes introduced by the GDPR are:

1. Increased penalties

Penalties under GDPR must be “meaningful and dissuasive”. Financial penalties can be up to four per cent of global turnover or €20 million, whichever is greater. Non-financial penalties – such as requirements to delete data, or refrain from certain activities – could be equally onerous. There is a requirement that penalties be proportionate, and the governance controls a charity puts in place will be taken into consideration when assessing a penalty. There is also increased scope for civil liability and the possibility of charities being sued.

2. Risk-based approach to data protection

The GDPR adopts a risk-based approach to data protection, which means that data controllers need to balance the interests of the data subject and the data controller. In many cases this means that there isn't a simple yes/no answer to questions relating to data protection. Rather, data controllers need to demonstrate that they have considered the implications and appropriately balanced the rights of controller and subject. And they need to document the decisions and the basis on which they were made.

3. Focus on governance

There is now a positive duty to actively monitor and govern the management of personal data. The data controller “shall be responsible for, and be able to demonstrate compliance with [the principles set out in Article 5(1)]” (Council of the European Union 2016, Article 5(2)). This requires data controllers to document how and why they process data, to define clear roles and responsibilities and to document decisions.

4. Strengthening of consent

The conditions for consent have been strengthened. Data controllers must be able to demonstrate how consent was obtained. Consent must be distinguishable from other matters, intelligible, easily accessible and use clear and plain language, with the purpose for data processing attached to that consent.

These changes have led to a high degree of concern among charities about the implications for fundraising activities that rely on the processing of donor data. In particular, the strengthening of the consent rules has

raised the fear that direct marketing may require explicit opt-in consent to be compliant. And the risk-based approach has created uncertainty about what will, and will not, be permissible after 25 May 2018.

However, consent is only one basis for processing, and charities need not rely on consent for direct marketing. Recital 47 of GDPR states that the processing of personal data for direct marketing purposes may be regarded as carried out for a legitimate interest. Therefore, charities can argue that direct marketing fundraising is in their – and their beneficiaries – legitimate interest, which means that the tighter consent rules don't apply.

Relying on legitimate interest requires charities to consider on the one hand the potential impact on the rights and freedoms of the donor – in particular, their right to privacy – and on the other, the charity's legitimate interest and the benefits to their beneficiaries. The balancing test must be documented in line with guidance issued by the Article 29 Working Party (European Commission 2014).

It is important to note, however, that this only applies to postal direct marketing. Email, SMS and telephone will continue to require explicit opt-in consent under the European Commission's Regulation on Privacy and Electronic Communications. It is also important to note that processing of sensitive personal data – such as information about a person's health – will require explicit consent.

People still have the right to opt out of postal direct marketing, and charities must inform donors of this right in every piece of direct marketing that they send.

In that regard, GDPR needn't prevent charities from carrying out direct marketing, and separate, explicit, opt-in consent for continued postal direct marketing is not required. However, it may be recommended or preferable in certain circumstances, such as where the targeting of fundraising is based on a special category of personal data, such as religion or physical or mental health.

It is worth noting the situation in the UK, however. Following the crisis in fundraising that developed after the death of Olive Cooke in 2015 there was a significant focus within the sector on consent and the new Fundraising Regulator was established. In 2017, the Fundraising Regulator issued guidance stating that it believed consent should be the primary basis of all fundraising activity (Fundraising Regulator 2017). At the same time the ICO (Information Commissioners Office) issued guidance that legitimate interest could be used (ICO 2017). This has led to considerable confusion and concern within the charity sector in the UK, with over half of respondents to a recent survey reporting that they feel 'poorly' or 'very poorly' informed by the ICO and umbrella bodies (Cotterill 2017).

While it seems unlikely that the Irish Data Protection Commissioner would follow the UK's Fundraising

Regulator in its guidance to the Irish charity sector, if that were to happen, it would make it more difficult for Irish charities to use legitimate interest as the basis for direct marketing.

While consent is not required to continue sending postal direct marketing, donors do need to be told how charities intend to use their data, and consent needs to be obtained – or the opportunity to opt-out needs to be provided – before the data can be processed

Implications

If a charity wants to do something with a donor's data, they need to tell the donor about it in advance, and allow the donor to opt-out. Examples of this could include:

- Wealth screening – running donor data against rich lists, lists of asset holders, etc.
- Processing data to identify donors who qualify for tax reclaim and sending letters and forms to facilitate this.

In addition, the principles underpinning GDPR signify a move towards limitation and minimisation of data use, and stress the importance of building in privacy considerations from the outset in all activities (privacy by design). So, the old data protection principle of purpose specification (in other words, keeping the data only for one or more specified and lawful purposes¹) has become purpose limitation. Adequacy and relevance has become data minimisation. And retention has become storage limitation.

All of which will require charities to be very clear about what they do with their donors' data, and why. And they will need to justify why they process the data in the way they do, and why they keep the data for the length of time they do. The increased focus on governance has the potential to increase the admin load on charities. In the short term, in the period up to May 2018, there is potentially a very significant amount of work that charities will need to do to document and codify how they store, manage and process data and to articulate the principles on which they base this approach to data. Beyond May 2018, charities will need to have systems and structures in place to monitor, manage and review compliance with GDPR, and they will need to dedicate resources to this task.

