

# Researchers find a way of avoiding overhead aversion in charity donations

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Credit: George Hodan/public domain

(Phys.org) —A trio of researchers with the University of California has found that rephrasing donation requests to avoid the problem of overhead aversion can result in a bump in donations. In their paper published in the journal *Science*, Uri Gneezy, Elizabeth Keenan and Ayelet Gneezy describe two experiments they conducted, one in the lab, the other in a public setting, regarding donation amounts and what they

found by doing so.

As some charity organizations have become big business, donors have become more concerned about where the [money](#) they donate will actually go—to those in need, or into the paychecks of those who work for the organization and other overhead expenses. Though many research efforts have shown that the percentage of dollars that go towards overhead for any given organization rarely is a sign of the relative efficiency of such organizations, donors have become wary nonetheless. In this new effort, the researchers sought to discover if donors would be influenced if they were told that their [donations](#) would not go towards overhead—that every cent would go to help those in need—because the overhead expenses were already covered by a previous donor.

To find out, the researchers conducted two experiments. The first involved the assistance of 449 undergraduate students who were each asked if they were going to donate \$100 to one of two different charity organizations, which would they choose based on certain criteria. Some were told that another [donor](#) would match theirs 1:1, another 1:3, others were told that their donation would be part of a seed fund, and a fourth group was told that all of their money would go to help those in need because the overhead was already covered. The researchers found that the fourth option made the most difference—donors in that group were found to be 80 percent more likely to donate with that option than to the seed fund option and were 94 percent more likely to do so for either of the matching options.

Next, the researchers partnered with two real life charities that were involved in asking for donations from 40,000 people via the postal service. Four different types of letters were sent: an overhead-free option, a matching funds option, a seed funding option and a control group where there were no terms. Once again, the no-overhead option got the best response, garnering 80 to 84 percent more money than

matching or seed money options respectively.

The researchers put it simply, donors prefer to think the money they give will directly help someone, rather than pay for a CEO's large salary.

**More information:** Avoiding overhead aversion in charity, *Science* 31 October 2014: Vol. 346 no. 6209 pp. 632-635 [DOI: 10.1126/science.1253932](https://doi.org/10.1126/science.1253932)

## ABSTRACT

Donors tend to avoid charities that dedicate a high percentage of expenses to administrative and fundraising costs, limiting the ability of nonprofits to be effective. We propose a solution to this problem: Use donations from major philanthropists to cover overhead expenses and offer potential donors an overhead-free donation opportunity. A laboratory experiment testing this solution confirms that donations decrease when overhead increases, but only when donors pay for overhead themselves. In a field experiment with 40,000 potential donors, we compared the overhead-free solution with other common uses of initial donations. Consistent with prior research, informing donors that seed money has already been raised increases donations, as does a \$1:\$1 matching campaign. Our main result, however, clearly shows that informing potential donors that overhead costs are covered by an initial donation significantly increases the donation rate by 80% (or 94%) and total donations by 75% (or 89%) compared with the seed (or matching) approach.

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