DOCUMENT RESUME

ED 325 666 CE 056 241

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TITLE Talking with Business. The Views of 101 Top Executives of Smaller Businesses on Their Role in Supporting Non-Profit Activities and Partnerships with Schools.

INSTITUTION Department of Education, Washington, DC.

PUB DATE 85

NOTE 46p.; Supported by Katy Industries, Inc., International Metals and Machines, Inc., and American Machine and Science Inc.

PUB TYPE Viewpoints (120)

EDRS PRICE MF01/PC02 Plus Postage.

DESCRIPTORS Business Responsibility; *Corporate Support; Educational Finance; Elementary Secondary Education; Employer Attitudes; *Incentives; Industry; Interviews; *Motivation; *Private Financial Support; *School Business Relationship; *School Support; Small Businesses; Social Services

IDENTIFIERS *Partnerships in Education

ABSTRACT

A study identified motivations and disincentives for business philanthropy among 101 small and medium-sized corporations operating nationwide, as revealed through interviews conducted with their executives from March through August 1984. Discussions identified several principal incentives to encourage corporate support of community services and education: tax incentives, public recognition for corporate efforts, clear communication of community needs and priorities, and leadership by various levels of government. Principal disincentives to corporate involvement were administrative time and costs, adverse economic conditions, drawing of resources from the firm's main business activities, and difficulty of measuring and monitoring results. Factors that recently influenced business philanthropy were businesses' endorsement of a broad concept of social responsibility, federal encouragement of greater private sector involvement, and concern about the inadequate development of basic skills among entry workers. For many, the marginal cost of giving, in after-tax dollars, had a major effect on the inclination to make contributions. Another large segment said they would be unaffected. Public policy implications and recommendations for federal, state, and local government units were identified. (The interview protocol and 12 references are appended.) (YLB)

Talking with Business

THE VIEWS OF 101 TOP EXECUTIVES OF SMALLER BUSINESSES ON THEIR ROLE IN SUPPORTING NON-PROFIT ACTIVITIES AND PARTNERSHIPS WITH SCHOOLS

U.S. DEPARTMENT OF EDUCATION

United States Department of Education

This report was prepared under the supervision of Mr. Barry J. Carroll while he was at the Department of Education under the President's Commission on Executive Exchange Progam, with the assistance of the Department staff including the Secretary's Regional Representatives. The views expressed herein are not necessarily those of the Department.

Support for the publication of *Talking With Business* was furnished by the U.S. Department of Education, Katy Industries, Inc., International Metals & Machines, Inc., and American Machine & Science Inc

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ACKNOWLEDGMENTS

The author wishes to acknowledge and commend the contributions of the following persons, without whose guidance, support, and willing help this study would not have been possible

Dr Terrel H Bell, Secretary of the U S Department of Education
Mr. Thomas C Anderson, Chief of Staff, Office of the Secretary
Dr. Robert Billings, Regional Liaison Staff Director
Mr Gary Bauer, Deputy Under Secretary, Office of Planning, Budget, and Evaluation (OPBE)

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Mr Bruce Barr, Executive Assistant to the Under Secretary
Mr David Mandel, Senior Program Analyst, Office of the Under Secretary
Mr Ron Hall, Senior Program Analyst, Office of the Under Secretary
Dr Franmarie Kennedy-Keel, Executive Assistant to the Deputy Under Secretary (OPBE)
Mrs. Elenora Norris, Office of the Secretary, Word Processing and Composition
Mrs. Mary Ann Kurpiewski, International Metals & Machines, Inc , Word Processing and Composition
Mrs Mary Sethness, International Metals & Machines, Inc , Word Processing and Composition
Mr Hayden Smith, Senior Vice President, Council for Financial Aid to Education

And the chief executive officers and other top executives of the companies that participated in this study

Executive Summary

This report discusses the motivations and disincentives for business philanthropy among 101 small and medium-sized corporations operating in communities across the Nation, as revealed through interviews conducted with their executives from March through August 1984 Three general topics were discussed during these interviews: incentives and disincentives to philanthropy, factors that have recently influenced business philanthropy, and the specific effects of tax incentives on philanthropy and voluntarism

Incentives and disincentives. The discussions identified several principal incentives to encourage corporate support of community services and education.

- Tax incentives
- Public recognition for corporate efforts
- Clear communication of community needs and priorities, and
- Leadership by various levels of government

Principal disincentives to corporate involvement in such endeavors were these

- Administrative time and costs
- Adverse economic conditions
- The drawing of resources from the firm's main business activities, and
- The difficulty of measuring and monitoring results

Factors that have recently influenced business philanthropy The primary factor that has recently influenced business philanthropy is businesses' endorsement of a broad concept of social responsibility This attitude, coupled with the Reagan Administration's reassessment of the Federal responsibility for some areas of social service delivery and encouragement of greater private sector involvement, apparently stimulated the higher level of business philanthropy witnessed during the 1981-83 recessionary period. Also, according to many respondents, the business community is becoming increasingly concerned about the inadequate development of basic skills among new entrants into the work force

The specific effects of tax incentives. The potential effects of several specific tax incentives were discussed. For a large portion of the CEO's, the marginal cost of giving, in after-tax dollars, has a major effect on the inclination to make contributions. Another large segment of the group, however, said they would not be affected by an improvement in tax incentives because they responded only to specific needs, were not earning enough income to make gifts, or were constrained by specific provisions of the tax codes that applied to their types of businesses

Many of the executives surveyed endorsed a carefully drawn tax incentive to stimulate voluntarism, but they also indicated that smaller companies are not well suited to "lending" employees during business hours Many such companies already encourage off-hours volunteering by employees Enough executives warned of the potential they saw for cumbersome (and expensive-to-process) reports and abuse that we question whether such a tax incentive would be cost-effective for smaller businesses.

A proposal for a marginal tax incentive for gifts in cash, conversely, was widely accepted It would provide a tax credit for gifts supporting elementary/secondary school improvement when and to the extent that total giving exceeded a set percentage of pretax earnings. Seventy-four percent of the executives who responded supported this proposal, which would reward only well-above-average involvement This concept was therefore suggested for more study as a realistic way of motivating a significant portion of the business community to increase its support of education partnerships

Each of the above topics is the subject of a chapter of this report The report concludes with a discussion of the implications of these topics for public policy and involvement in education and community service

I. INTRODUCTION

Federal and State governments have long played an influential role in the development of voluntary private social service organizations, including such institutions as colleges, foundations, churches, and charities, which provide numerous social and cultural services to our citizens These organizations are usually State chartered and exempt from local, State, and Federal taxes Thus, their importance and utility in serving the public good are endorsed and sanctioned by public policy. Particularly since the time of the New Deal, however, government has assumed responsibility for funding a growing proportion of the social services that were once the exclusive province of the nonprofit sector Under the Reagan Administration, debate has been renewed regarding what blend of government and voluntary private support will best serve the national interest

President Reagan has taken a stand in favor of a reduced role for the Federal Government in social service delivery and a greater role for individuals, families, local and State government units, and not-for-profit organizations The Task Force on Private Sector Initiatives, appointed early in the Reagan Administration, recommended a goal of doubling corporate philanthropy by 1987 as part of this effort The Commission on Private Philanthropy for Public Needs (the Filer Commission) in 1976 adopted a similar goal for fulfillment by 1980 Although change has been slow, some progress toward these goals has been recorded since the 1981-83 period

In October 1983, President Reagan advocated that all 110,000 schools in the Nation should become involved in partnerships with other organizations The Department of Education has documented in some detail more than 46,000 such relationships that have already been established * Because these relationships generally appear to be useful and constructive, it seems clear that more benefits could be realized if the number and scope of these partnership activities could be expanded

This project was conceived and conducted in 1984 to help policymakers develop and maintain a balance of policies to support the goal of doubling business involvement in social service delivery (particularly in the form of business and school partnerships).

If public policy is to move in the direction of encouraging increased involvement of the private sector in partnerships with the public sector, it is important that policymakers be well informed regarding the priorities and pitfalls of this approach To avoid wasting effort and tax dollars, policymakers should also have information on the efficiency and cost-effectiveness of the various tools that might be employed Some approaches to motivating corporate behavior, such as tax incentives, are well tested and documented The influence of these various tools on the formation of the public-private partnerships that are advocated by the Reagan Administration, however, has not been studied, and feedback from businesses is needed

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* **Partnerships in Education Education Trends of the Future** U S Department of Education, Office of Planning, Budget and Evaluation, 1984

The central purpose of this study was to identify incentives or policies that might stimulate the involvement of small and medium-sized businesses in the delivery of social services and to gain some understanding of factors in the business environment that have recently affected philanthropic actions

To gather information on this subject, face-to-face interviews were held with top executive officers of 101 companies throughout the United States from March to August of 1984 The project design included 10 interviews in each of the U S. Department of Education's geographic regions to be conducted by the Secretary of Education's Regional Representative (SRR) in each office The SRR's picked the interviewees, the only criteria were that the companies (a) employ more than 50 people, (b) be roughly evenly divided among manufacturing, service, and financial and retail, and (c) **not** be Fortune 500 companies, but smaller companies with a more local focus

We concentrated on small to medium-sized companies in this project for several reasons

- They tend to have a local focus and they are close in size to most not-for-profit organizations, such as educational institutions
- We thought (correctly) that we could reach a high proportion of the people who make decisions for the company about contributions to community and educational services, preferably the company's Chief Executive Officer
- A study conducted by the Conference Board and the Council for Financial Aid to Education (CFAE), two business research organizations, indicated that although overall dollar philanthropy as a percentage of pretax earnings is similar for all companies, smaller companies tend to exhibit more extreme behavior than larger companies. Contributions are reported by more than 90 percent of Conference Board respondents earning profits, whereas only 43 5 percent of companies with assets in the range of $100,000 to $500,000 reported contributions in a 1970 study reprinted in the same report * Small companies that do contribute, however, tend to contribute higher percentages of pretax earnings, and in relation to their asset bases, small companies tend to be much larger contributors overall than large companies