While much of the reaction to GDPR has been on the potential negative impacts on charities and fundraising, it can be argued that it has important positive potential as well.

First, the GDPR is a positive statement of the privacy rights of EU citizens. And while this may place demands on charities, it is also surely something to be welcomed. It provides direction on what charities need to do to protect the privacy rights of their donors, by putting in

6 *While much of the reaction to GDPR has been on the potential negative impacts on charities and fundraising, it can be argued that it has important positive potential as well.*

place clearly documented policies and procedures for the handling of donor data.

Second, the requirements to seek consent, and clearly explain to donors what charities are doing with their data, will shift the balance of control towards donors and could induce charities to engage in more donor-centred, and arguably, better fundraising.

Third, the discipline of documenting processing activities will help improve efficiency and risk management in charities and may help to identify opportunities to reduce operating costs.

And finally, many of the concerns and controversies about charities in the recent past have related to the use (and abuse) of donor data. By positively engaging with GDPR and putting robust, compliant practices in place, charities have an opportunity to repair and enhance public trust in charities.

The GDPR has caused considerable concern and confusion within the fundraising sector. It introduces significant new penalties and imposes significant new constraints on the processing of donor data. It will also impose a heavier administrative workload on charities both before and after the regulations come into force in May 2018.

Charities will need to engage with donors and explain to them how they use their data and they will need to put clearly documented policies and procedures into place for the handling of data.

Despite concerns to the contrary, legitimate interest can be the basis for postal direct marketing. However there is a concern that regulators could recommend consent as the preferred basis for processing. If this were to happen it could have a massive negative impact on fundraising income. ❹

Recommendations

1. The fundraising sector should engage with the Data Protection Commissioner to produce an agreed code of practice for charities that cements legitimate interest as a basis for direct marketing.
2. Charities need to clearly communicate with donors to spell out exactly how they process their data and provide donors with simple, clear means to opt out of any processing they are unhappy about.
3. Charities should invest in appropriate training for all relevant staff to ensure they understand GDPR and can manage and implement new regulations, policies and procedures. ❹

Suggested citation

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6.4

Fundraising and financial regulation in Ireland

🗣️ Bruce Clark

Problem statement

There is a lack of fully-enforced fundraising regulation:

- There are no established codes of fundraising practice
- Guiding Principles for Fundraising are voluntary and under-subscribe
- There is low compliance with Charity-SORP accounting standards.

Description of the issue

In 2013, Joe Saxton from nfpSynergy addressed the annual conference of Irish Charities Tax Research (ICTR). He highlighted the dramatic fall in public trust in governments, churches, professions such as the law and accountancy, and the contrasting high level of trust in charities, warning how fragile that was. In the few years since then, there has been a succession of scandals exposing Irish charities and increasing media and public scrutiny.

At the 2017 conference of The Wheel (a support and representative body connecting community and voluntary organisations and charities), nfpSynergy reported that trust in the charity sector had reached a low of 43 per cent in November 2016 (albeit recovering to 47 per cent in the following six months with less negative coverage of the charity sector in that period) (Carswell 2017).

Some scrutiny has been misdirected, for example heaping public ire on face-to-face fundraisers. In the absence of public confidence that charities are being effectively governed, audited and regulated, these misconceptions spread. Lack of public confidence detracts from effectiveness of charities, not just in fundraising (see, for example, Griffin 2015) but in recruiting volunteers and being seen as credible service providers, advocates, etc.

Fundraising is effectively unregulated in Ireland.

There is a deficit of governance, transparency and accountability to the public. While codes exist for fundraising principles, governance and accounting, developed largely by the sector, they are voluntary and poorly subscribed to. Ownership of codes between

the sector and the Charities Regulator is up in the air. Specific codes of practice are yet to be published, let alone adopted. The procedures for monitoring, enforcing and updating codes have not been established. This is the situation in mid-2017, but by the end of the year we expect to see new fundraising regulations and new fundraising guidelines introduced by the Charities Regulator.

The 'Triple Lock'

To date, regulatory codes have been developed from within the sector, mostly through charity umbrella bodies in consultation with charities, government and relevant professionals. In launching the Charities Institute Ireland (CII), a merger of Fundraising Ireland and ICTR in 2016, the concept of 'The Triple Lock'¹ of good fundraising, governance and transparent reporting was promoted to charities.

The 'lock' comprises the adoption of three codes:

The **Guiding Principles of Fundraising** (Irish Charities Tax Research 2008) developed by ICTR in response to the Charities Bill 2007 (enacted 2009), in particular to address provisions of the bill establishing a charity regulator – which require permits for all forms of public fundraising and for charities to specifically report on fundraising in their annual reports. The core principles are respect, honesty and openness. ICTR also published a set of resources and steps² to help charities implement the principles. To date, 240 organisations have signed up to the principles.

