

A Step Change in Giving

Monetising volunteering through
the corporate sector

A policy paper by the Centre for Social Justice

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THE CENTRE FOR
SOCIAL
JUSTICE



I. Introduction

In response to the Government's desire for a significant increase in private-sector led social responsibility, this paper proposes a radically new approach which aligns the interests of business, charity and government to effect systemic change. The challenge is exponentially to increase rates of giving – both time and money – by individuals and the corporate sector to UK registered charities, with particular benefits for dynamic, grass-roots charities that often struggle to find the funding and volunteers needed to pursue their mission.

In its *Giving White Paper* (June 2011) the Government announced its ambition 'to stimulate a step change in giving'.¹ The message was clear: 'Government needs to work more closely with business and charities... to make it easier and more compelling for people to give time and money'.² To achieve social change on a large scale the Government must take an active role.

The idea developed by social enterprise 'C' (www.c-volunteer.com) in partnership with the Centre for Social Justice (CSJ) is simple: businesses 'monetise' volunteer time which provides valuable funding to charities while supporting the good work of their employees, customers and other stakeholders. We are asking government to introduce a Charity Tax Relief similar to the Research and Development (R&D) tax relief, providing a super deduction for the funds businesses expend in match-funding this volunteer time.

With growing interest from individuals and business in helping social causes, and Government's goal 'to stimulate a step change in giving', the approach and timing of this initiative is ideal. C-volunteer has the potential to revolutionise corporate philanthropic culture, creating a new culture of volunteering and giving with far-reaching benefits to society.

2. The core proposal

The C-volunteer programme is straightforward to implement: a company enrolls in the 'C-volunteer Initiative', making it eligible for government tax relief; the company decides the parameters for its match funding programme including who can participate (employees, customers etc.) as well as the limits on its scheme (such as the total funding the company will make available); the volunteer chooses a charitable organisation and contributes his time; the sponsoring company then match funds the volunteer's time based on an agreed volunteering exchange rate; finally, the volunteer contributes these funds to a charity of his choice, either the organisation for whom he volunteered or a different one. Charities that need volunteers and those that need money each benefit from the scheme.

All of this can be managed on-line and is easily implemented for large and small businesses across the country, with the volunteer opening their own personalised Facebook-type 'charity account', their 'C-account', through the sponsor. The C-account establishes the charitable profile and records the volunteer activity and contributions of the individual. The C-account

¹ HM Government, *Giving White Paper*, Norwich: The Stationery Office, 2011, p5

² Ibid, p5

is managed externally to minimise administrative requirements for sponsors and to make the programme scalable and easily adaptable by companies of all sizes and sophistication.

Hypothetical case study: Kate

Kate is a lawyer in the City of London who works for *Vary Diligent*. She lives nearby, in Bethnal Green, and has recently become involved in Good Neighbours, a befriending scheme reaching out to some of the poorest, most socially isolated older people in the London Borough of Tower Hamlets.

Kate is a committed volunteer: *Vary Diligent* gives her one half-day off a month (four hours) to volunteer in Good Neighbours' office, helping with essential organisational tasks. But she also gives up one Saturday a month (seven hours) and two week-nights (total of eight hours). This time is spent visiting older people in their own homes. In total Kate volunteers for an average of 19 hours a month for *Good Neighbours*.

Vary Diligent commit to match fund the hours she volunteers at *Good Neighbours*, on the minimum wage at £6.08, though they could decide any 'exchange rate' they think appropriate. Accordingly, they would credit £115.52 a month onto her C-account (£1,386.24 per annum). *Good Neighbours* thus receives from Kate not only her volunteer time but also £1,386.24 a year, going a long way to placing this local, targeted charity on a sustainable financial footing.



The process of giving is shared between charities, employees (and customers), companies and government, who all benefit:

- **Charities** – multiply the benefits charities receive through supplementing volunteering with cash contributions while broadening significantly the potential pool of supporters through the power of social media;
- **Individuals as volunteers** – establish a philanthropic identity prioritising charities of their choice while leveraging their contribution to those charities – balancing cash contributions and volunteering depending on an individual's financial resources and personal priorities;
- **Businesses as sponsors** – enhance their reputation as socially-responsible organisations through a 'C' affiliation (much like Fairtrade branding), providing opportunities and financial

support for their employees (and potentially customers), democratising their Corporate Social Responsibility (CSR) process and making a greater impact with chosen charities and their many stakeholders;

- **Government** – through Charity Tax Relief on corporation tax for businesses, government encourages corporate participation, redeploying tax revenues for the benefit of many with the simplicity of a business stimulus mechanism with proven precedents (R&D, oil and gas exploration tax credits, etc).