In comparison to the sample used in the CFAE study, the companies represented in our interviews gave a larger percentage of pretax earnings to community services, but were less inclined to contribute to education than to other community services

The 101 CEO's interviewed represented 35 manufacturing, 37 service, and 29 financial and retail companies Nineteen have less than $10 million in sales, 20 have $10 to $25 million, 16 have $26 to $100 million, and 46 have more than $100 million

*Thomas Vasques, 'The Development of Corporate Giving 1935 1970,' reprinted in CFAE's **A Profile of Corporate Contributions, April 1983**

The companies generally had fewer than 1,000 employees (87 out of 101), with nearly half (48) having fewer than 100 employees A description of the sample is included in Appendix A, Method and Sample Characteristics

More than 70 percent of the interviews were with chief executives, the balance of the interviews, with few exceptions, were with other corporate officers or directors Throughout this report, references to chief executive officers (CEO's) should be understood to encompass the entire group of interviewees

The topics selected for discussion during the interviews were based on the goals set by the Reagan Administration and the Filer Commission, coupled with a desire to contribute to the understanding between business and government regarding businesses' special perspectives and concerns about their involvement in community services and education. The topics include incentives and disincentives to business philanthropy, factors that have recently influenced business philanthropy, the effects of tax incentives on philanthropy and voluntarism, and partnerships between businesses and elementary or secondary schools The interview protocol is presented in Appendix B Each of these topics is discussed in the following chapter of this report

II. INCENTIVES AND DISINCENTIVES TO BUSINESS PHILANTHROPY

The incentives to business philanthropy most frequently cited by the executives interviewed were a favorable tax policy, recognition for corporate efforts, clear communication of community needs and priorities, and government leadership. The most frequently cited disincentives were the administrative time and costs associated with philanthropy, adverse economic conditions, the drawing of resources from the firm's main business activities, and the difficulty of measuring and monitoring the results of philanthropic giving. Each of these incentives or disincentives is discussed below

Incentives

A Favorable Tax Policy

The major finding of this study was that a more favorable tax policy is the most important incentive to CEO's to undertake private sector initiatives. Fifty executives identified this incentive compared with 44 who selected the next most commonly cited incentive, "recognition " Specific measures to which the executives said they would respond were tax incentives (a) to support employees' continuing education (30); (b) to support company-funded scholarships for tuition and fees of employees' children (25), and (c) to promote sponsorship of educational programs targeted at marginally employable persons in the community (27) Thirteen respondents went beyond mere agreement, calling tax incentives "very helpful," "very important," "number one," and "essential " One stated that there is "no other meaningful incentive " Another said that "a credit like the ITC [investment tax credit] would result in the greatest increase in [either] corporate or individual giving " Yet another remarked, 'There are no nonprofits, we're all here to feed ourselves "

Several comments shed further light on the executives' reasoning. "Use local, State, and Federal incentives as a handle. We must be able to justify to stockholders [We] like the continuing education credit for tuition support." "The targeted-jobs tax credit program is good. We are heavily involved and have gotten back over $1 million [it] helps the target population and our company Business all over should look into this program." "Tax incentives are needed to accomplish many things such as moving into inner-city locations and hiring untrained and disadvantaged [workers] " "Economic incentives override all others, over the long term, we see this as having multiple benefits and a big payback " "Yes to tax incentives and better preparation of students for work " "[Incentives] should be to foster company matching-gift programs with employees " "[They] can be a mutual benefit "

Two respondents thought the incentive should be for individuals as well as for corporations, and four others emphasized the value of such a credit in expanding existing continuing education and tuition rebate programs and in stimulating other companies to offer such benefits to employees Two executives emphasized the importance of using a tax credit rather than simply an expanded deduction (the latter was recommended by the Filer Commission) Their comments supported the thesis that because income for small businesses tends to be taxed in lower brackets, small companies would have proportionately less incentive to participate under an expanded-deduction approach than would larger companies One executive cited as very effective the Pennsylvania Neighborhood Assistance Act, which provides a credit that reduces the marginal after-tax cost to the company for neighborhood improvement philanthropy from 50 cents to 22 cents on each dollar contributed

Comments about the appropriate amount of a credit varied from 100 percent ("Why not a plan by which if business provides a service which saves the Government one dollar, we credit the company with a one-dollar write-off?") to more moderate proposals, such as "[You] don't have to make support to schools by business free, just provide some incentive" and "A 10 percent flat tax incentive, I am in favor of it"

The CEO's of several companies that were in a loss position still approved of tax incentives from which they would derive no near-term benefit "No gain for us, but try to do it anyway, helpful unless [the] economy changes"

Although, as one executive stated, "tax incentives are a cornerstone for most corporations," support for such a policy is neither universal nor without reservations Comments by executives often reflected their concern that such a tool be used prudently "Tax incentives are an easy answer, but nonetheless generally true Be sure to control the levels" "Although more liberal IRS [Internal Revenue Service] policies are called for, perhaps education vouchers would be a better approach" "It is very important that incentives be adopted which are simple and understandable"

Clearly many CEO's are concerned with more than simply having tax incentives for private sector initiatives In particular, they cited the themes of achievement and the desire to make a difference with measurable results

Recognition

Another incentive with widespread support is corporate recognition. Forty-four executives commented in favor of expanded programs of recognition, including 11 who used superlatives to describe its importance as a motivator of business. As mentioned before, however, some small businesses may be reluctant to publicize their philanthropy. One CEO put it this way: "We do a lot of public service now, but we don't toot our horn. If someone else reported [what we do] we would be delighted." Another said, "There is often a lack of sufficient recognition for smaller companies. The corporate giants always seem to be the only ones to get stroked. Yet often the smaller company has a much higher proportionate level of giving. The smaller firm senses the importance but has limited absolute resources." Studies of philanthropy relative to the size of companies conducted by the Conference Board and the Council for Financial Aid to Education support the thesis that smaller companies on average do contribute a higher percentage of assets than do larger companies.

According to these studies, altruism was mentioned as a reason for philanthropy by only 8 percent of the corporate survey respondents (mainly large ones). This general attitude seems to be shared by our survey group. Comments reflect the goodwill in community involvement, but they usually relate such activity to a more direct and profit-oriented motive: "In good times, we do many things for which we receive no credit [but] in what is a local company, local PR recognition—appreciation for charitable activity—is a real incentive." "Employees appreciate working for public-spirited firms." Expanded programs of recognition are needed "so that your own employees know you are involved" and "so that we recognize the positive side of business's and education's relationship in the media."

Underlying the feeling of most large businesses and many smaller ones is the attitude that "some companies' donations are really image building, linked with the company agenda, actually a PR way of advertising their products." Because smaller companies tend to provide fewer well-known products, however, they think of recognition more in terms of employee and community goodwill.

Several executives volunteered suggestions for specific forms of recognition: "I strongly support an 'E' flag and pin approach like in World War II. It needs to be done with class and stature." "This is extremely important, a letter or certificate from the President or Secretary [of Education] would be a tremendous incentive." Instituting such a program for business was mentioned as "an excellent way to recognize leadership."

Even among the nearly half of our respondents who favored expanded recognition, however, opinions on the value of various types of recognition ranged from the highly commended service-business leader's view that he sought only "pride in being recognized for what you are doing" to another CEO's comment, "Recognition is good, but a cash benefit is more important."

Communication of Community Needs and Priorities

The third most frequently mentioned incentive for business initiatives in the private sector was improved communication of needs by the community. Although our format distinguished between community needs for volunteer help and needs for funding and equipment for local not-for-profit organizations, the executives made little distinction in their responses. "We need an inventory of what the community requires, to better determine how the private sector can respond." "There are only vague parameters for giving, a lack of guidelines." "The public and private sectors together should identify economic and social needs of the community, then make a joint commitment." "State and Federal agencies should help schools specify needs for volunteer and other help for good work habits and motivation among students." "Corporations need to see the overall picture." "Business needs clear objectives, better planning, and the belief that [our support] will make a difference."

Given the size and pervasiveness of the not-for-profit sector in this country, we were surprised by the number of executives who indicated they had never been approached for support. "No one asks us. We tell our salesmen that people won't buy unless you ask them." "Our local school system is bad and needs help. Although most of our employees don't live in town, if the school system ever asked for help [the request] would be considered seriously."

Even when public agencies such as schools try to get the business community involved in their activities, that effort is often couched in terms that are foreign to business: "Schools need help identifying their needs, our Adopt-a-School [partnership] is just barely successful." "There is a lack of a positive agenda."

Some comments reflected more positive attitudes and encouraging trends. "Education is showing acceptance of business's interest and [desire to] share support of not just business-related programs, but also those related to culture and general conduct." Some CEO's recognize that the cool reception they receive is sometimes "the inability rather than the unwillingness to use help." They also pointed to a "difficulty in finding out how to do it, i.e., adopt a school. Whom do you call for advice?"

Several CEO's pointed out that business is particularly interested in a two-way street: "Mutual benefits are the key to selling business." "There is a strong need between industry and education to explore each other's resources." "Adopt-a-School sounds too one-way and paternalistic, use Partnership." "It is wrong to assume the private sector knows nothing about education. We think the best kind of education prepares young people to be productive workers." "We believe in supporting schools if they stress the right curriculum—the three R's." But one executive commented, "Government is better at communication with industry on job-training needs than on the subject of developing the work habits needed to hold a job."