The **Governance Code**,³ developed by a coalition of charity umbrella bodies, including The Wheel, CII and

related professionals. The code is a resource to assist community, voluntary and charity organisations develop their overall capacity in terms of how they run their organisation. It's a voluntary code provided to boards of not-for-profit groups to encourage them to check themselves against best practice in management of their affairs.

The code takes account of different types of organizations:

- Type A (run by volunteers, no staff)
- Type B (small staff, primarily run by volunteers)
- Type C (typically 10+ staff).

There are now 409 fully-compliant organizations – 45 Type A, 158 Type B and 206 Type C, while a further 1,142 are on the journey to adoption – 260 Type A, 519 Type B and 363 Type C. While the number of fully-compliant organizations is less than five per cent of the total number of organisations, the fact that most organisations which are fully compliant are Type C organisations implies there is a much higher proportion of large organisations in compliance.

Charity SORP⁴ (Standard of Reporting Practice) under FRS (Financial Reporting Standard) 102. This standard is overseen by experts from the four charity law jurisdictions of UK & Ireland. It differs from the basic FRS 102 applying to commercial companies in requiring great levels of information and disclosure in directors' reports, e.g. in describing key activities and the '3 Rs' (risks, reserves and remuneration).⁵

The Statement of Financial Affairs must analyse key income and expenditure by streams – and relate them to the activities described in the directors' report. Funds must be analysed by their designation – e.g. restricted, unrestricted. Overheads must be analysed by activity and governance. There must be full disclosure of transactions with related parties, e.g. trustees and staff. The number of employees whose total remuneration exceeds €70,000 must be reported in bands of €10,000. CII have recently published a blog post 'What is Charities SORP?' (Pittman 2017).

Benefacts analysis shows that only nine per cent of charities with accounts publicly available were Charities-SORP-compliant in their 2014 reports, with the rate varying from 40 per cent in international organisations to four per cent in development/housing organisations (Benefacts 2016). CII reports that to date 43 organisations have adopted the 'Triple Lock'.

Charities Regulator

The Charities Regulatory Authority was established under the Charities Act 2009⁶ to increase public trust in charities, promote compliance by charity trustees with legal obligations, promote the effective use of charitable resources, enhance accountability and promote understanding of the public benefit requirement.

While the Charities Regulator's primary initial focus was on establishing an online register of all charities, which remains an ongoing focus, it has recently moved on development of a broad, coherent and integrated regulatory framework for Irish charities. This will involve the commencement of further sections of the Charities Act 2009 relating to the regulation of fundraising, as well as obligations around annual financial and activity reporting. It will also include publication of a series of guidelines on effective running of charities.

To assist in the development of guidelines and regulations on the two topics of fundraising and governance, the Charities Regulator established two consultative panels. The panels are each chaired by a member of the Charity

Regulator's board of directors and populated by a variety of relevant stakeholders from within the charity sector and externally.

The first consultative panel (Charities Institute Ireland 2016) was on the topic of the regulation of fundraising, and was convened in early 2016 with the mandate to consider:

- 1) Commencement of Sections 93 to 96 inclusive of the 2009 Act
- 2) The Minister's power to make regulations to govern charitable fundraising pursuant to Section 97 of the 2009 Act
- 3) Other options for regulation of charitable fundraising such as a code of practice, having regard to resources, take up, monitoring and enforcement
- 4) The role of the Authority in the regulation of charitable fundraising. The panel met for the last time in June 2017 when it submitted its report to the board of the Charities Regulator. It is due to be published and launched at end of September. The panel undertook a lot of work associated with fulfilling its mandate including:
 - Desk research about fundraising regulation in other jurisdictions
 - The public's attitudes to fundraising regulation (sourced through public consultation)

- The operation of a system for self-regulating street fundraising (currently being practised by charities)
- The views of An Garda Síochána on future commencement of aspects of the Charities Act concerned with fundraising
- The final report, including recommendations, of the monitoring group which oversaw implementation of the ICTR Principles of Best Practice in Fundraising.

It is expected that, after consideration of the work of the consultative panel, the Charities Regulator will produce new fundraising guidelines and regulations, to be published at the end of September 2017 at the same time as the panel's report. Deirdre Garvey, CEO of The Wheel and member of the consultative panel, noted that the primary issue associated with the public image of 'brand charity' relates to transparency and not with direct fundraising practice *per se*.⁷

The future regulations that the Charities Regulator will introduce about

- 1) financial and activity reporting (likely to be some sort of Charity-SORPbased model that is 'Hibernicised' by the Charities Regulator); and
- 2) governance - as a result of the conclusion of the second consultative panel - should mark the real new era of transparency.

Both these requirements, coupled with the forthcoming fundraising regulations and the general fundraising regulatory framework (or 'ecosystem'), promise a sea-change for people working in the sector.

On SORP, there is a lacuna in the legislation in that, because the Companies Act 2014 is more recent than the Charities Act 2009, where a charity is a limited company, it may opt to avail of the exemption⁸ under the 2014 Act whereby companies with turnovers of less than €20m may produce just abridged accounts (effectively just a balance sheet). Benefacts.ie shows that 27 per cent of non-profit organizations produced abridged accounts for 2015, more than tripling from 7.5 per cent for 2014 (Benefacts 2016).

