

IMPACT OF THE ECONOMIC DOWNTURN ON CHURCHES AND MISSIONS

By Bob Young

The economic crisis of the last year delayed or eliminated the plans of many businesses and consumers. Churches and mission organizations are not exempt. In early 2010, the Barna group released a three-part report surveying the impact of the current economic downturn on giving to faith-based organizations—churches and non-profits, including mission organizations. The report indicates that church budgets on average have declined about 7% over the last year. The report shows that donors are reducing their giving and that churches and other organizations are being forced to adapt to the changing financial scene.

The Financial Impact

Churches have felt the economic stress. Just over half of the church leaders surveyed said the economy has had a negative impact on their church during 2009, with 8% characterizing the impact as “very negative.” About one-third of leaders describe their churches as unaffected by the economy while about 10% described the last year as positive.

For churches with decreased budgets, the average decrease was 14%. Smaller churches were the hardest hit with churches of 100 or fewer adults losing 16%. About 10% of churches lost 20% or more of their budget, and a small percentage lost 35% or more. Although there are signs the economy is improving, about 2/3 of the church leaders who were surveyed say the financial picture of the church is staying about the same, and the other 1/3 are about evenly split as to whether things are improving or worsening. If churches are coming out of panic mode, they are also adapting to a “new normal.”

Responding to the Decline

The study shows there have been two major ways that churches have adapted.

Reducing spending. Roughly one out of every five churches (21%) have cut spending to compensate for diminished revenue—watching spending, conserving, shopping for better deals, eliminating non-essentials, freezing portions of the budget, re-evaluating vendors.

Cutting staffing and missions. A second type of reduction relates to people, including staff members and missionaries. Churches are eliminating positions, reducing salaries, relying on more volunteers, and cutting paid hours. Churches are also reducing their giving to missions and missionaries.

Most church leaders are trying to get through the tough economy while avoiding drastic cuts to programs. Few churches have tried to proactively engage the economic situation through meetings, classes, support groups, financial counseling, or increased assistance to members. Some churches have put off purchases or deferred projects or facility-related expenditures. Virtually none of the leaders said they were reevaluating the shape of future congregational ministry or thinking about whether they could sustain and effectively use their current facilities. Very few churches have made strategic shifts to become a significant resource to members or the community. Most church leaders have focused on surviving, although the great need is to calibrate ministries and strategies to the opportunities brought by the “new economic normal.”

The New Donor Landscape

Despite some recent positive financial news, the donor perspective shows little indication of improvement. Donors have cut back on donations to churches and especially to non-profit organizations and they have become more pessimistic about future economic recovery. Many Americans are cutting back on charitable giving in order to adjust to the downturn. Nearly half of all adults (48%) said they had reduced their giving to non-profit organizations in the last three months. Churches were less affected but were not immune to cutbacks: three out of ten Americans had dropped their level of support to churches (29%). Donors who have cut back have dropped their giving substantially. Nearly one-fourth have cut contributions by 20% or more.

The impact of the economy is seen in the decrease in donations. About half have reduced giving to non-profit organizations. In November 2008, 31% indicated they had reduced giving to non-profit organizations, but that number increased to 49% by January 2010. The decrease in donations to churches does not appear quite as severe (20% had reduced giving to churches in the November 2008 survey; 29% in January 2010). The survey did not inquire about the amount of reduction.

Of greatest concern for charitable organizations, Americans are settling in for what they perceive to be a long recovery. Three-quarters of adults (75%) believe the economy will take two or more years to recover, and nearly half (42%) contend the economy will take more than three years to come back. This gloomy outlook may be connected to the financial pressure many are experiencing. The survey shows that three out of every four adults claim to have been personally affected by the economy (75%).

Although most adults report being negatively affected, the survey identified those groups most likely to decrease giving (Boomers, families with children at home, lower and middle income adult, and divorced individuals) and those who were most likely to continue giving (those age 65+, singles, higher income adults).

Conclusions

The report included the following conclusions (edited):

“Barring a significant event or shift, the prospects for a recovery of charitable giving during 2010 appear dim. Donation dollars will not meet the demand. Even while some financial indicators show signs of life, most Americans are very concerned about the country’s long-term economic prospects and seem to be tightening budgets and scrimping on donations. Further, funds raised for Haitian relief efforts may exhaust some of the potential for future giving in 2010.

“Church and non-profit leaders should prepare for another lean year. Response to this reality suggests communicating effectively with constituents, proactive financial management, and adjusting income and budgetary expectations. Past financial projections will be less useful as reluctant donors cut back on the number of organizations and frequency of their support.

“One of the fundamentals is relentlessly addressing six donor motivations previously identified by the Barna team: efficient operation, feature the compelling cause at the core of your work, communicate the urgency of the need, nurture personal relationships with donors, demonstrate transformational impact, and help contributors feel a sense of personal benefit from giving. These appear to be as important as ever as donors scale back their giving.”