These problems are further compounded by institutional differences that result in a "language barrier" "Business and education do not solve problems in the same manner They speak different languages. Partnerships must involve more than just a pat on the head" Several CEO's suggested that government tends to overlook some of the special concerns of small business "Government listens only to the Fortune 500" "Too much rhetoric is directed at large companies; small business is not heard" Yet these companies, by their very nature, have a more local focus and are much more dependent on the local business environment of which social services are an inseparable part

One executive deplored the "waste of resources caused by duplication of effort because of poor coordination of similar types of activities Too many programs are 'activities' rather than accomplishing something" Mediating structures could also help underscore the interdependence of small business and the community "Some firms do not understand how community involvement can be a positive factor for them"

A major stumbling block that government must overcome to induce business to play a greater role in addressing the Nation's social problems is the ingrained reluctance of companies to work with government agencies toward common goals. For example, one CEO said "All government is viewed with suspicion and fear Companies try to stay clear Government doesn't speak the same language and cannot possibly understand businesses' problems or the profit motive" Yet the high level of participation in this survey itself bespeaks at least a willingness to consider areas of cooperation

Government Leadership

Government leadership is another important incentive to private sector initiatives Twenty-two executives affirmed that the government can take an active part in stimulating business involvement in cooperative arrangements "It just has not been made important If government or industry or civic leaders were to make it important, our business would do a lot more. Political pressure is needed"

The type of government involvement was addressed in the following comments "We like talk sessions with the government like this We like the President's involvement" "The credibility of the Department [of Education] with the private sector rose considerably as a result of your asking [our] opinions, and I believe you are now in a position to forge lasting links." "Government leadership is needed to promote programs for improving motivation and higher achievement in the early grades before negative attitudes take hold" "The Department of Education should foster cooperative arrangements The opportunities in electronics alone are unlimited." "The Department's interest and involvement with private sector initiatives is timely Business is favorably disposed"

Three executives mentioned the importance of "educating corporate executives so they can see the mutual benefits " One noted that younger managers do not seem to have this perspective Several executives specifically asked for "feedback from the Secretary [of Education] on this survey to learn what other companies are doing " One wanted "a list of positive projects "

Some of the CEO's, however, disagreed with these views. One commented "Incentives are feasible for tackling a temporary problem—a business task force can help straighten it out, but in the long term, elementary and secondary schools should be supported by taxes " Four other executives said that government's involvement was neither helpful nor effective "There is too much of this Corporations can set their own goals " "Let the needs come from people, not political types "

Other Incentives

Seed money Ot possible incentives mentioned by the executives were "seed money"to help get broad-based community partnerships off the ground and "increased parental involvement in the schools "

Need for better trained workers Other economic motives were as follows, "We spend a great deal on retraining. We are not happy with the products of the public schools Improved schools would reduce training costs " Many CEO's favored programs that contained an economic education component and were oriented toward needed specialties such as "apprenticeships," "engineering and utility regulation," and "technical skill development " Several executives showed a broader perspective "It is crucial for all businesses to understand that their success depends on the well-being of school districts in their city and insist that commitment lead to improvement in the quality of life for the community, and that a more literate society emerge "

One executive noted that not only was "the credibility of the company within the community strengthened by involvement in giving and voluntarism," but that such activity "helps develop leadership within management, broadens their image, abilities, and knowledge within the community "

Several CEO's said that such school reforms as establishment of career ladders and merit pay and elimination of tenure would attract their suppor

Example of peers Another incentive discussed by the executives interviewed, although less frequently, was the example of peers Three CEO's affirmed that they go their own way "Our company does not measure its giving by standards set by others " Ten other executives indicated a sensitivity to the practices of other businesses and the reception those firms have received in their communities When part of the business community gets involved, there apparently is a ripple effect. "Others do, why shouldn't we?" As one CEO put it, "You can be embarrassed into someth g "

Disincentives

Administrative Time and Cost

The disincentive to business philanthropy cited most frequently by the executives interviewed was the time or cost of company involvement beyond the actual giving itself Thirty-two executives cited this as a disincentive "Time is money. The more time required for business to get into social activities, the more costly Government should understand and make appropriate provisions to help with the cost."

Government, it appears, even compounds the problem in some areas Many businesses are reluctant to become involved with government-sponsored programs because of the government's reputation for requiring burdensome reports: "Small business doesn't have the staff for this " Staff limitations and the reluctance to staff specifically for philanthropy were widely cited "We have only limited time and resources due to budget constraints and personnel limitations.' As one would expect, "Size determines greatly the capacity for manpower or cash giving " "Any more involvement would [have to] be borne by the same staff We are not able to add staff time of other persons " There are "budgetary restraints and we try to manage [closely] non-income-producing activities "

It appears that even when CEO's are actively concerned with support of not-for-profit endeavors, they are still not inclined to staff for it or to delegate this activity: "[I am] very interested and involved with charitable activity No one else has the time in the company I do as business conditions allow "

Several comments indicated that one aspect of this impediment is simply the way CEO's are approached and the types of activities they are invited to support. "[The time and cost of involvement are] not bad over the long term if coupled with results " Another CEO who complained about "vague parameters for giving [and] lack of guidelines" also acknowledged that management has to take a more active role in defining businesses' preferred areas of involvement The need was evident for "specific, not vague requests for funds or in-kind support "

We will touch more on the interaction of not-for-profit organizations with businesses in setting goals and measuring results later in this report Suffice it to say here that business executives are far more interested in investing time or money in activities that can have measurable results and attain specific goals than they are in supporting ongoing "processes," no matter how laudable their purposes CEO's want their contributions to be demonstrably cost-effective

General Economic Conditions

Not surprisingly, one of the most frequent responses (by 28 executives) related to the state of the general economy or economic conditions at a given time in the company's industry "When the economy is bad, no incentives will cause the dollars to flow " Or as the proprietor of a large oriental restaurant put it, "Can't give anything out if not take anything in " Several CEO's indicated a desire to keep their contributions at a steady level despite the business cycle "The current state of the economy holds us at the present level of contributions " One company indicated it "had established a foundation to stabilize giving" from one year to the next. Another significant remark came from the CEO of a business that is subject to a deep business cycle. "Our industry is very volatile Reduced revenues discourage [contributions] When times are good, [we are] so busy it doesn't allow time for extraneous activities " Economic factors, therefore, govern what business can and will do to support not-for-profit activity, and such support is likely to vary with the business cycle

Conflict with Primary Business Objective

Business leaders have a clear and widely shared sense of priorities Nineteen respondents referred to a conflict with the primary objective for their business "The first step is to make a profit, then [we can] help the community and return some of the gain to the community " One executive described his company as "very hard working, profit oriented, with no staff sitting around trying to give away money. This hasn't been anyone's real concern, [and we] have probably insulated ourselves from being tempted "

Although many chief executives expressed a "hard nosed" attitude that business should stick to business, most respondents appeared to show a more flexible attitude and to define their role more broadly despite their acknowle ged constraints "In small business there are no public service departments and no one to perform [nonbusiness] services We realize the need and would help if we were ever approached, but we are not looking for such an activity and don't have the interest or time to get involved in unrelated activities " "With [too many] distractions it is hard to make a profit " There are "only so many hours for employee distractions" and the company "must have a balance "

Clearly, smaller companies can't allocate much staff time and the chief executives themselves are the ones most likely to become involved in giving if anyone is. Several indicated that they had profit-sharing plans or employee ownership plans and therefore left such involvement to individual employees

Difficulty of Measuring and Monitoring Results

With respect to tackling community needs once they are identified, one executive suggested an incremental approach. "Start with a project that is relatively easy and see it through You can build on positive results and take action to correct the negatives "

Other comments echoed these themes: "It is an impediment [to giving] when the purpose of giving is not clearly defined, when the results are not visible, and when the funds provided do not hit their mark " "Private business [is] skeptical about how the money is disbursed and how it is used. We are drawn more to groups which are self-administered and have a low operational cost " "It is important [but] hard to quantify how involvement makes a difference." "Not seeing a direct return is a distinct impediment; this is particularly true for involvement in grades K-12." "We take a good hard look at the financial status of [the] organizations [we support] We demand that recipients be accountable "

Businesses generally require in their activities a higher level of goal setting, measurement of progress, and accountability than do government institutions. Business puts a higher premium on hard facts than on the appearance of progress. Each business needs to be able to measure results and relate them to a corporate purpose. A number of comments illustrate the frustration that CEO's experience in dealing with their social service counterparts. "Needs identified are often for extravagant items " There is a "lack of follow-through by recipients on how much money was used and the results obtained."

A number of comments pointed to the need for mediating organizations, such as community foundations, chambers of commerce, or advisory boards, to help overcome some of these problems and improve the organization of business support: "There is a lack of clear mission statements and coordination between contributors, which produces duplicative and counterproductive work " "Without guidelines, community needs are not clear and business tends to favor its pet projects. Giving should be part of an overall plan, and [business should] demand accountability." "We need a vehicle to relate the specific job skills we need in our field to basic education in the schools "

Some executives shy away from active participation in local affairs with high visibility because of the **politics** played in such forums. "Local school boards have been so criticized that real leaders do not want to be involved " Business leaders also are skeptical about the role they could play "The pocketbook does not match the wag of the tongue [Some of my peers] talk a lot but don't produce "

This "show me" conservatism carries over to the approach the CEO's take to many social programs on which government has been far out in front. "Many ideas are considered radical, so corporations will not participate initially For example, affirmative action programs now constitute a recognized response to the community's sensibility They didn't before " Business should not be expected to be on the vanguard of new approaches "I don't want to be a Lone Ranger."