3. The attraction of C's proposal

In *Breakthrough Britain* the CSJ argued that tackling poverty in Britain hinges upon unleashing the power of the voluntary sector; in particular the power of poverty-fighting third sector organisations working in our most deprived communities.³ For example, organisations like *Springboard for Children*, whose volunteers offer specialised literacy support to children falling behind at school; or *Bristol Community Trust*, whose volunteer couples mentor ex-offenders and their partners in their relationships.

Hypothetical case study: Matt

One attraction of the model is that people can volunteer with one organisation and then donate the funds they raise to another. For example, Matt works as a sales analyst for *Investment Bank X*. He and his wife Louise volunteer at the primary school their five-year old son Charlie attends, listening to pupils read. Matt volunteers one morning a week, for three hours, and *Investment Bank X* match funds his monthly 12 hour at the minimum wage (£6.08) – £72.96 a month. Matt chooses to donate these funds to a local homelessness charity.

At present, however; not only has giving flat-lined nationally,⁴ but all too often the most dynamic grass-roots charities lose out to larger third sector organisations, in terms of funding and profile. Currently, the largest three per cent of UK charities attract 75 per cent of the funding.⁵ Locally-based smaller charities – those making a profound difference on the ground – are outgunned in terms of fundraising and outmatched in terms of communication, lacking the capacity to promote their achievements to charitable givers beyond their immediate locality.

The 'Third Sector' volume of *Breakthrough Britain* proposed a number of ways of tackling this problem and increasing both the number of volunteers and the amount of money channelled to the dynamic charities we most need to tackle social breakdown in the UK. Among our chief recommendations were: the creation of a trust-marking website, enabling charities to promote their causes and achievements beyond their immediate locality; enhanced gift aid on donations to trust-marked charities; a V card scheme whereby volunteers accumulate credits

³ The Centre for Social Justice, *Breakthrough Britain: Ending the costs of social breakdown*, 2007, pp 579-660

⁴ National Council for Voluntary Organisations, Charities Aid Foundation, *UK Giving 2011*, December 2011

⁵ Calculated from figures provided by the National Council for Voluntary Organisations, The UK Civil Society Almanac 2010

to spend on music downloads etc., thus creating a 'hook' for volunteering; and the greater democratisation of government funding, with local people more empowered to have a direct say about which charities receive money.

'The C-volunteer Initiative is a big idea with the potential for far-reaching benefits across the country. At Barclay's Capital we've had great success with the introduction of a volunteering programme, working with a school with young people who had difficulty with communication and also with a charity working with a skeleton staff to help young women of Asian heritage escape abusive situations. The C-volunteer scheme would leverage the great work of our volunteers by providing much needed cash donations to those charities. Government's support for such a programme will help charities and businesses invest in volunteer schemes that can truly make a difference.'

John Anderson, Former Vice Chairman of Barclays Capital Charity Committee

C combines a number of the recommendations developed by CSJ in an innovative and compelling combination. There are a number of features which are particularly attractive:

- **The C-volunteer model begins with business** – creating an innovative alliance for good between business and government that is scalable, easily managed and has limited potential for abuse;
- **Volunteering is at the core** – companies match fund a volunteer's time, generating significant funding for charities and other organisations and in the process encouraging volunteers from all walks of life to interact on common causes. Volunteering is recognised as having an equal or greater impact than cash donations alone. This means there is no substitute for an individual personally engaging, whether it be in the poverty-fighting programmes of a local charity or working with a school on programmes for disadvantaged young people. Even further, the *UK Giving 2011* survey revealed that women aged 45-64 continue to be the group most likely to give (constituting 67 per cent of the giving population).⁶ The C proposal, insofar as it targets employees, promises to broaden that base, both in terms of financial donors and volunteers.
- **On-line innovation delivering benefits directly to charities** – the idea of accruing 'credits' on-line fits in well with newly-established social media and gaming mechanics. Whether start-up credits for on-line computer games (allotted freely to get users involved) or iTunes vouchers, this is a language with which more and more people are familiar. The originality of the C proposal lies in the fact that instead of those credits being spent by the volunteers upon themselves, the credits are spent on charities;