Legislation is due in autumn 2017 to address this anomaly. But it raises the question why charities would want to hide behind this cloak when clearly good practice is to publish full Charity-SORP accounts.

Another anomaly is that, if the non-cash collections sections of Charities Act 2009 as currently worded were commenced, it would cause chaos as Gardaí are not resourced for licensing the continual nature of door-to-door and other face-to-face fundraising by professional teams. As that resourcing is unlikely to happen, neither

is the commencement as the inevitable difficulty in obtaining permits would effectively close down non-cash fundraising. So those sections need to be re-written in new legislation.

Code of professional conduct for fundraisers

This code (Charities Institute Ireland 2017, pp21-23) was developed by Fundraising Ireland (now CII) as guidance for fundraising professionals on professional conduct, fundraising competence, professional competence and confidentiality.

Awareness of this code among fundraisers would appear to be poor. While the principles would inform much common practice, there is a lack of sufficiently detailed and practically-based discourse of fundraising ethics. The subsuming of Fundraising Ireland into CII has left the profession without an organization dedicated to fundraising. There is no representation for fundraisers working outside CII-member charities or for fundraising agencies and consultants.

Individual codes of fundraising practice

ICTR, in addressing the need for codes of practice (CoP) to be developed with the charity sector on the operational and administrative aspects of charitable fundraising, highlighted the need to design codes that will strike balance between enhancing public confidence while not being too onerous on charities with less capacity.

Leading Irish fundraising consultants Siobhán McGee and Catriona Hogan were engaged by Fundraising Ireland

6 *The subsuming of Fundraising Ireland into CII has left the profession without an organization dedicated to fundraising. There is no representation for fundraisers working outside CII-member charities or for fundraising agencies and consultants.*

Awareness of the code of professional conduct among fundraisers would appear to be poor. While the principles would inform much common practice, there is a lack of sufficiently detailed and practically-based discourse of fundraising ethics.

to draft a set of specific codes (e.g. cash collections, telemarketing, events), which CII has now passed to solicitors Mason Hayes Curran for a legal review. This is expected to be completed in the third quarter of 2017. It has also been shared with the Charities Regulator with a view to adopting them. CII will develop a handbook to accompany the CoP, incorporate them into their training programme and work on the education piece and compliance. It is envisaged that charities will feed back on the implementation of (and any necessary amendments to) the CoP through umbrella bodies.

The only CoP published to date on the CII site is on face-to-face fundraising developed by the Face-to-Face Forum (formerly the IFFDR – the Irish Fundraising Forum for Direct Recruitment) (Irish Face-to-Face Forum 2014). The management of the diary system for F2F fundraising was handed over to Fundraising Ireland, now CII, but gaps have arisen in the maintenance of this system.

Implications

Further delays in implementing and resourcing fundraising regulations leaves the sector open to poor fundraising practice and consequent reputational risk. It remains to be seen how practicable the fundraising regulations will be. Their success depends on their operability and implementation by charities and fundraising professionals.

Slow uptake of Charity SORP accounting standards hampers the transparency and accountability the sector needs in order to improve trust and confidence.

Adoption of the Governance Code, while growing, particularly in larger charities, is yet to reach the sort of critical mass needed to gravitate the whole sector towards the journey to compliance. Governance is key to the implementation of both fundraising and financial regulation. 6

Recommendations

- 1 The Fundraising Codes of Practice need to be adopted, promoted, training provided and practical systems for monitoring, evaluation, enforcement and, where necessary, revision put in place.
2. Fundraising professionals as a whole, not just those whose employers are CII members, need to be consulted and represented so that they can input into and buy into this process.
3. Fundraising codes of practice need to sit within a regulatory framework that comprises actual legislation and regulations (both of which can be seen as telling charities and fundraisers what they ‘must’ do), as well as guidelines from the regulator and the individual CoP developed by the sector (which tells charities and fundraisers what they ‘should’ do).
4. For Charity-SORP to gain more traction and to become an effective tool for building confidence in charities, it needs to be understood outside the accounting profession – not just by trustees, management and fundraisers within charities, but in simple terms by donors and the wider public. This could be enabled, for example, through a quality mark that could be used by compliant charities and understood by donors.
5. The law needs to be updated to prevent charities from availing of the exemption under the Companies Act, which allows them to produce abridged accounts. Ultimately, Charities-SORP needs to become a legal requirement for charities, with requirements proportionate to size.
6. The non-cash provisions of the Charities Act need to be amended to reflect the reality of Garda resources – and/or transfer licensing to adequately-resourced public bodies.
7. More work and funding needs to be put into promoting and resourcing the adoption and implementation of the Guiding Principles of Fundraising, Governance Code and Charity-SORP, particularly among the remaining charities with significant fundraising operations, cognisant of the dangers to the sector as a whole of further charity scandals. 6

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- 7 Personal conversations with the author.
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6.5

Media relations and public perception of giving

Aoife Garvey

Problem statement

The media plays an important role in both the promotion of charities as brands, and as a means of fundraising in Ireland. With 56 per cent of the public still trusting traditional media (Edelman 2017), the media can be quite influential in shaping the public's perception of charities and supporting them. Media relations work in conjunction with the public's perception of fundraising. A desire from the public to know more about the governance and expenditure of charitable organisations will lead to more coverage of this in the media. This coverage, or the investigations led by the media, will then influence what the public think and subsequently their support of charities.