Several comments pointed to an increasing awareness of a role for business, however. Counterposed to the observation that there is "a lack of business leadership" were comments such as these: "Business people do not realize the importance of involvement in voluntarism" and "Business has to start viewing education as one of their suppliers." One CEO was quick to point out the personal nature of small business in particular "Businesses don't get involved, people get involved "

Several other disincentives were mentioned Two CEO's suggested that **publicity** can be a problem They were concerned that other not-for-profit groups would start lining up for limited funds and time Excessive overhead was also mentioned "Greater than 10 percent is excessive" for organized charities such as United Way. Poor management of agencies or philosophical differences were mentioned by five executives Two cited red tape and teacher certification laws as barriers to their involvement in volunteer programs Three were apparently not yet aware that the 1981 Tax Reform Act had increased the annual deductibility of giving from 5 percent to 10 percent of earnings Two emphasized the importance of long-range government policies to the business community "The private sector needs to have long-range consistency for orderly planning and implementation " Others cited **government vacillation** on tax incentives for employee tuition, resentment of employees, government misallocation of capital into activities that cannot increase the Nation's wealth, the sales tax that many States levy on donations in kind, lack of control over expenditures of agencies, and economic factors that depress earnings and therefore giving (such as a lack of import quotas and high interest rates). Busing, we were surprised to find, was mentioned as an activity "which breaks down identification between business and the neighborhood schools "

After the extensive discussion of negatives, we are pleased to report that at least one CEO concluded that although "the government does not understand business, incentives could work "

Legal liability It was suggested that exposure to legal liability might deter businesses from organizing volunteer counseling, teaching, and enrichment activities with schools Four of the 14 comments that related to this issue indicated that liability was not a significant factor Four other CEO's, however, said that liability was their greatest concern, one of these citing two accidents in his plant

Research by the author of this report into the issue of insurance coverage has revealed that provisions or endorsements to extend liability coverage for all such activities are usually part of the normal business coverage or can be added for a nominal premium The concern that exists appears to center on the vulnerability of a small company to a large increase in premium in the event of a loss, even if the likelihood of such a loss is remote An agency that seeks to persuade business personnel to participate in volunteer programs should be sensitive to this concern and provide evidence of suitable coverage to alleviate it

On the subject of the government's enacting a "Good Samaritan law" to alleviate liability concerns, 16 executives expressed some support for the idea, while 4 dismissed the issue as "not important " Specific comments indicate that a significant part of the business community has some concern about this issue One CEO, for example, said, "We no longer sponsor a handicapped picnic event at the company or field trips to our plant because of liabi' 'y exposure " Another CEO mentioned that the issue "comes into play with ou ,ummer jobs program The workers' compensation exposure is a drawback " Still another remarked that the "Good Samaritan law in Massachusetts (a law that grants a large measure of immunity from liability to individuals and companies which act in good faith to further a public purpose) resulted in large food contributions " Probably the most cogent comment on the value of such a law was this "Such legislation could provide confidence to industry that they have strong protection against liability " We must conclude, however, that liab ıty is not a widespread concern

Other Disincentives

Perceptions of the roles of business and government. The current administration has coined the term private sector initiative to describe the wide range of activities in which the business community is to become involved—areas that have been largely the concern of government since the New Deal These include education and other social service delivery Twenty-one CEO's made comments that would indicate that the public and private agencies currently performing these services are not very receptive to the involvement of the business community or have serious problems approaching business In one case, the CEO who had formed a partnership became disgusted and dropped the progam because "our volunteers for tutoring requested minimal travel and expense money' which the schools couldn't or wouldn't provide "The schools wouldn't meet us halfway " One CEO believes there is an "antibusiness attitude among educators " Another suggested that "the media have fostered the attitude in the public that profit is dirty This thwarts business giving "

Companies often feel that their role in social and cultural activities in which they have some inherent interest has been **preempted by various levels of government** Their concerns take several forms "The distribution of government grants is inequitable Organizations have trouble integrating outside funding with government support Those that accept private support are penalized with reduced government support " "There is a general feeling [in business] that once the government assumes a program, then it's their baby I have heard this many times as I have tried to raise money for local drives "

Business executives also sometimes sense contempt toward their involvement on the part of school administrators "The vocational education councils [advisory boards of business executives] are tolerated to rubber-stamp what vocational education [administrators] want to do I will only serve on such a board if I feel I can accomplish something There is too much rhetoric "

Although many business leaders believe they already "pay their fair share through taxes," there appears to be some willingness to shoulder increased responsibility if the role of government is reduced "If we could be sure the government was getting out, business would step in The problems are greatest in the cities [We] feel the government's attitude is that business is only to produce dollars so government can go on and on spending " "If government is strongly involved, corporations tend to withdraw " "The disincentive is more philosophical than programmatic "

Company executives also believe that there is a limit to the "extent that government can cut back on service and then put pressure on the private sector to take up the slack," and that the government should not abandon responsibility for programs clearly serving the public interest in the broadest sense such as general education, and expect these to be picked up by the private sector The business community should be expected to "supplement only, not supplant" the government's role in such areas

III. FACTORS THAT HAVE RECENTLY INFLUENCED BUSINESS PHILANTHROPY

Corporate philanthropy is not a new phenomenon In the period since World War I, businesses have almost constantly maintained a level of giving of about 1 percent of pretax earnings Businesses today claim over $3 4 billion in tax deductions for gifts to tax-exempt organizations. Although many of the CEO's interviewed indicated that a recessionary economy stifles business philanthropy, that was not the case during the recent recession that began in 1980 corporate philanthropy as a percentage of pretax earnings rose between 1981 and 1983 Although part of the percentage increase was due to a drop in earnings rather than to an increase in contributions, the absolute dollar amount contributed by the corporate community increased during this recessionary period

Reasons cited by CEO's for this increase included businesses' sense of social responsibility (cited by 47 of the 101 executives), the shrinking role of the Federal Government (cited by 43 executives), and the need for better-educated employees (cited by 29)

Businesses' Sense of Social Responsibility

The reason executives most frequently cited for their voluntary contributions was corporate responsibility This notion, which has become a cliche in the business literature over the past 15 years, has now become a valid concept to many business leaders "[Social responsibility] has become a truism of American business " "I feel there is a more basic realization of need." "There is a growing awareness that government is not the best way to address the problems of the poor, uneducated, etc " "There is a moral obligation to help others " Responses ranged from near altruism ("Our company believes that if the community supports you, you should return that support to the community") to more pragmatic reasons "There is a general feeling the private sector is more cost-efficient than a government-run agency " This concept may now be more accepted by stockholders as well, as one CEO pointed out "There is a realization by more stockholders that contributions are a legitimate use of corporate dollars, and there is a desire of management to improve the quality of life "

This sense of social responsibility displayed by businesses was also seen as beneficial to the corporate image "Good corporate citizenship makes firms look solvent, secure, and successful Anything that reflects on the community, such as the school system, reflects also on business "

Businesses' desire to maintain levels of contribution Fourteen executives referred to the effect of inflation "It took more dollars than before to hold the line" "There has been a recognition of the effect of inflation on social services." "The poor economy made need more obvious" Community leaders, especially corporate executives, were far more aggressive [in fund raising]" Others commented. "There is more corporate conscience in tough times," and "We should contribute more to society, especially in difficult economic times" "If all stopped relying on government, we would volunteer more"

This impulse in the business community to try to do more when times are tough works against the more predictable tendency to put profits first. Several other comments, however, reflected less enthusiasm for this new role "This [corporate] responsibility could be overstated," noted one executive.

The shrinking role of the Federal Government Forty-three CEO's referred to a vacuum created by the shrinking role of the Federal Government Many causes for this vacuum were identified "Proposition XIII [California] caused a great increase in requests." "When government money is reduced, other sources had to be sought Fund seekers got more creative in their quest for funds" "OPEC changed things. We see a trend of government withdrawing and the private sector stepping in, especially small and medium-size business" "There is a growing awareness that bureaucracy can't do the job" This changing role is reflected in some business organizations. "CEO's have placed this function at a higher management level where they can monitor the efficiency [of recipients] and have higher accountability"

Relationship to tax decreases Business "senses a greater vacuum [in the area of social services] and perceives limits to public financing" Seventeen CEO's referred to somewhat lower tax burdens as one factor motivating them. As one said, "After the tax decreases, it seemed only fair to contribute more" Not only is there "recognition of these cuts," but as another executive put it, "I feel there are more skills in taking advantage of tax incentives around today"

Overlap with questions about tax incentives Forty-seven executives cited social responsibility as a factor that has influenced business philanthropy Since this was nearly the same number of respondents who said they favored tax incentives to encourage business philanthropy, we checked to see how much overlap there was between these two groups Exactly half of those who favored tax incentives identified a sense of corporate responsibility as a reason for the current higher level of giving

The President's Emphasis on State and Local Support

Of the 34 executives who mentioned this factor as an influence, several referred to the timeliness of the President's emphasis "We feel the nation was ready for the President's approach to home rule—the importance of State and local control" Many CEO's felt the President's goals were "important and attainable" The President's emphasis, referred to by several executives as "jawboning," was effective in "highlighting government withdrawal and creating a feeling of obligation"

Eight CEO's used superlatives to describe the President's leadership One stated that "it was the biggest single factor" in bringing about his city's 2 percent club (composed of companies that pledge contributions of 2 percent or more of pretax earnings) Another said, "There was a reaction from business to support the Reagan Administration in a positive sense via contributions "

Several CEO's, however, expressed different views One said, "We are too small (100 to 300 employees, $10 million to $25 million in sales) to be affected by speeches and programs from Washington " A second supported the President's effort but stated, "It won't happen by jawboning alone The government must put its money where its mouth is—tax credits, for example "

The Need for Better-Educated Employees

Executives also cited widespread concern about the quality of workers coming into the work force Twenty-nine respondents cited the low level of basic skills and the need for retraining workers as stimulating increased business philanthropy "Poor writing is endemic Employees can use calculators but don't understand mathematical concepts." "There is a need for better educated employees, but the schools are graduating students who are less well prepared " "If [high school students] learn only to have a good attitude toward basic skills and improving themselves, the company can train them for a specific job " "Business involvement seems to be the only answer

Line business executives tend to define the basic skills needed in the work force much more broadly than literacy and computation skills: "There has to be more emphasis on motivation, personal characteristics, and job entry skills—to succeed at work and to ultimately improve profits and customer satisfaction " Several executives mentioned their in-house training programs and the critical need to retrain workers from obsolescent industries

