

The art of giving

Payroll giving schemes are now 21 years old. Chair of the National Payroll Giving Excellence Awards **Ian Harris** looks back over their development, describes the advantages, and looks forward to how they can be developed

It seems incredible that payroll giving 'as we know it' was first introduced in the UK as long ago as April 1987. Back then I had more hair on my head, less hair on my face and fewer qualifications than now. Fittingly, a charity record was at the top of the charts for most of that month: 'Let It Be' (Ferry Aid), although before the month was done, the top spot had been seized by 'La Isla Bonita' from that 1980s iconic material girl, Madonna.

I say payroll giving 'as we know it', because Britain in fact had a form of payroll giving since the beginning of the 20th Century; a specific scheme for Barnardos, originally named the 'National Farthing League', which was raising a cool £5m per annum for that charity as long ago as 1986¹. But that Barnardos scheme was a post-tax scheme. The tax-effective payroll giving scheme enabled by the 1986 budget and launched in 1987 opened the floodgates for payroll giving.

Yet progress has been slower than hoped. Last year around £90m was distributed in the UK through payroll giving, which is a decent return, but no match for the billions raised through this method in the USA each year.

The UK Government has tried various incentive schemes, including a 10% supplement early this decade and an SME grant scheme between 2005 and 2007. While many large organisations 'get it' and have a scheme, it seems harder to encourage SMEs to participate, although it really is simple to implement and beneficial to everyone, as my own company's case demonstrates.

Case study: The Z/Yen Group

The Z/Yen Group is a commercial think-tank that aims to help organisations make better choices through market intelligence, better systems and risk-reward management. We first presented the idea to Z/Yen staff for payroll giving at an informal meeting with drinks in early 2005. We explained the advantages of donating money using a small presentation, and staff were encouraged to ask questions. It proved to be a popular idea, even before people had imbibed!

We contacted one of the approved Payroll Giving Agencies. The agency sent through the paperwork, and staff filled in a simple donation form, stating which organisations they would like to give money to and how much. The process was



Staff have the choice of which charity to support

extremely straightforward:

- The scheme took about four hours to set up and takes less than 10 minutes a month to operate.
- Each employee's payroll giving is shown as a field on their payroll record. This only needs to be changed if that employee changes the amount of their giving that month. The payroll software (in our case Quickbooks) calculates the correct tax figures for each employee and tots up all of the payroll giving; Z/Yen then makes one simple payment to the Payroll Giving Agency, and notifies it if there have been any changes.
- The Payroll Giving Agency handles and distributes the money to the charities, so the process is very straightforward from Z/Yen's point of view. As a gesture of good will, Z/Yen pays the small agency administration fee. This is a popular move with staff, as they know that their entire donation is going straight to their chosen charities.

By re-promoting the scheme periodically at symposia, new staff are attracted to payroll giving and Z/Yen can refresh all staff's interest. More than half

FACT FILE

Payroll giving from pre-tax income has been around since 1987

Around £90m is raised, but this is dwarfed by sums raised through such schemes in the US

Administration is easy, including for smaller enterprises

Payroll giving quality marks and the new award scheme seem to be generating more participation

The scheme took about four hours to set up and takes less than 10 minutes each month to operate

¹Payroll Giving in the UK, Debbie Romney-Alexander, International Journal of Nonprofit and Voluntary Sector Marketing, Volume 7 Number 1, 2002

Payroll giving looks set to become an increasingly important part of charitable donations

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(55%) of Z/Yen staff are now payroll giving, with an average gift level of £27.20 per month per giver. Even from a small employer like Z/Yen, several thousand pounds are now in charities' hands through payroll giving.

Quality marks and awards

In 2006, the Institute of Fundraising, in conjunction with the Payroll Giving Centre, launched the Payroll Giving Quality Mark. This excellent idea recognises and rewards employers for offering payroll giving. The top level is gold, which requires at least 10% of the staff to participate, and the employer needs to demonstrate some active support for the scheme. Active support might comprise of meeting the Payroll Giving Agency fees, and/or providing some matching donations and/or actively promoting the scheme.

At Z/Yen we are proud owners of a gold quality mark. Especially for larger employers, where milestones such as 1% take-up (bronze), 5% take-up (silver) and beyond are challenging targets, the quality mark encourages employers to work continuously, improving their schemes.

In 2007, the above idea was expanded to include the National Payroll Giving Excellence Awards (see cover feature, November 2007). These are designed to showcase the best payroll giving schemes in the UK. All employers with a bronze, silver or gold quality mark are eligible to apply for awards.

In 2008 the award categories will be as follows:

- Best launch of a new scheme,
- Best re-launch of an existing scheme,
- Best employer and charity promotion,
- Best promotional partnership,
- Best SME campaign,
- Best large employer campaign.

There will also be a 'Best In Show' award taken from the winners of the above categories. There's no chance of Z/Yen getting an award, as your humble author chairs the panel of judges. Philip Whiteley, editor of *Payroll World*, also sits on the judging panel.

The Quality Mark and National Payroll Giving Excellence Awards are both supported by the Government, which demonstrates its ongoing commitment to increasing regular and tax-effective giving in support of UK charities.

Who knows what the next 21 years have in store for my hairstyle and/or the pop charts? But payroll giving looks set to become an increasingly important part of the charitable giving landscape.

I would strongly recommend payroll giving to all organisations. It requires minimum effort and enables staff to give regularly to the charities of their choice in a tax-efficient way. Payroll giving is good for Z/Yen, good for Z/Yen's staff and good for the charities our staff support. **PW**

Ian Harris is Managing Director of The Z/Yen Group and also chairs the Payroll Giving Awards.

With a helping hand...

...your Payroll Giving scheme, just like lots of our clients, could achieve a Gold Payroll Giving Quality Mark and have an award winning scheme, which fits with your strategies and achieves amazing results for charity.



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Best Promotional Partnership

Marshalls

WINNER

Best Employer & Charity Promotion



WINNER

Most Innovative Promotion

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Best Relaunch of an Existing Scheme

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Best Launch of a New Scheme