⁶ NCVO, CAF, *UK Giving 2011*, December 2011



- **The creation of a single 'platform'** – at present the fragmentation of channels leads to significant inefficiencies for raising funds. It is also confusing for individuals, who have no easy mechanism to calculate how much they have given in any given year; or to whom. Equally, there is no single platform where charities can showcase their causes and help the donors select them by providing more transparency in their effectiveness. C's proposed 'platform' – with each volunteer having their own on-line profile linked with existing social media networks such as Facebook, and LinkedIn – brings charities, individuals and business together to benefit causes of mutual interest;
- **The democratisation of funding** – companies can learn from their volunteers in allocating their CSR budgets (typically determined centrally by a CSR board). The C platform can democratise CSR spending and might simultaneously encourage employees to top-up their own donations. It also ensures, since CSR money is on this scheme allocated to charities where employees can personally volunteer; that a greater amount of funding is channelled to locally-based, grassroots charities.

'This is an exciting new initiative which would incentivise businesses to embrace the whole concept of volunteering and social responsibility at a far more significant level than has ever been previously achieved. This powerful combination of government and business working together to release substantial funding and volunteer time would have a dramatic impact on the charities that continue to provide vital services to our communities. In this harsh economic climate when many charities are struggling to survive we need bold initiatives such as the Charity Tax Relief to ensure that even more people do not slip further into poverty and neglect.'

Leslie King Lewis, Director of the Man Group plc Charitable Trust

4. The investment case

Hypothetical case study 2: Traditional Industries plc (TI)

Traditional Industries (TI), a company of 5,000 people in Birmingham joins the C-volunteer Initiative. The company has registered on-line with C, who will administer the company's employee volunteer and charitable contribution programmes. The C brand resonates with socially-aware colleagues and is an added attraction for prospective employees who want more from a company than a nine to five job. Traditional industries already has a payroll donations scheme offering to match up to £1,200 per annum. However take-up is low – consistent with many other businesses across the UK. TI sees the C-volunteer scheme as a way of motivating employees, building a new and exciting relationship with their customers and making a real difference to charities. TI offers to match fund volunteering of employees and customers (50/50) up to £100 per month based on a £10 per hour exchange rate, which reflects the firm's value added view of volunteer time. On average if ten per cent of the company's employees and stakeholders volunteer ten hours each month during the year, there will be 500 new volunteers contributing a total of 60,000 hours to local charities, matched by a cash contribution of £600,000 from TI.

TI is enthusiastic about the benefits for employees, stakeholders and charities but are concerned about the added costs from implementing this innovative initiative. To provide the right incentive to increase their CSR budget, TI will need a financial incentive from the Government – the Charity Tax Relief. Assuming the Charity Tax Relief is structured in a manner similar to R&D tax credits, TI can expect the after-tax cash cost of their match funding to decrease by an additional 25 per cent. By providing Charity Tax Relief, government will offer an effective catalyst and deliver multiple benefits direct to charities more efficiently than the current direct funding model (see *Appendix section 3*).

This proposal has been developed in conversation with a number of charities and large companies in the UK, as well as organisations such as Business in the Community (BITC) and the City of London Corporation. The feedback has been very positive. However, some businesses have indicated that C-volunteer could add to the company's CSR expenses as they would expect an increase in demand for match-funding from the scheme. Many companies already offer to match fund employees' payroll-giving, fundraising or cash donations. Take-up is small with less than five per cent (by some studies) of employees contributing regularly through payroll giving. Businesses often cap those schemes, for example at £1,000 per employee. If large numbers participate in a new volunteering initiative expenses could escalate.

Consequently, companies are looking to Government for support in the form of higher rate of corporation tax relief. In addition to the tax deduction currently available to business for charitable contributions, we would propose further tax relief for organisations who match fund volunteer time. We believe an *additional deduction equal to 100 per cent of the match funding for volunteer time* would be a significant catalyst to increase corporate charitable donations. This Charity Tax Relief would be structured and managed in a form similar to existing R&D Tax Relief. As such it would be easy to explain, straightforward to implement and likely to stimulate significant incremental funding for charity in much the same way as R&D tax relief leads to increased investment. Additional R&D tax relief under the Small and Medium-sized Enterprise Scheme is currently 75 per cent of allowable expenses increasing to 100 per cent in this next financial year.⁷

⁷ HM Revenue and Customs, 'Research and Development Relief for Corporation Tax' (accessed via: <http://www.hmrc.gov.uk/ct/forms-rates/claims/randd.htm#1>, 19/08/11).

'The C-volunteer Initiative is one that I have supported from its inception, and one that can transform the role Government plays in incentivising the corporate sector to monetise the volunteering efforts of employees and customers alike. It is a game-changing idea.'