IV. THE EFFECTS OF TAX INCENTIVES ON PHILANTHROPY AND VOLUNTARISM

We have previously cited several remarks by executives alluding to the relationship between the cost of a gift to a corporation before taxes and its cost to the corporation after taxes. For example, if the marginal tax rate (the rate levied on the last dollar earned) is 46 percent, a one-dollar gift to a charity by a company would cost the company only 54 cents after taxes, because the gift would reduce the taxes paid by 46 cents. If the company regards the gift as an investment that will pay some return in the future, even if the return cannot be precisely determined (as in the case of a gift to a school), one conclusion is inescapable If the after-tax cost of the gift is reduced, the return on investment will increase

Despite techniques that are theoretically more sound, most businesses analyze investments by the "quick and dirty" pay-back method This is a calculation of the time needed for the return on the investment to equal the original investment. Usually the effects of tax incentives for investment—such as ACRS (Accelerated Cost Recovery System), investment tax credit, and an energy tax credit, if appropriate—are taken into account Most businesses insist on rapid pay-back, usually in 3 years or less, without much regard to the true economic life of the investment. The reason is simple The longer the time required to recover the investment, the more risk is involved. The investment could be made obsolete by better technology, the end product might be made obsolete in the marketplace, or the economy could turn sour, leaving the company with the cost of financing the investment and little or no income The use of the pay-back concept helps in controlling risk as well as in estimating how long capital recovery will take. Some of the "bird in the hand" philosophy is woven into this method of analysis

In recent years, American business has been criticized and compared unfavorably with the Japanese because of our emphasis on short-term return of capital rather than on long-term planning and investment Asked why the Japanese have been able to develop this longer-term approach, some scholars have noted that the Japanese have had several advantages over the American competitors. Although the Japanese economy has cycles, its cycles reflect varying speeds of expansion, rather than cycles of expansion and contraction. The Japanese government is involved in setting industrial policy and organizing international marketing. The Japanese sustain growth in many industries by using international trade to counterbalance the cycle of domestic demand, thereby smoothing overall demand This practice permits financing growth with far higher levels of debt than U S. banks would ever permit domestic companies In short, the Japanese companies are able to invest on a longer-term basis in part because they have developed ways of reducing the risk of such investment

We make this observation not to advocate any of the specific methods the Japanese employ in their overall strategy, but to illustrate how, through several complementary policies, they have created a business environment that reconciles a relatively free market with the long-term needs of a nation highly dependent on trade in a rapidly changing high-technology age Although the U S Government structures the business environment in many ways, our effort appears to be less consistent in identifying and addressing national priorities One priority on which there is now a widespread consensus is that we must improve our education system to support this Nation's international competitive position, and we should be implementing long-term policies to that end

The responses of our executives indicate that large segments of the U S business community regard philanthropy as a type of investment. They want to see results from these expenditures, specifically, results that relate to the business purpose of their companies If giving is in fact an investment decision to those companies, it is most certainly a long-term investment A gift to an elementary school might help a program that serves the youngster of a valuable employee whom the company wants to attract or retain for many years to come.

Looking even further ahead, the company is thinking of the investment in that child's education as having a long-term pay-back, coming primarily from that child's emerging from high school or college with a good foundation in basic skills of value to the community and the company The business is fostering a healthier school because this will ultimately produce a healthier business environment It follows that if government policy can increase the short-term pay-back (which is the same as reducing the investment) for the same long-term return, businesses will be more inclined to undertake such investments

The Relationship of Giving to Marginal Cost

We asked the executives we interviewed to estimate the effects they thought various marginal costs of their contributions would have on their level of giving. This was a difficult question for many of them It is hypothetical and calls for rapid analysis of many factors and a conclusion that many would prefer to consider over a much longer time with fewer undefined variables Nevertheless, 58 executives gave us their opinions, from which we can infer some useful generalizations about how businesses might respond to policy alternatives These are shown in Table 1

We will not attempt to analyze these data because of the small sample size It seems significant, nevertheless, that a large proportion of the respondents indicated a substantive response to the marginal cost of giving. We also asked the CEO's about personal giving and found that they would handle their own money in almost exactly the same manner if there were an individual tax incentive. This fact tends to confirm Martin Feldstein's judgment that corporations as well as individuals would very likely have price elasticity in their giving.* His research has shown that private giving has an element of elasticity that ranges from 1.15 to 1.30—that is, a reduction in the cost of giving yields an increase in giving larger than the cost reduction

Table 1 **Increases in Corporate Contributions Associated With After-Tax Costs**

Corporation's After-Tax Cost for $1 Gift[a]	Number of Companies That Would Increase Giving by Percentage Shown[b]					
	None	5%-10%	11%-15%	16%-20%	21%-25%	More Than 25%
0.50	3	7	1	—	—	—
0 35	5	18	22	1	1	—
0.25	4	6	14	6	14	3

Note: Current cost is $0 54

a. Excluding State and local income taxes

b. Not all companies responded to all marginal cost alternatives

The qualitative comments of the executives shed additional light on the basis for their projections. Twenty-five respondents favored tax credits Twenty of these specifically commented that tax credits would increase giving. "With a 25 percent credit, contributions could be doubled at the same net cost." "Giving would be relatively proportionate to reduced tax liability " "I don't like to think we would give just because of tax considerations, but it is realistic " "We would give at least one to one, but would need time to adjust our planning We are very civic minded We would have to ask ourselves—what is our after-tax cost?" "There is an inverse relationship—the lower the after-tax cost, the higher the giving " "[We] would give at least the [newly] available tax dollars " "Industry would be more generous if the increased benefits didn't go to Washington but to the education and community groups it was meant to help. The more hands it goes through, the more is siphoned off in unproductive ways." "We would give $2 for every $1 tax incentive " Two CEO's suggested a graduated tax credit "The greater the contribution, the greater the tax break Great incentive!"

*Dr Feldstein, who had conducted a major study for the Filer Commission in 1975-76 on tax policy effects on individual taxpayers' charitable deductions, expressed this opinion in a personal conversation with the author December 20, 1983

Thirty executives said, in effect, that their companies and perhaps others would not be motivated by a tax credit Their reasons varied widely One type of response could be called needs based "Taxes are not too heavy, need is a more important criterion than a tax break " "Commitment is more important than tax credits for either corporations or individuals " "Our company would not be motivated by unique incentives, only by perceived need "

Another frequent response could be called income based. "The percentage [of giving] would grow as a factor of income " "Can't increase for awhile, too much in debt." "Only if we can spare it, and only to selected private groups such as blind, diabetes, etc , not to a United Crusade " "We don't think our giving would represent much money at our current level of business " "If the tax incentive were increased, it would encourage us [to give] if we were making money "

A third response could be characterized as dependent on tax deduction ceilings. "I am personally nearing retirement and giving at the maximum amount deductible each year and am therefore not likely to increase giving." "We are extremely generous now, and I am unsure how a reduced marginal cost would affect our plans " "We currently give the maximum amount of pretax income to a related foundation " "We already give 10 percent of gross income to our church " "We are projecting gifts of 5 percent of pretax earnings this year " (Several executives appeared to be unaware that the ceiling for the annual amount of gifts deductible which they mentioned as a constraint had been raised from 5 percent to 10 percent of pretax earnings)

Some industries such as banks. utilities, and insurance companies have special factors and methods of operation that give them a unique perspective on tax policy Bankers. for example, usually invest assets in tax-exempt bonds to the point at which their bank's taxable earnings drop into lower brackets, because the after-tax returns on such bonds are usually greater than those on taxable loans or bonds "Our bank is not paying taxes, if the shelters were abolished, my individual giving and my bank's giving would go down " "A reduced marginal cost of giving probably would not affect our bank, but might affect others "

As to the amount of a credit needed to motivate business philanthropy, one executive said, "It would take a significant reduction [in marginal cost] to increase giving " Four others indicated that a reduction in marginal cost from 54 cents to 50 cents would have no measurable effect One said that a reduction in the marginal cost of giving from 54 cents to 40 cents would be a "meaningful incentive to give." Another said that "new tax incentives would really have a significant impact, but I feel very strongly that credits are a better approach than [expanded] deductions " Five said they favored comparable individual and corporate tax incentives Only three executives denied unequivocally that there is a cause-and-effect relationship between the level of philanthropy and the marginal cost of giving for business in general

Likely Recipients of Expanded Giving

We now focus on the major recipients of support from the companies in our study and activities and organizations that might be favored by a tax policy that provided more encouragement for giving Responses are listed by frequency in Table 2.

The three categories (0 to 12 percent, 13 to 32 percent, and 33 percent and over) could be termed low, moderate, and high brackets Compared with the study group of the Conference Board and the Council for Financial Aid to Education (CFAE), a group that included a large proportion of very large companies, our group seemed less supportive of education and more supportive of community organizations. CFAE has determined that approximately 37 percent of total corporate philanthropy goes to education Although our research format is not directly comparable and our sample was much smaller, it seems unlikely that our group could be giving anywhere near this proportion. Only 28 percent of our respondents gave more than one-third of their contributions to education

Table 2. **Number of Businesses Indicating Percentage of Present (and Expanded) Contributions to Each Class of Recipient**

	Number of Companies in Each Bracket[a]		
Class of Recipient	0-12%	13%-32%	33% or more
Primary/Secondary Education	28 (15)	7 (10)	12 (8)
Community Organizations	6 (12)	19 (15)	50 (21)
Total Local	34 (27)	26 (25)	62 (29)
National Charities	31 (21)	9 (4)	10 (2)
Higher Education	23 (12)	21 (14)	18 (7)

a Nineteen CEO's did not reply to any question on this topic Of those who did reply, many said they would distribute increased philanthropy in the same proportion as their current giving Not all respondents gave replies totaling 100 percent Some left out one or more classes of recipient completely Also, the CEO's interpreted the recipient classifications in different ways

The local focus of our group was very clear. Two-thirds gave more than 33 percent of their contributions to local organizations Of those giving to national causes, almost two-thirds gave less than 12 percent to these causes This local focus, however, does not seem to include much more support for the local elementary and secondary schools Only a quarter of the respondents indicated that one-third or more of their gifts are to schools, whereas 60 percent said that less than 12 percent of their gifts were to schools We surmise that this group is not much more supportive overall of elementary and secondary schools than the group in the CFAE study was That group gave 4 percent of all its contributions (approximately $100 million in 1983) to elementary and secondary schools

The sparse data concerning expanded contributions support few conclusions. We find some evidence that our sample of smaller businesses would continue to favor community organizations with a high proportion of expanded support and that they might be somewhat more supportive of schools The executives' comments reflected a great sense of pride in their companies' participation in a wide spectrum of local activities. Three comments captured frequently repeated themes: "We give to higher education, then to elementary/secondary and vocational education for programs fostering economic development" "We don't believe corporations have a role at the elementary/secondary level except in vocational education" "Too much in the way of taxes is going to the local school boards now"

Of the 34 executives who commented about their allocation of expanded philanthropy, 11 said they would make no change The other 23 indicated a wide variety of organizations and activities they would prefer to emphasize Twelve mentioned education, including eight that specifically cited elementary and secondary education. Four specifically mentioned that they would favor whatever class of charity was subject to the tax incentive.