Description of the issue

The Irish charity sector has felt the full brunt of a number of high profile scandals since 2013. Forty-three per cent of the Irish public distrust charities (Edelman 2017), with charities being viewed as less trustworthy than businesses. Not surprisingly, the public's support for charity has weakened and there are many misconceptions around where and how fundraised income is spent. To add to this, the media has shown a certain amount of hostility toward the sector, and there has been a focus on just one side of the issue, with 'sensationalist' claims of exposés.

Headlines such as "Banking on donations: Top charities' executive pay bills exposed as over 100 workers earn salaries of €80k or more" in the Irish Sun (Dineen and Cotter 2016), and "REVEALED: The charities with CEOs still earning more than €100,000" in the online publication The Journal (2016) have negatively compounded public perceptions. The ongoing media coverage has impacted every charity in the country in some way. By early 2014, one-third of charities had already experienced a drop in funding of 10 per cent (Hilliard 2014) and this figure remains unchanged with The Wheel reporting that one in three charities reported a drop in income in 2016 following the Console scandal (RTE 2016).

One cannot make a general statement that all media is unsupportive of charities. But the media plays an important role in influencing and informing the public. The national broadcaster RTE has been behind the unearthing of a number of recent scandals. These thorough investigations have been made by credible journalists and have rightfully highlighted serious issues. But behind every well-executed investigation, there are multiple less researched, sensationally written pieces of journalism, capitalising on existing media coverage.

It is these articles that appear to be keeping charity

scandals front of mind for the public. Writing 'exposés' and running stories using readily available information, these articles suggest journalists are unearthing hidden information held by charities, such as the CEOs' salary. Most charities make this information available on their website, annual report, and certainly by request. As the wider public do not know this information is available, they believe charities to be untrustworthy and withholding such information. This is down to how these articles are written; using words like "revealed" (The Journal 2016) and "exposed" (Dineen and Cotter 2016) in headlines to suggest this information is not public knowledge.

While most articles attempt to draw some context by mentioning organisation size, income, expenditure and services provided, more often they do not fully demonstrate the wider impact, or highlight how transparent the organisation is. So the wider public still consume this information negatively.

Most charities comply with requests for this type of information from the public or journalists. Many charities will proactively contact their donors to mitigate any concerns, and some will issue their own statements or press releases to the media to reassure their supporters, especially in the midst of a scandal or the presence of negative coverage. However there is anecdotal evidence that some charities decline to engage or comment with requests for information. This could be interpreted as a lack of transparency. As the current codes of fundraising practice are not mandatory (see Clark 2017 in this volume) lots of information that should be made public is not. If an article in the media can also highlight some organisations that are not willing to share information, it does little to appease concerns.

While there is little data in Ireland to quantify a correlation between media coverage and a lack of trust in charitable organisations, a 2015 study by Third Sector in the UK

highlighted that 66 per cent of survey respondents said they had seen negative stories about charities in the media in recent months, and of these, 63 per cent said they now had a more negative opinion of charities in general as a result of this coverage (Birkwood 2015). The study also highlighted that older demographics were more influenced by this negative coverage, with 68 per cent of individuals aged over 55 having a more negative opinion, compared with 48 per cent of those aged between 18 and 24 years (ibid). If you apply this information to an Irish audience, it highlights that the group most likely to give, those aged over 55, are likely to have been influenced by negative coverage. This group also consumes more traditional media where a lot of this information is being published.

In conjunction with one-sided media coverage, there appears to be a lack of support or adequate weighting of positive or congratulatory coverage for charitable organisations. In conducting their research, the media do not tend to highlight or praise organisations that are transparent. Good governance does not make the headlines like a scandal does. Praise for charities in the media is usually given through quotes from other sources, rather than the media source itself.

The media plays an important role in publicising the needs for particular services supported by charities. Some of the most successful fundraising appeals are supported by media coverage, raising awareness for funds needed. The impact of strong media coverage should not be overlooked. The current East Africa crisis¹ has failed to make headlines or pick up much media coverage this year: the Irish media gave it substantially less coverage than the UK media. A similar food crisis in 2011 in the same region received more coverage in Ireland at the time, with many journalists also travelling to the region. There is a positive financial impact on this kind of support, and this messaging reaches both warm and cold audiences.

There is a lot of work to do in Ireland around public perceptions on fundraising and supporting charities. Overheads, salaries and administrative costs can often be viewed as wasteful or excessive. CEOs running large charitable organisations and managing large budgets are often considered overpaid, and there can be criticism for staff volumes and staff pay grades, with 46 per cent of the public believing charity salaries overall are too high (Charities Institute Ireland 2017). Yet the highest levels of professionalism are expected from charities. The discrepancy between perception and reality both in terms of donors' thinking and their actions is an ongoing issue: there is a disconnect between how many people think charities should operate, and their expectation of the service in terms of quality.