Alan Parker, Chairman, Save the Children UK and Chairman, Brunswick Group LLP

Figure 1: C-volunteer will deliver greater benefit to society than new government spending

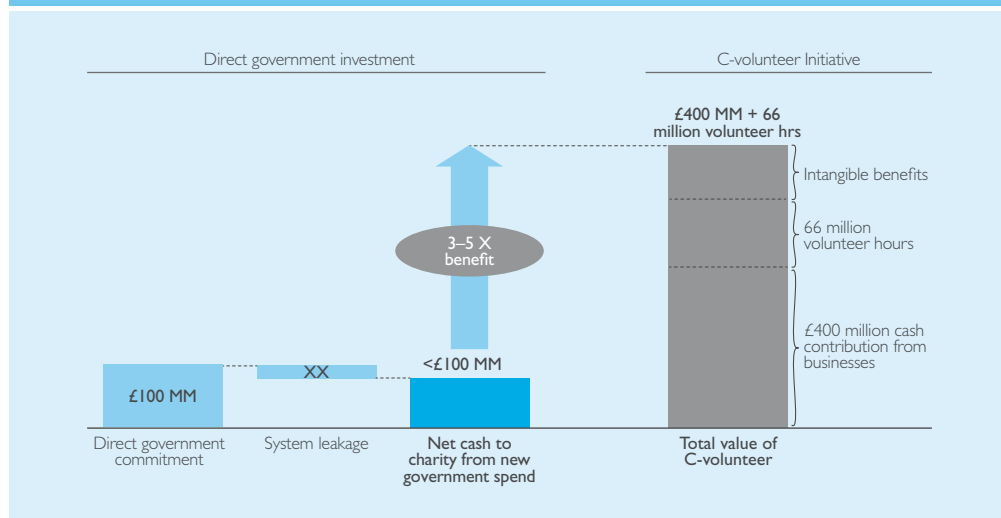
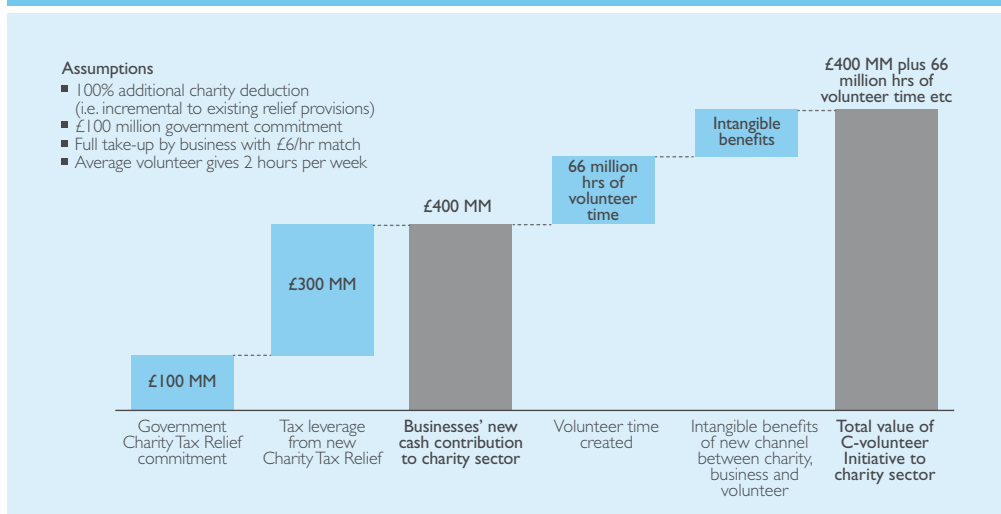


Figure 2: Demonstrating incremental value from a new £100 MM Charity Tax Relief programme



A Charity Tax Relief scheme could appeal to the Treasury because at a time when charities stand to lose extensive funding, Government can sponsor a programme that delivers undiluted benefits direct to charities.

- Currently, every £1 allocated by Government for charities results in, say, 80p received by charities (once the cost of various government agencies and intermediaries are included);
- Under the C-volunteer scheme for every £1 committed by government UK charities would receive £2 of cash funding from the corporate sector plus significant volunteering time. The possibility of employees topping up their accounts could make the leverage significantly higher;
- Government could reallocate spending budget towards Charity Tax Relief from existing programmes ensuring there is no incremental cost to Treasury. Any government commitment could be capped and increased over time as the benefits of the scheme are realised.