The Utility of Tax Incentives in Stimulating Voluntarism

We also explored with the CEO's the use of tax incentives to encourage company-sponsored voluntarism We presented a scenario in which a carefully controlled and defined tax credit was made available to businesses to stimulate company-sponsored voluntarism Of the 94 executives who responded, 38 favored a tax-based incentive, but expressions of lukewarm or qualified support were frequent. Often a tax-based incentive was relegated to third or fourth priority, compared with other factors.

Representative comments were as follows We are very interested This would be an incentive, a catalyst "Employees' increased sense of self-worth helps the company" "A tax credit would be great for Adopt-a-School and would be a terrific incentive." "A calculated tax credit for contribution of staff would stimulate company-sponsored voluntarism We do some now" "It would have to be significant in order to encourage paid employees to volunteer We might have to hire one-third to one-half a person to do the work of the volunteer." "One-to-one for tutoring, a credit would be very helpful." "An additional 25 percent should be plenty of incentive. "Must be simple--no paperwork or inspectors—a voucher from a volunteer agency and a limit of 4 hours per day" "If criteria were clearly defined and government involvement were minimal, this would be beneficial and would encourage local communities to allow the private sector to have more 'hands on' involvement." "Might work if it didn't cost a dollar to fill out the form, and 50 cents to read it"

Other Incentives for Voluntarism

Of the executives who considered tax incentives of less importance, most favored recognition or expanded expense allowances for voluntarism first "Recognition, peer pressure, then tax incentives " "Recognition is most important, then a deduction for a 'loaded' wage rate. then persuasion by peers " Loaded wage rate in this context means the inclusion of expenses beyond direct wages Businesses have numerous expenses such as workers' compensation and unemployment insurance, Social Security employer taxes, and overhead charges that vary with direct wages. Although these costs are tax-deductible, these CEO's think that additional financial incentives tied directly to such expenses would stimulate voluntarism more effectively than a tax deduction alone would do "We would donate services and supplies, but we need a break beyond simply writing off the wages and materials. It could be an exemption on payroll taxes or a tax credit " One suggested, "Take costs as a credit rather than a deduction "

Several executives said that their considerable involvement in volunteer activities was motivated purely by the satisfaction of achieving the intended results, either in developing skills needed by the company or in improving the community Two CEO's indicated priorities for corporate involvement that probably would not be covered by a credit approach. "Our company's [affiliated] foundation is not interested in supporting public education financially We are interested in addressing the underlying problems in public education "

Among our interviewees, 54 described the activities in which they were already involved without any short-term financial incentives or made negative comments about the use of a tax-based incentive "[It] could be an administrative nightmare, it would have to be an awfully good credit to work " "This is not the best way Leadership is better, use current networks, share expertise in special projects " Some CEO's referred to the need for "clearer expression/definition of agency needs and publicity for past success" as the important motivators "It would take a $10-an-hour credit to influence me "

Several CEO's clearly regarded welfare and voluntarism as antagonistic approaches to social service delivery "Cut food stamps and plow the money back into elementary/secondary education " "Business can/should get involved to strengthen local schools The local economy will grow with well-educated people but will stagnate and decline with noneducated people, who become a drain on it through welfare " "Voluntarism could be stimulated by reducing government social service programs. It would force people to accept individual responsibilities "

The executives' comments indicated that some larger companies prefer to donate staff time for volunteer work rather than provide direct cash support In smaller businesses, however, individual employees typically have broader responsibility, and so their absence during business hours is more keenly felt "Small business without special staffs can't do much volunteering " "If a school came to us for volunteer help, we might be amenable, but involvement of employees would be on their own time

Four executives related voluntarism to company size "Our small company, which employs unskilled labor, doesn't have the time or flexibility to involve company personnel in outside activities even with a realistic incentive " A related comment was this "Volunteer work is not so bad for white-collar personnel during business hours. Blue-collar workers must be replaced, however, or work slows, causing reduced profits and lost orders A credit would have to be awfully big to compensate for this " "Because our company is small, we lack flexibility in scheduling, which is always tight " Three of these four executives indicated current personal involvement and active encouragement of employee voluntarism

Most executives who opposed tax incentives said that because they were already active in the community, tax incentives would not affect them "Most companies do not have the capacity to adopt a school Some **coordinating mechanism** is needed to make modest contributions from many sources more effective " "Most companies can absorb such costs as providing a visiting lecturer, student internships, or informal career days The range of activities is unlimited." "Legislation should be considered to allow States and schools to create foundations to accept volunteer work and money—for education only!—not for athletic support, where it goes now " These comments reaffirm the perceived need for mediating structures to help match the needs and resources of companies and not-for-profit organizations.

Many CEO's expressed concern about the possible strings attached to, and the paperwork burden of, a tax incentive Three executives worried about the potential for abuse of any tax incentive "Be careful, some [companies] might overwhelm the schools in their fourth quarter in a rush to get full allowable credit " Four executives were quite adamant that the government should stay completely away from the subject of voluntarism "Forget the credit for voluntarism It is nonsense "

Tax Credit for Gifts Above a Minimum Percentage of Earnings

The final topic in our discussions with the CEO's was a specific tax credit proposal now being studied by the Department of Education as a possible approach to mobilizing and institutionalizing the long-term business involvement of business in the schools The Reagan Administration believes that this involvement is worth encouraging and that the management skills, habits of accountability, and knowledge of the world of work, as well as the financial resources of the business community, can contribute to the current reform movement in our schools For a government initiative to achieve an effect that lasts beyond the emphasis of one particular administration, however, the conditions favoring its implementation must be woven into the environment A large proportion of our respondents identified the tax code as a part of the environment that can and does influence their decisions We therefore solicited their comments on this tax credit proposal, which is targeted at the elementary and secondary schools and which attempts to reconcile three things

- The desire for budget austerity and smaller government,
- The goals identified for expanded private sector involvement by the Filer Commission in 1976 and the President's Task Force on Private Sector Initiatives in 1982, and
- The urgent call for reform of American education in **A Nation at Risk**, the report of the National Commission on Excellence in Education, and other recent studies of our education system.

The specific proposal we discussed is a tax credit for businesses for giving to schools beyond a certain minimum percentage (the "hurdle point") of pretax earnings. Of 93 executives who took a clear position for or against such a tax credit, only 6 commented entirely negatively Those commenting negatively said that the system would be "totally unworkable" and would "discourage" corporations that were not contributing a high enough percentage of pretax earnings to be eligible for the credit In essence, "The tax credit should not be tied to this minimal percentage thing."

Five CEO's gave a negative response without clearly articulating a reason. Four executives said the policy was not necessary or would not be effective. Six indicated that other factors were more important, they had other priorities, or they felt they should support private schools and colleges over public ones. Two expressed the view that elementary and secondary schools should be supported through taxes, not through private contributions Another voiced strong opposition, saying that he "favored tax breaks for private college tuition but not for elementary and secondary school support." Others said larger companies would be favored; the proposal was too complex; it would reduce company earnings, or there was no advantage, given their tax situation. A few of these concerns were shared by the executives who nevertheless favored the tax credit proposal

On the positive side, however, we were struck by the broad and enthusiastic support for this idea. Sixty-nine executives (74 percent) out of 93 who commented favored the proposal Based on the total of 101 interviewees, the favorable response rate was 68 percent We classified the respondents' degree of support as follows: moderate, 12; generally unqualified support, 39, very positive support, 18 The last used terms ranging from "a good idea," "sounds good," or "like the idea" to stronger affirmatives such as "very much support," "a grand idea," "excellent," and "strongly favor "

The 39 executives who expressed general support made comments such as this: "It is a shame companies have to pay again for what schools should have done. Some companies in our industry would be particularly interested in this concept since they are doing some literacy training and use lower skilled people." Eight others, one a former school board member, expressed concern about any such program having too many government strings attached. "Do not create more bureaucracy." "Keep it simple and easily understood and administered. Complexity will discourage companies from taking advantage of it and make it hard to sell smaller companies." One of these greeted the proposal in very positive terms. "It is a good sign that businesses who do more than the minimum get recognition for their effort. I like the idea of giving to the community directly instead of through government because some money is spent in administration to receive and distribute."

