

CHAPTER HIGHLIGHTS

THE STATE OF NONPROFIT AMERICA

LESTER M. SALAMON *editor*

Chapter 12 Highlights **INDIVIDUAL GIVING AND** **VOLUNTEERING**

Virginia Hodgkinson with Kathryn E. Nelson
and Edward D. Sivak Jr.

Brookings Institution Press
Washington, D.C.

Published in collaboration with the Aspen Institute

INDIVIDUAL GIVING AND VOLUNTEERING*

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Private giving and volunteerism have long been vital components of American life, and recent years have been no exception. Yet while philanthropic giving has consistently increased in absolute terms, it has declined almost steadily over the past 30 years both as a share of national wealth and as a share of nonprofit income.

This is one of the principal conclusions that Dr. Virginia A. Hodgkinson, and her collaborators Kathryn E. Nelson and Edward D. Sivak, Jr., reach in a new analysis of recent trends in giving and volunteering in America. This analysis is part of a broader assessment of *The State of Nonprofit America* coordinated by Dr. Lester M. Salamon of the Johns Hopkins University and published by the Brookings Institution Press in collaboration with the Aspen Institute.

As Hodgkinson, Nelson, and Sivak show, charitable donations in the United States reached \$203.5 billion in 2000, and 75 percent of that amount came from individual citizens rather than foundations, corporations, or bequests. At the same time, volunteers put in nearly 20 billion hours in 1998, the equivalent of more than nine million full-time employees. The estimated value of volunteer services was \$226 billion. As a percentage of personal income, however, giving peaked at 2.7 percent in 1963 and fell to 1.8 percent by the late 1990s. In 1990, the average American was contributing about half of what he or she gave during the 1920s. The decline in generosity was greatest among the affluent population, which benefited disproportionately from the economic boom of the 1980s and 1990s.

Hodgkinson and her colleagues blame this situation in part on reforms that began during the Reagan era to lower estate and personal income taxes for the wealthy, thus decreasing their financial incentive to make tax-deductible contributions. This problem for nonprofits will only worsen, she predicts, as estate taxes continue to decline to zero in 2010, according to the provisions of a recently enacted law.

Interestingly, giving by the middle class (\$35,000-\$50,000 in gross income) during the 1990s fell at a lower rate than it did among the wealthy, despite the fact that the middle class was the group least rewarded and most burdened by the new economy and tax structure. Hodgkinson et. al. note that non-wealthy people would give much more to philanthropy if they were simply asked. National surveys conducted by Independent Sector consistently show that "being asked" is the most effective way to get people to give and volunteer, but the same surveys reveal that the likelihood of being asked declines with income levels and is also lower among members of minority racial and ethnic groups.

Hodgkinson et. al. contend that the rate of individual philanthropy would have fallen even more precipitously in the '90s if not for the growing professionalization of fundraising and volunteer recruitment. The creation of new instruments of giving, such as donor-advised investment funds, online giving, and planned gifts that provide tax deductions during the donor's lifetime and estate exclusions at death, also helped to shore up giving, she says. These creative responses have to some degree blunted the crisis resulting from the current economic downturn and decreasing tax incentives. Still, Hodgkinson et. al. expect conditions to continue to worsen for the short term.

Unlike giving, volunteerism has been positively affected by new public policy. Every U.S. president since Jimmy Carter has used the bully pulpit to encourage citizens to volunteer, and new federal programs such as AmeriCorps have proven successful. A 1999 survey of entering college freshmen indicated that 75 percent had performed volunteer work. "A new civic generation seems to be emerging," Hodgkinson writes.

Encouraged by this sign and others, including pending legislation that would allow individuals who do not itemize their tax returns to deduct charitable contributions, Hodgkinson sees bright long-term prospects for philanthropy. In particular, she finds good news amid our recent national woes. She writes: "The outpouring of giving that emerged after September 11 bears witness to the depth of American generosity during times of crisis and reveals the ingrained nature of the American habit of giving."

* Adapted from "Individual Giving and Volunteering" by Virginia Hodgkinson with Kathryn E. Nelson and Edward D. Sivak Jr. in Lester M. Salamon, editor. *The State of Nonprofit America*. Washington: The Brookings Institutions Press, 2002. Published in cooperation with the Aspen Institute.

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Praise for
THE STATE OF NONPROFIT AMERICA

“The State of Nonprofit America gives us a much-needed assessment of one of the true treasures of American society – our private, nonprofit organizations – at a critically important moment in their development. All of those concerned about the special qualities of our society should read and ponder its message.”

– President Jimmy Carter, 2002 Nobel Laureate

“Tells a readable story of how a multitude of intertwined public and private trends – shifts in demography, public policy and attitudes, technology, the marketplace – have combined to shape today’s diverse nonprofit sector. Beyond reporting on how the sector has responded to past challenges, it provides provocative suggestions for changes necessary to promote nonprofits’ health over the long term. It is a welcome addition to the literature, and I commend this book to anyone interested in the special role nonprofits play in American life.”

– Dorothy S. Ridings, President, Council on Foundations

“Provides a revealing insight into the important role that nonprofit organizations have come to play in the effective operation of our publicly funded services. It makes clear why we must make this partnership work.”

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– Sara E. Meléndez, President and CEO, Independent Sector

“The State of Nonprofit America is an indispensable resource for those who seek to understand America’s nonprofit sector and the forces that are shaping it. So good, so complete, it is both immediately relevant and bound to stand the test of time.”

– Peter B. Goldberg, President and CEO, Alliance for Children and Families

Chapter highlights are from “Individual Giving and Volunteering” by Virginia Hodgkinson with Kathryn E. Nelson and Edward D. Sivak Jr., a chapter in *The State of Nonprofit America*, edited by Lester M. Salamon and published by the Brookings Institution Press in collaboration with the Aspen Institute.

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