C-volunteer is more efficient than direct government funding. It would leverage government funding two to three times and quite conceivably five times or more. This constitutes a real opportunity for the Government to help create a new culture of giving and volunteering in the corporate sector.

'While many businesses offer match funding and encourage volunteering from their employees, all too frequently the take up is low. By offering a charity tax incentive to businesses who match fund volunteer time, Government is delivering a powerful message that is sure to encourage higher participation. People want to make a difference in their communities. The C-volunteer Initiative is a great way to turn someone's energy and commitment into cash for good causes. All of a sudden getting involved through volunteering is more valuable than a simple cash contribution – a new form of alchemy.'

Steve Howard, Chief Executive Business in the Community





5. Summary

The C proposal could be a game-changing initiative for government, business and charities by encouraging active participation across society while building a new kind of corporate social responsibility. C-volunteer Initiative has the potential to:

- Significantly increase the overall contribution to charities – both volunteer time and money;
- Deliver these benefits at no incremental cost to government; and
- Transform the nature of corporate giving, 'democratising' CSR and increasing its relevance as a marketing tool by helping companies engage with employees, customers and stakeholders.

The initiative would be championed by business, driven by individuals and facilitated by tax relief from government. C-volunteer provides a real opportunity for the Government to help create a new culture of giving and volunteering across the country.

Appendix I: Endorsements

- 'Research by Missionfish (who run the eBay £1 donation on checkout) found people give 32 times more when offered free choice of their own charity rather than a limited selection of corporate charity partners. C is an idea that could do for giving what iTunes did for music, or Amazon for books. The potential is incredibly exciting.'

John Grant, author *Co-opportunity* and *The Green Marketing Manifesto*,
cofounder ecoinomy.com

- 'C stands to be transformational because it's clear that CSR is going to become a focal point for direct-to-consumer marketing, rather than the preserve of siloed CSR departments.'

Sanjay Nazerali, Brand Director, Journalism, BBC

- 'C introduces a powerful new platform for getting more individuals involved in volunteering, whilst also generating additional funds for charities across the UK. The prospect of encouraging companies to sign up through a new government Charity Tax Relief would be a strong incentive which could transform the volunteering landscape.'

Dr Harpal Kumar, CEO, Cancer Research UK

- 'Volunteers are a powerful force for good in local and larger charities like Crisis. Business is an important partner in so many of our initiatives. Combining the passion of our many volunteers with the financial resources of business fuelled by Charity Tax Relief from government is the kind of "out of the box" thinking that can really make a difference to the third sector. Extending the match funding programmes of business beyond cash donations to match volunteering time of employees and stakeholders is a fantastic way of bringing companies closer to communities and the causes that are important to their business.'

Sir David Bell, Chairman, Crisis UK

- 'We must do everything we can to promote volunteering and raise additional funding for the voluntary sector. C makes this possible for millions of people who haven't found it easy to access volunteering schemes and/or who work for firms that have some cash but no capacity for running their own programmes.'

Richard Hardie, Chairman UBS Ltd and Chairman, the Learning Trust Hackney

Appendix 2: Possible scenario for Charity Tax Relief

Government through Treasury agrees to introduce Charity Tax Relief in a form similar to the existing R&D tax relief.

Amount: HMRC/Treasury will make available an additional deduction for corporate match funded volunteering equal to 100 per cent of the match funds donated – in total a 200 per cent deduction.

Cap on Charity Tax Relief: Treasury might set an aggregate annual cap of say £500 million nationally. The cap will depend on the scale of Government's ambition for the C-volunteer scheme.

Pre-clearance: Companies participating in the C-volunteer scheme would obtain HMRC Code of Practice pre-clearance to a maximum amount of their planned match each year. As there is a government cap on total Charity Tax Relief each year there will be an incentive for companies to apply early and deliver innovative C-volunteer initiatives for their employees and stakeholders.

Incremental funding: Initially Charity Tax Relief might be available to those businesses who increase their total charity spending over previous years figures. Providing an incentive for new contributions should be a priority.

Role of business: Once they receive pre-clearance of an amount from HMRC, companies would be free to develop their own plan within the guidelines set by HMRC. In most cases organisations would announce to employees and stakeholders:

- The amount of the organisation's C-volunteer funding;
- Allocation between employees, customers and stakeholders;

- Basis for match funding – at what rate(s) will the organisation match fund volunteer time; and
- Rules and guidelines.

Role of C: The social enterprise C will provide the infrastructure and systems for participating businesses and charities to implement and monitor their C-volunteer programmes. C will provide a turnkey service, facilitating rollout, providing system needs and ensuring consistency to standard required by HMRC.