Six executives couched their support in statements of concern about the conditions of the schools. "Public schools are in such bad shape that any incentive for business to get involved would be a plus. Education is more important than contributions to charities. If we don't have education, everything else will fail. Corporations will buy in for the good of the community Tax incentives are more important for creating awareness than anything else." "This proposal is fine and should cover public and private schools. But we will not give just to be giving, but only if the quality of the educational program merits it " "We would do more for a tax credit The educational program in our city is a big need. This proposal would help increase awareness and attract more exceptional leadership by having more companies involved "

Eleven other executives favored extending this concept to a broader range of not-for-profit activities (to "all charities" or "all community and cultural activities") or, conversely, favored use of the concept to emphasize narrower activities such as vocational schools, public schools only, economic education programs, or new equipment only Four said that although they would support this tax credit, they preferred to see tuition tax credits or efforts to improve leadership, accountability, and recognition first

Interestingly, seven CEO's endorsed this proposal even though they stated that their current giving or level of earnings would not allow them to realize any near-term benefit The consensus among seven others who proposed specific terms for the proposal was that the hurdle point (the percentage of pretax earnings after which the credit would be available for additional gifts) should be from 2 to 3 percent of pretax earnings and the credit should be from 50 to 75 percent One executive proposed a credit that would increase on a sliding scale, and two proposed substituting a flat credit of 46 percent for the current deduction

V. CONCLUSION AND PUBLIC POLICY IMPLICATIONS

The business community generally acknowledges that the successful marketing of a product or idea depends on defining its value to the customer in terms of the customer's needs and interests One of the goals of the Reagan Administration is to reverse the trend toward mediocre performance in our educational system, which has been documented by so many commissions and study groups in recent years Moreover, the President's Task Force on Private Sector Initiatives set a goal of doubling the historical level of corporate contributions to all not-for-profit activities (to 2 percent of pretax earnings) by 1986

There is a public consensus, particularly in view of the budgetary pressures on social programs today and for the foreseeable future that we as a nation need to spend our resources more wisely, with more local control and accountability, and that we need to encourage individuals and corporations to take more responsibility for, and a more active part in, assessing needs and setting priorities These means and ends need to be reconciled in public policy

Individual citizens have responded to the themes of this administration self-help, patriotism, responsibility, excellence, and opportunity Although the CEO's in our research also clearly have personally responded to these themes, they function for the most part in a specific and very circumscribed role as CEO's They are not usually free to indulge their personal inclinations—certainly not without first considering the economic effects on stockholders, workers, and customers In other words, their decisionmaking is defined primarily in financial terms "the bottom line," to put it simply Personal likes, dislikes, or impulses to altruism are typically subordinated to the basic economic concept of What return will come from this investment and how does this compare with alternative uses of the company's limited resources?

The Reagan Administration has stimulated a considerably higher level of corporate involvement A substantial portion of the corporate community has shown initiative and creativity in tackling local problems without government involvement The majority of businesses today have demonstrated "enlightened self-interest" and will continue to sustain their current level of involvement in the future. But there is little or no evidence that doubling of corporate involvement is imminent, or that the current level of activity is sustainable when another administration shifts the attention of its "bully pulpit" to other issues

Given the diversity of opinion reflected by our executives, it is unlikely that any single approach to encourage business philanthropy will be broadly effective More likely, we will need to resort to a combination of means. The fact that one approach may not be effective in motivating all businesses or in serving all not-for-profit organizations should not be a sufficient cause for its rejection We should instead expect a synergy from a combination of parallel efforts which would render them more effective than the sum of their individual impacts

From our examination of the executive's views of disincentives, we can conclude that in comparison to large businesses, smaller businesses typically—

- Are more single-minded and direct in their pursuit of "profit",
- Will seldom seek opportunities to serve the community, but will be generally responsive if approached with clearly defined needs and plans,
- Will never be as reliable a source of support as government, but are well suited to involvement in special efforts with an economic, skill-training, or public relations component,
- Are far more interested in measurable results than process and will demand that their involvement "make a difference", and
- Are averse to working with government because of the expected paperwork burden and hence tend to stay clear of contacts and entanglements with government units if possible

From our analysis of incentives and recent giving behavior, we conclude that these smaller businesses generally—

- Respond to leadership from various levels of government and would welcome help in assessing community needs and priorities,
- Appreciate recognition by others but generally try to keep a low profile,
- Tend to be sensitive to economic incentives, especially tax policy;
- Have accepted the idea that companies have a legitimate economic interest in some areas of social services,
- Sense that government is withdrawing somewhat in these areas, and
- Are concerned about the declining quality of basic skills attainment, and attitudes of the young people entering the work force

From our investigation of the marginal costs of giving, we can see a definite and substantial elastic relationship between the marginal costs and the philanthropy that the CEO's in our research could justify Looking at current giving habits, we note that our survey respondents appeared to favor supporting community-based organizations more than do larger companies, but that elementary and secondary education does not receive any particular benefit from this emphasis Moreover, local schools would probably receive little additional benefit from any expanded support that might be stimulated by a broadly based incentive.

Our discussions indicate that an incentive targeted at voluntarism might stimulate some activity, but that small businesses would resist losing much time from the work day of employees, particularly that of blue-collar workers They generally support "after hours" voluntarism already Therefore, tax-credit incentives would probably be a costly way of motivating them to organize and administer additional voluntarism among employees. Furthermore, a significant minority of the executives expressed skepticism about this approach, citing the potential for abuse and the likelihood of burdensome administrative requirements

Finally, our conceptual proposal for a tax credit that rewards only above-average contributions and is targeted toward a specific and acknowledged need (that is, the reform and improvement of elementary and secondary schools) enjoyed widespread support. The approval of these business leaders is particularly important because the information assembled by the Department of Education on partnerships indicates that support in kind, in shared resources people and facilities, and in the "leadership effect" that such involvement can have in communities is often more significant than financial support As a result, the benefits a school receives are often far greater than would be expected from the dollars involved. This "leverage effect" is, of course, above and beyond the leverage on the Federal dollars (tax expenditures) employed, which would be matched by corporate contributions under such a policy The cumulative effect should be to generate additional funding, gifts in kind, and voluntarism for specific purposes that support excellence in our schools far more efficiently (in terms of the Federal investment needed) than by a direct Federal grant with no matching fund requirement.

In conclusion, we recommend that the appropriate Federal, State, and local government units take the following actions

- Continue and expand their programs to recognize the contributions of businesses to the community,
- Identify and call to the attention of the business community the problems and needs of the community and the schools, and
- Conduct further research to discover the optimal structure for a marginal-tax-credit incentive to encourage business to increase its investment and involvement in education

We encourage educators and other social service managers to take the following actions.

- Meet with leaders of the local business community and describe the specific problems and needs of the local schools or agencies,
- Inquire about the personnel requirements of businesses in the area, find out what basic skills and work habits are required and what preemployment training is provided, and
- Develop modest programs that serve mutual needs and can attain measurable results in a few years' time, and solicit business support to get such programs started

We further recommend that business and professional leaders take these actions

- Give private sector initiatives a high priority on the agendas of the trade associations, chambers of commerce, and professional societies to which the leaders belong, and
- Initiate contacts with government officials and school administrators, individually or through mediating organizations such as local education foundations, business-education partnerships, or other community service organizations

APPENDIX A

METHOD AND SAMPLE CHARACTERISTICS

The SRR's identified 20 businesses of appropriate size within each of their respective regions in February 1984 A letter of introduction signed by Secretary of Education Terrel Bell was sent initially to 10 chief executives chosen to some extent on the basis of their convenience to each regional office Regional office staff followed up and made appointments with CEO's either in their company offices or, in the case of the New York region (10 business attendees) and Chicago (3 business attendees), at a luncheon Seventy-one of the interviewees were clearly top policymakers in their companies with the title of CEO, chairman, president, executive vice president (one), or general manager (two), the balance consisted of other company officers or directors, with few exceptions The substitution of a surrogate spokesman was more common in larger companies, although the majority of the interviewees for these were still CEO's

The regional offices success in making appointments with the first 10 designated companies varied widely The majority were quite successful in their initial contacts, but several requested more letters to be sent and in a few instances we approved appointments not on the original list to fill out the requirement from the region

During the March-August 1984 interview period, three SRR's left the Department and one suffered a heart attack Credit should go to Dr George Youstra and Arthur Kelly in the Regional Liaison Office unit and members of the regional staffs, especially acting SRR Barbara Brandon in New York, acting SRR James Tumy in Kansas City, and Edward Hoops in Seattle for completing the field work in a timely and commendable fashion in those regions

Although we would have preferred to undertake a project with a greater sample size and rigor, we believe that a great part of the value of a report such as this lies in its general indications of qualitative attitudes and their pervasiveness We were startled by the wide-ranging responses we received within all topic areas Although attitudes and inclinations are hard to quantify, we believe that, with careful classification and analysis these may be the best indications available as to how the business community might respond to certain changes in public policy We leave it to the reader to judge the utility of our findings and to speculate on ways to improve future research

The responses were classified and ranked solely according to the informed judgment of the author, and all quoted opinions are traceable to the original data Footnotes have been generally omitted because their use without the full body of data would be an incomplete reference Quotations have been selected to illustrate and underscore opinions and attitudes that are represented with frequency in the data and, where appropriate, majority and minority positions are presented

The 101 CEO's interviewed represented 35 manufacturing, 37 service, and 29 financial and retail companies Nineteen have less than $10 million in sales, 20 have $10 to $25 million, 16 have $26 to $100 million, and 46 have more than $100 million This last group includes many of the financial institutions that are not directly classifiable in terms of sales, their approximate size as an organization has been the basis of our classification The number of companies in this $100 million-plus category also reflects to some extent, we believe, the tendency of government officials to approach members of other large organizations whenever they feel the need of a "business" point of view Several insurance companies and utilities were included, both of which have tax environments and legal constraints somewhat different from those of other companies Nevertheless, most of these larger companies could properly be termed "second tier," and most have a more or less local focus

The spread of employment levels is as follows (Four companies declined to give this information)

Employee	Company Sizes by Number of Employees			
Type	Fewer than 100	100-299	300 1,000	More than 1,000
Management	48	16	23	14
Nonexempt/union	19	24	24	34