The sector has started to take control of the issue around public perception and is committed to educating the public on transparency and the impact of giving. Sites such as Good Charity (goodcharity.ie) and Benefacts (benefacts.ie) explain what donors should be looking for in an honest, transparent charity and summarising publicly available information on individual charities. Initiatives such as

World's Best News (worldsbestnews.org) show donors and the public the successes happening thanks to fundraising and the support of the public. There is a lot more work to do, but the sector has made a start.

Implications

Decline in trust

The most immediate and direct implication of a decline in trust is that the public may stop supporting charities. The concern is that organisations will not have an opportunity to be heard, and decisions will be made based on information available, mostly through the media and often taken out of context. There should also be concerns that the next wave of younger donors will not have the same ethos when it comes to giving to charity as current donors do, and may be less trusting again.

Decline in fundraising

With a drop in trust and therefore support, organisations will see, and already have seen, a drop in fundraising income. Fundraising income for many organisations is the biggest source of income. There are also areas of fundraising, such as legacies, where the impact will not be identified for the foreseeable future.

The services provided

A drop in income will inevitably impact the service and service users. Fewer funds will see a reduction or closure of services – the sole purpose of any charities existence. ❹

Recommendations

1. Charities have to play their part in opening their accounts to the public and making the information easily digestible to the public for interpretation. The Charities Regulator should combat this issue in the near future, but the more proactive organisations can be now, the better it is for the sector in addressing public perceptions around giving.
2. Charities need to be vocal about challenging the negative perceptions held by the public. It is not enough to issue a statement about it. Answer questions, correct inaccuracies, speak to the people who have taken time to post their concerns. The sector needs to be more proactive in challenging misconceptions.
3. Supportive bodies such as Charities Institute Ireland and The Wheel need to represent the sector and challenge the wider perceptions of giving and celebrate the successes. It is these organisations that are best placed to challenge the media and bring the sector together as one unified voice.
4. Charities need to address fears and concerns from the public in everything that they do, at every touchpoint possible. A constant flow of transparent messaging. ❺

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Aoife joined the fundraising sector in 2010 and holds both a Certificate and Diploma in Fundraising. She is a board member of the umbrella organisation MyLegacy, which promotes the importance of will writing and leaving a gift to charity. She has recently joined the Charities Institute Ireland Academy as a tutor.

Suggested citation

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6.6

Lack of evidence and research about

● Séamus O’Conghaile

Problem statement

At present in Ireland there is a lack of evidence and research about the Irish fundraising sector. Research that looks in depth at the sector has been rare –examples include the Forum on Philanthropy and Fundraising report in 2012 (Philanthropy Ireland 2012) and Philanthropy in the Republic of Ireland in 2009 (McKinsey 2009). One of the more recent reports, 2into3’s sixth annual fundraising report, asserts that “systematic research into the organisations that make up the Irish not-for-profit sector is scant and we know relatively little about the day-to-day realities faced by the not-for-profit sector” (2into3 2016, p2). This being the case it means that the Irish fundraising sector is faced with a scenario whereby we know very little about trends in giving behaviour because of very unreliable benchmarking.

Description of the issue

The experience of this working group, along with feedback Research into areas of nonprofit practice such as education or poverty are widespread. However, as noted, there is a severe lack of research into the Irish fundraising environment. This is even though, as a Benefacts report notes, “non-profits generate more than €10.9bn in turnover annually, including government funding of €5.3bn, which amounts to eight per cent of all current expenditure by the Exchequer” (Benefacts 2017, p4). In addition, their report highlights the fact that Irish nonprofits make up 10 per cent of all active organisations in the country. Organisations like the Economic and Social Research Institute and the Central Statistics Office produce robust research on a regular basis into education and poverty, to name but two areas of Irish society. Despite the reach of the nonprofit sector into most corners of Irish life, this lack of research raises questions considering the sums of money involved and the sensitive areas in which many charities operate.

In the Irish context, the aforementioned 2into3 and Benefacts are two organisations that have published recent reports. While these organisations only began operating relatively recently and have carried out some very valuable work, they are also hamstrung by several issues. In the case of the most recent 2into3 report (2016) their more detailed analysis of the sector included a sample of only 24 charities. As a recent report carried out by the Institute of Fundraising in the United Kingdom claims, research is “an essential part of thoughtful fundraising and good asking, which brings benefits to donors, makes fundraising more efficient and effective and, most importantly, creates the best outcome for those whom the charity exists to help” (Breeze 2017, p.27).

The recent 2into3 report claims the “dearth of information about the activities, income, expenditure and challenges faced by the not-for-profit sector stifles progress, ideas

and advancements” (2016, p2). Without the availability of information about Irish fundraising, failure of many charities to sign up to codes of good practise such as the Governance Code and the Statement of Recommended Practice (SORP) (Clark 2017), and the failure of Irish charities to share information about their fundraising practices (Garvey 2017), we are left with a scenario whereby little is known about many facets of the sector.