Financial year end: Business will submit annual tax returns and claim up to their pre-cleared allocation upon providing appropriate accounting of their C-volunteer activities. Utilisation of their pre-clearance allotment will provide a guideline for the following year's allocation. Government will evaluate the programme and make available data showing effectiveness of the programme.

Appendix 3: R&D Tax Relief as a precedent

R&D Tax Relief is a relevant precedent when considering the proposed Charity Tax Relief. In 2009/2010, the cost to UK Government of operating R&D credits was £190 million in credits and £800 million in deductions: total £990 million. Small and Medium enterprises (SMEs) constituted 30 per cent of the total cost, and large companies were 70 per cent.⁸

'Market incentives alone are insufficient to produce an adequate supply of R&D, making it crucial for governments to stimulate private R&D spending. As with any investment decision, R&D is not undertaken by firms unless there is an opportunity for profit. By changing the relative costs of research investments – through subsidies, taxes, trade or other policies – governments can influence the generation of research and knowledge for economic growth...

... A Canadian study found that each dollar of tax revenue foregone through tax incentives generated CD 1.38 in additional business research spending and concluded that the federal R&D tax incentive is cost effective in stimulating additional R&D. A review of country studies of the effectiveness of R&D tax credits reported similar findings'.⁹

Appendix 4: Traditional Industries hypothetical example

An illustration of the benefits created by Traditional Industries' participation in the C-volunteer programme:

⁸ 'Direct Business Taxes Statistics', HMRC form RD3

⁹ 'Tax Incentives for Research and Development: Trends and Issues' published on the responsibility of the Secretary-General of the OECD, 2002

Table 1: Traditional Industries plc – hypothetical social impact

Traditional Industries plc volunteers – employees and stakeholders	Employees	Number participating	Cash match/hour volunteered	Average annual volunteer hours	Match funding donated to charity per volunteer
	5,000	500	£10.00	120 hours	£1,200
Business – TI plc	Pretax cost to TI plc	Match funding current allowable expense	Additional Charity Tax Relief deduction	Total tax relief at 25% corp tax rate	Net cost to TI plc after Charity Tax Relief
	£600,000	£600,000	£600,000	£300,000	£300,000
Government – social impact	Current cost to treasury	Proposed cost of new Charity Tax Relief	Total potential cost to treasury	Social benefit – new cash for charities	Total social benefit – net of cost to treasury*
	£150,000	£150,000	£300,000	£600,000	60,000 volunteer hours PLUS £300,000

* Excludes any additional benefits from volunteers' donations and potentially significant benefits from new relationships between business, charities and volunteers

About C

C is a social enterprise conceived in early 2010 by Ab Banerjee, Clare Delmar and James Downing, who have deep and broad experience as donors, volunteers and fundraisers in the charitable sector. The team has been working in partnership with the CSJ since June 2011.

- Ab Banerjee is a technology entrepreneur and a member of the Cancer Research UK Venture Board. Ab is founder and CEO of ViewsOnYou, a social media platform to help professionals establish their public 360 profile to find the best fit with companies and roles. Ab previously founded RAW Communications, winner of the TechTack 100 fastest growing business in 2001, subsequently sold to Thomson Reuters. He has corporate experience with JP Morgan Chase, Pearson plc and the Financial Times, and a MA/MEng from Cambridge and MBA with Distinction from INSEAD;
- Clare Delmar is a former project financier who established Catalyst Healthcare, one of the first Private Financial Initiative (PFI) contractors, and served on the Treasury's Private Finance Panel Executive. She is the creator of several arts outreach programmes, including 'The City Sings' which linked City companies with arts and educational organisations. She is a trustee of Musequality, an arts-based charity, is a member of Council at the University of Roehampton and sits on the advisory board of an international NGO, FINCA. Clare holds a BA in Economics from Columbia University, a Master's in Urban Planning and Community Development from MIT, and an MBA from INSEAD;
- James Downing is a company director, private investor and founder and chairman of London Youth Rowing, a charity that promotes rowing and other forms of physical activity across London to those from all backgrounds, abilities and walks of life. Jim is Chairman of Nuada Medical Group, a provider of advanced diagnostics and cancer therapeutic services, and Non Executive Director of Winsway Coking Coal, a Hong Kong listed business, a NED of Harrys of London and Director of ProActive East London. Previously, Jim was Deputy Head of JP Morgan's European Investment Banking. He holds a Masters of Public and Private Management degree from Yale University.

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