The executives indicated corporate tax-deductible contributions to various causes as follows (Although one-third of the respondents didn't know or declined to give this information and the interviewers were instiucted not to press the issue, the vast majority were familiar with and conversant in measuring contributions in terms of a percentage of pretax earnings)

	Gift Percentage of Pretax Earnings							
	Less Than 0 75%	0 75%- 1 5%	1 6%- 2 0%	2 1%- 3 0%	3 1%- 4 0%	4 1%- 5 0%	5 1%- 8 0%	8 1% And Over
No of Companies (69 of the 101 Responded)	12	19	6	15	4	2	8	3
Cumulative % of Respondents In or Below This Range	17%	44%	54%	75%	81%	84%	96%	100%

Average contribution level for respondents was 2 5 percent of pretax earnings

In the view of (a) the large number of survey participants who did not respond to this question and (b) the bias introduced by virtue of the fact that participation in the project was voluntary and that respondents were therefore more likely to have been active contributors, we expected the reported level of contributions overall to exceed the level reported by the Conference Board (or that by business organizations described more fully in the body of the paper) The historical national average of 1 0 to 1 25 percent of pretax earnings is broken down in great detail in the Conference Board's analysis of tax return data The top quartile is reported at 1 4 percent of pretax earnings in its most recent report Therefore this analysis of our survey group is offered as an aid in appreciating the level of bias in this report The median would fall around 1 75 percent and the top quartile at 3 0 percent in this report

The SSR's were given considerable freedom in choosing how to record respondents' comments They could simply check or circle items on the interview format if an opinion corresponded closely, or they could write out the comment in detail in the space provided Comments on voluntarism and the targeted school tax credit could only be written in Most SRRs used a combination of both methods in their interviews Some respondents mentioned one or a few of the examples in the format, some mentioned as many as half of the answers, and a few even indicated an order of priority In our analysis, any clearly negative responses to suggested influences were noted

APPENDIX B

Interview Protocol

(The fo lowing preface to discussion should be read to participants)

CORPORATE ATTITUDES AND PRIVATE SECTOR INITIATIVES

COVER SHEET

Your comments in this discussion will not be attributed publicly by the Department of Education to you or your company Your remarks are being collected and classified only for overall summarization The company name and contact may be used for followup interviews in areas suggested by results, but, again, future comments will not be singled out for public scrutiny by the Department

This meeting is an opportunity for business leaders to make voluntary comments, participation is in no way required The intent of these discussions is to encourage active participation in the formulation of public policy The topic and format were developed by Barry J Carroll in conjunction with staff members of the Department of Education Mr Carroll is a vice president of International Metals and Machines, Inc , he is also involved with related diversified manufacturing and service companies He is currently serving for a year under the auspices of the President's Commission on Executive Exchange as a Special Assistant to the Secretary of Education Mr Carroll will be actively involved in the analysis of these discussions Participants should also be aware that public disclosure of specific comments they give may be required through an action taken under the Freedom of Information Act For these reasons the topics have been designed to avoid soliciting comments containing information of a propri etary nature Should a CEO object to the possibility of disclosure of his/her responses to any or all topics, the comment will be deleted from the record No company specific data will be released publicly under the Freedom of Information Act without prior written notice to the company's chief executive We trust that most executives will recognize the legal and practical constraints under which we must work and will cooperate with their customary civic mindedness in helping us assemble this useful data for the formulation of public policy

Name and address of company

Chief executive officer (CEO) contacted

Title

Date of interview

Type of business	[ ] Mfg	[ ] Financial	[ ] Service	[ ] Other
Approximate sales (in $ millions)	Under 10 [ ]	10 25 [ ]	26 100 [ ]	More than 100 [ ]

Approximate number of exempt (management) employees

Approximate number of nonexempt (nonmanagement or union) employees

Estimated average percentage of pretax income taken as tax deductible contributions in last 5 years $

ATTITUDES TOWARD PRIVATE SECTOR INITIATIVES

(CEO comments to be recorded only by SRR s)

To help the interviewee understand what we mean by private sector initiatives, we give you the following examples

1 General financial support of local churches and schools a financial support to specific drives or programs
2 Incentive or matching grants to schools or charities to stimulate increased support by alumni or broader constituencies
3 Donation of professional or other services to schools and other not for profit organizations
4 Donation of equipment or materials to schools and other not-for profit organizations
5 Active sponsorship of joint programs with schools and other local agencies to combat adult illiteracy, alcohol, and drug abuse or to promote training for employability
6 Support of local blood drives, United Way, or similar charity drives, and enrichment programs for schools
7 Encouragment for and recognition of voluntarism among employees
8 Representing the business perspective on good management practices and local employment needs to (or on) the local school board

Each topic area in the Secretary's invitation has a corresponding section in the following pages Please use these pages to capture and recount the attitudes expressed by each CEO using a separate form for each Where a comment represents a consensus of the group (in group meetings), so indicate Use direct quotes whenever possible, and note nonverbal indications of agreement or disagreement where significant If the space for comments is insufficient use overflow space on the last page

Disincentives

Now that you have discussed with the CEO s the types of activities to which we are referring, please direct the discussion toward identifying the main factors which discourage businesses from greater support for not for profit organizations

Examples

1 Potential liability for damages caused by employees or workers compensation exposure
2 Current state of the economy
3 Administrative time or cost
4 Distraction of employees from primary corporate objectives
5 Inadequate availability of child care arrangements
6 Payoff in "soft programs" too hard to measure and relate to corporate needs
7 Unwillingness or inability of local not for profit organization or charities to use volunteer resources
8 Preemption by government agencies (i e not wanting to pay taxes and then pay again to provide needed social services)
9 Other businesses don t, why should we?

Comments

Incentives

Considering these same types of private sector initiatives, please indicate which factors the CEO feels are or would be the greatest encouragements for the CEO and other business executives to participate in such activities?

Examples

1 A program of formal recognition for companies and individuals
2 Active leadership by local, State, and Federal agencies in setting goals and stating exp tations and priorities for social and economic needs
3 Indemnification, or immunity against liability to the corporation ("Good Samaritan" law)
4 Additional income tax incentives for companies or volunteers
5 Better communication by not for-profit service agencies of community needs and desired volunteer skills
6 Better communication of funding and equipment needs for local not-for profit agencies
7 Better and more convenient child-care programs to "free up" employees for volunteer activities
8 "Seed money" support for community panels to help identify community needs and mobilize and coordinate support from industry
9 Income tax incentives to specifically support employees' continuing education
10 Income tax incentives to support company-funded scholarships for tuition and fees of employees' children
11 Income tax incentives to promote sponsorship of educational programs targeted at persons in the community who are marginally employable

Comments

General Information

In 1982, despite the recession, corporate contributions to charities and not for profit agencies rose 11 percent What factors does the executive think may have caused this increase?

Examples

1 President Reagan s emphasis in speeches and through the new White House Office on Private Sector Initiatives
2 Growing sense of corporate responsibility to help solve social problems
3 Somewhat lower tax burden
4 Recognition of inflation s effect on cost of social services
5 Feeling that government is withdrawing from as active a role in social services and that business has a growing role to play
6 Growing concern about the level of basic skills and retraining needs of our employees

Comments

Under current tax law, most corporations and many individuals have a marginal Federal income tax rate (top tax bracket) of 46 percent Therefore every dollar of pretax corporate contributions costs the company only 54 cents after taxes Please estimate as best you can what effect the following after-tax costs would be likely to have on the interviewee's company's support for not-for-profit charities and organizations

After-Tax Cost Per $1 Contribution	Increase in Giving					
	None	5%-10%	10%-15%	15%-20%	20%-25%	Other
0 50	[ ]	[ ]	[ ]	[ ]	[ ]	
0.35	[ ]	[ ]	[ ]	[ ]	[ ]	
0 25	[ ]	[ ]	[ ]	[ ]	[ ]	

Now please estimate what effect the following after-tax costs would have on the CEO's individual private giving

After-Tax Cost Per $1 Contribution	Increase in Giving					
	None	5%-10%	10%-15%	15%-20%	20%-25%	Other
0 50	[ ]	[ ]	[ ]	[ ]	[ ]	
0 35	[ ]	[ ]	[ ]	[ ]	[ ]	
0 25	[ ]	[ ]	[ ]	[ ]	[ ]	

Comments ____

____

If additional incentives were made available to encourage corporate giving to charities and other not-for-profit organizations, what would the CEO's priorities be? Please estimate the percentage of current giving which the company directs to the following categories

	%		
Higher education	[ ]	Other	______
Primary and secondary education	[ ]	Other	______
National charity drives	[ ]	Comments	______
Other community organizations serving local social needs	[ ]		______

Please estimate what percentage of additional corporate giving the CEO s would be most likely to direct to the following categories

	%		
Higher education	[ ]	Other	______
Primary and secondary education	[ ]	Other	______
National charity drives	[ ]	Comments	______
Other community organizations serving local social needs	[ ]		______

Voluntarism has always been an important source of support for organizations servicing the Nation's social service needs Alt' ɔugh expenses incurred for company-sponsored volunteer work by employees for many causes can be itemized and deducted from gross income for tax purposes, no deduction or credit to the company has ever been permitted beyond the direct wages paid by the company for the time spent by volunteers Such a credit, if ever allowed, would have to be documented very carefully to avoid abuse Direct the discussion to explore ways the CEO thinks voluntarism could be stimulated by business involvement Example If a company adopted a local school, it might lend employees periodically to teacn, counsel students, or in other ways apply special skills to solving the school's problems If a tax credit is suggested, how big should it be—for what results?

Comments

The Department is considering a policy that would recognize and encourage outstanding corporate citizenship by providing a tax credit for corporate giving to elementary and secondary schools This credit would be available for such gifts only to the extent that a company's total giving and support of not-for-profit organizations exceeded a certain above-average percentage of pretax earnings What comments does this proposal stimulate from the CEO ?

Comments

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