Some findings in the most recent Benefacts report (2017, p19) demonstrate this. They point out that while any organisation with charitable status was compelled in 2014 to register with the new Charities Regulator within 18 months (later extended to two years), only approximately 5,000 had done so by the end of Q1 2017 from the 8000+ charities with charity status. In addition, Benefacts noted that in 2016 only nine per cent of charities had elected to adopt SORP in their financial reporting.

But what can individual charities do to improve their research capacity and therefore improve their fundraising and thus serve beneficiaries and donors? In their analysis of Ireland’s fundraising sector, 2into3 (2016, p6) say: “The average income is €664,970, the median is just €92,189, showing that a few large organisations are inflating the average figure. There is a clear disparity of income between the lowest and highest income brackets within the not-forprofit sector.”

While larger charities are clearly able to resource activities whereby they can carry out more efficient methods of fundraising, smaller charities may not be in this position. I would suggest however that acknowledging the fact that charities need to invest in research, and hence staff to carry it out, is critical for the Irish fundraising sector. However, this is a requirement in the context of a public who remain sceptical due to several high profile scandals that have eroded trust in the sector over recent years (Garvey 2017). A survey in 2016 (Amarach Research 2016) that asked people about their

6 *Ireland is often lauded as one of the most generous nations in the world but the evidence shows that we in fact lag behind many other nations. This is because of the way Irish giving is measured, and fundraising that is supported by evidence-based research is clearly not where it needs to be.*

perceptions of the Irish charity sector found that only 24 per cent had trust in the sector.

Coupled with this was the belief among 75 per cent of respondents that the sector was doing too little to rebuild this trust. Against this backdrop of mistrust and the lack of transparency already mentioned it is no surprise to find that in the same survey only 10 per cent of those questioned disagreed with the proposition that wages in the sector were too high (ibid). Therefore, a catch 22 situation exists, insofar as there seems to be resistance to the idea that staff need to be paid well in the sector. However, if they are not, the sector will fail to attract the best staff and as a result proper research cannot occur, especially for smaller charities. A report by the Institute of Fundraising in the UK echoes this point: “when it comes to research.... [charities]... will be rightly criticised for wasting money on inefficient or ineffective fundraising, and yet they may be criticised for doing the one thing – research – that helps avoid such problems” (Breeze 2017, p27)

Implications

- Ireland is often lauded as one of the most generous nations in the world but the evidence shows that we in fact lag behind many other nations. This is because of the way Irish giving is measured, and fundraising that is supported by evidence-based research is clearly not where it needs to be. The 2into3 report is cognisant of this fact, asserting that “policy makers make decisions based on estimates, and CEOs and fundraising managers are unable to benefit from knowledge sharing and best practice of similar organisations. The ongoing dialogue about the importance of growing and supporting the nonprofit sector runs the risk of sounding hollow if not supported by a strong empirical foundation” (2016, p. 2).
- Without empirical evidence gathered across the sector we are left with a scattergun ‘spray and pray’ approach, which erodes the goodwill and general perception towards the fundraising sector. As the Institute of Fundraising report highlighted, if charities do research before “sending out direct mail appeals or contacting potential major donors, [it] ensures that charitable resources are put to the best use by making targeted asks, rather than an expensive – and potentially annoying – blanket approach” (Breeze 2017, 9). While the recent reports mentioned above provide a better overview of the Irish fundraising sector they are still limited insofar as:
- The sample size of those who openly engaged with the process remains small and may not be statistically significant.
- Non-adherence by many organisations to financial standards means that data used to collate these reports may not be accurate. This same issue was noted in a report written some years ago: “Small independent organizations frequently lack the resources to ensure professional management and transparent reporting to the public.” (McKinsey 2009, p12.)
- Reports such as those mentioned earlier from 2into3 and Benefacts offer a decent overview of the sector. However, it is very much a bird’s eye view in terms of income per charity size/employees/performance of certain types of charities and so on. This, as I argue below, cannot come close to competing with an effective approach that benchmarks the performance of charities, producing tangible metrics that result from a collaborative effort whereby charities of all sizes have bought into system through which they share information freely. 6

Recommendations

1. Clearly the charity sector needs more transparency: operating in a poorly-regulated environment for too long has led to several high profile scandals and erosion of public trust in the sector. This lack of transparency has seriously undermined the sector.
2. There is little or no academic research available about Irish fundraising. The Charity Institute Ireland (following on from Fundraising Ireland) still provides fundraisers with the opportunity to undertake a Certificate or Diploma in the area. However, there is perhaps a need for some of the larger third level institutions to provide courses, which was the case in Trinity College some years ago.
3. Perhaps one recommendation that could help to bridge the gap in knowledge that exists in Irish fundraising is an approach currently being used in Australia and New Zealand by Pareto Fundraising.¹ They have enlisted 113 charities as members of their benchmarking programme and this has allowed Pareto to produce better metrics and insights about how their respective fundraising sectors are performing, by collaborating and allowing an analysis of giving patterns and behaviour. While the organisation 2into3 is attempting a similar approach in Ireland, it is clear that it has a long way to go as is evident from the small sample sizes they have had to work with. 6

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Notes

- 1 <http://paretofundraising.com/benchmarking/>.

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Suggested citation

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6.7

A crowded sector and the risk of market saturation

🗣 Séamus O’Conghaile

Problem statement

With a growing number of nonprofits in Ireland, the fundraising market is at risk of becoming saturated. The public perceive that there are too many charities duplicating work and too many organisations asking for money. This is causing compassion fatigue and having a negative impact on fundraising results.

Description of the issue

The experience of this working group, along with feedback Market saturation, according to the Cambridge Business English Dictionary, is “a situation in which no more of a product or service can be sold because there are no more possible customers”.

If the charity sector and its fundraising needs grow beyond the means of our potential supporters, then we do risk reaching a saturation point where new donors cannot be recruited and existing donors cannot be developed further.

Certainly the charity sector is growing. The number of charities registered in Ireland is increasing by a net average of one every two days (Office of the Revenue Commissioners 2017). Benefacts says there are currently 19,204 non-profit organisations in Ireland (Benefacts 2017).

The true measure of whether the fundraising market is saturated is of course response rates: if response rates in fundraising are not decreasing then we cannot necessarily argue that the market is over-saturated. However, this presents a further problem: average response rates in Ireland over time are not accessible. This is partly because of an unwillingness to share and partly because of inability to do so (organisations not knowing how to measure response rates or not having the time and resources to do so).

Still, reported income from fundraising and donations increased on average year-on-year by 15 per cent between 2013 and 2015 (Benefacts 2017) and rose by seven per cent in 2014, the fifth consecutive annual increase (2into3 2016). This was despite charity scandals in 2014 which dominated the media for a sustained period of time, centred around financial ‘top-ups’ and ‘pay-offs’ to senior staff at the Central Remedial Clinic, as well Rehab’s State-funded CEO salary and benefits (see also Garvey 2017 in this volume).

The Irish fundraising market is not a mature fundraising market. Levels of planned giving are low, with approximately

15 per cent of donors in Ireland giving in a regular planned fashion compared to 36 per cent in the UK (Murphy 2017, this volume). With regards to charitable giving, a McKinsey study in 2009 showed that in terms of percentage of income donated, Ireland ranks well below the US and below many of its European counterparts, including Sweden, Switzerland and the UK, where people donate 1+ per cent of their disposable income compared to the Irish figure of 0.8 per cent (McKinsey 2009).

The sector has made some effort to self-regulate particular fundraising media to minimise clashes and attempt to address public perception of saturation. For example, a face-to-face diary system has operated for several years, managed and self-imposed by charities and agencies that use on-street and door-to-door fundraising. However, organisations and agencies have not always been willing to take part due to added administrative burden and pressures to deliver numbers beyond what is available.

Diary systems for community events had previously been created and hosted by The Wheel (although this is now defunct). Similarly, diary systems for direct mail have been discussed informally at fundraising meet-ups, but have been deemed to be impractical. We must remember that staff and organisational results are generally measured year-to-year, which leads individual organisations to priorities short-term results rather than long-term trends.

In addition, we have seen greater discussion around the idea of merging charities working in a similar space. Sector bodies such as Charities Institute Ireland and The Wheel have offered training and workshops for organisations exploring the idea of a merger, and even grants have become available for organisations “exploring merging permanently with another organisation”.

In 2014 Ireland saw the high-profile merger of two charities: Self Help Africa and Gorta approved an amalgamation to become Gorta-Self Help Africa (O’Doherty 2104). This has

been generally viewed as a positive case study, which may prompt further nonprofit boards to begin similar discussions. While Irish data on the success of charity mergers is limited, the UK's East Primetimers found "most organisations saw their combined income exceed the sum of their parts" (Eastside Primetimers 2016). But we must also stress that charity mergers are not without their challenges.

In some respect, the fundraising market and each individual medium are selfregulated. Saturation would theoretically cause poorer results, which would lead to agencies and organisations shifting their investment elsewhere or withdrawing from the market altogether.

Perhaps we could instead ask whether there is saturation of ineffective fundraising, rather than fundraising as a whole? The public may indeed be experiencing compassion fatigue broadly towards charities in general and the sector as a whole. However, individuals distinguish between charities in general and their preferred charities. By developing deeper relationships with new and existing supporters, fundraisers can establish a donor loyalty that circumvents any potential compassion fatigue.

Implications

While we can look to further developed markets such as the UK to realise that the Irish market is not yet over-saturated, this may not always be the case. Nearly every organisation is attempting to continually increase income, which would eventually lead to market saturation and stagnant or declining fundraising results. ❹

Recommendations

1. Organisations should consider looking to donor retention and maximising value of their current supporters rather than investing in acquisition.
2. We must acknowledge that the charity sector is competing with the private sector and their sales of goods and services. By raising the standard of fundraising through training (and the other suggestions in this report) we can widen the market and defer saturation.
3. Professional bodies and state agencies need to provide support and advice to new charities and those considering forming charities so as to reduce duplication. Existing charities should consider how they could diffuse impulses to set up 'competing' charities and instead motivate potential founders to support existing fundraising efforts. ❺

Suggested citation

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