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Selective Recognition: How to Recognize Donors to Increase Charitable Giving

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Abstract

Recognizing donors by revealing their identities is important for increasing charitable giving. Using a framed field experiment, we show that all forms of recognition that we examine increase donations relative to the baseline treatment, and recognizing only the highest or only the lowest donors has the strongest and significant effect. We argue that selective recognition creates tournament-like incentives. Recognizing the highest donors activates the desire to seek a ‘positive prize’ of prestige, while recognizing the lowest donors activates the desire to avoid a ‘negative prize’ of shame. We discuss how selective recognition can be used by charities to increase donations.

JEL Classifications: C93, D64

Keywords: charity donations, recognition, information, experiments

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1. Introduction

“Positive recognition has long been a trusted way of raising money on college campuses, where buildings, benches, and even the insides of library books bear the names of donors. But in an effort to spur gifts among young soon-to-be alumni, students at two Ivy League institutions are trying a different approach: publicizing the names of seniors who don’t contribute to their class.” – Chronicle of Higher Education¹

The desire for social approval is one of the reasons why individuals act more generously when their generosity is viewable by others (Hollander, 1990). Studies have shown that recognizing donors by revealing their identity increases contributions to public goods and donations to charities.² However, very little is known about what kind of recognition is more effective in the field. For example, a charity may decide to recognize all donors by printing their names in newsletters. Alternatively, the charity may choose to recognize only the highest donors by naming buildings after them or posting their names on the walls. In our opening example, two Ivy League universities chose yet another approach by publicizing the names of seniors who did not contribute to their class, thus attempting to shame the non-contributors into giving. Although one can provide a number of arguments for or against using each of these approaches in practice, which approach is better at increasing charitable donations is an open empirical question.

We conducted a framed field experiment to investigate the impact of different recognition schemes on donations to a charity. Over 200 individuals recruited from the community participated in small groups of 5-8 individuals and had an opportunity to donate part of their \$10

¹ From the Chronicle of Higher Education: <http://chronicle.com/article/Students-at-2-Ivy-League/125056/>.

² Studies showing the positive effect of recognition include Andreoni and Petrie (2004), Rege and Telle (2004), Soetevent (2005), Karlan and McConnell (2014), Jones and Linardi (2014), and Samek and Sheremeta (2014). Social recognition has also been found effective in voter turnout (Gerber et al., 2008), blood donation (Lacetera and Macis, 2010), consumption of private goods (Clingsmith and Sheremeta, 2016), and tournaments (Mago et al., 2016).

experiment earnings to the American Red Cross. We used a between-subjects design such that each individual was randomly assigned to participate in only one treatment, making one donation decision. In the *no recognition* treatment, only donation amounts were displayed to the group at the end of the experiment. In the *full recognition* treatment, we also publicized all individuals' names next to their donations. In the *positive recognition* treatment, we publicized only the names of the highest donors next to their donations. In the *negative recognition* treatment, we publicized the names of the lowest donors (including publicizing those who gave \$0).

We found that all forms of recognition have a positive impact on increasing donations relative to the baseline treatment, with selective recognition (both positive and negative) having the strongest and significant effect. In addition, we found that the underlying mechanisms for why positive and negative recognition are effective are very different. Negative recognition encourages higher donations through discouraging donations lower than \$5, while positive recognition encourages maximum donations of \$10.

Our findings have practical implications. For example, we show that recognizing the highest or the lowest donors by revealing their identities is the most effective recognition method. We argue that the main reason for this is that selective recognition creates tournament-like incentives, encouraging donors to seek a 'positive prize' of prestige and avoid a 'negative prize' of shame. Therefore, when recognizing donors or when publishing annual reports, practitioners may benefit from utilizing tournament-like incentives by recognizing their top contributors, and in some instances (as in the case with our opening example) shaming non-contributors. However, practitioners should be careful when choosing negative incentives (such as shaming non-contributors), because they also face the first-order problem of attracting and

retaining donors. Given the opportunity of free entry and exit, individuals may simply avoid contributing to communal and charity groups that identify the lowest contributors.

In what follows, Section 2 reviews the related literature. Section 3 describes and the experimental design. Section 4 summarizes the results, and Section 5 provides a discussion and conclusion.

2. Literature Review

Related work has proposed different motivations for giving to charities. Behavioral arguments for why individuals contribute positive amounts to charities and public goods include pure altruism (Bergstrom et al., 1986; Harbaugh et al., 2007), ‘warm glow’ (Andreoni, 1989, 1990; Gneezy et al., 2014) and inequality aversion (Rabin, 1993; Fehr and Schmidt, 1999).³

Empirical evidence that individuals give more when they are recognized suggests a role for recognition as an additional reason for giving (Andreoni and Petrie, 2004; Soetevent, 2005; Andreoni and Bernheim, 2009; Ariely et al., 2009; Karlan and McConnell, 2014; Samek and Sheremeta, 2014). Andreoni and Petrie (2004), for example, show that publicly identifying participants and their choices in a laboratory public goods experiment significantly increases contributions to the public good. Similarly, Andreoni and Bernheim (2009) provide experimental evidence that people like to be perceived as fair, which motivates them to act more pro-socially in order to enhance their social image. Soetevent (2005) further demonstrates that such concerns for social image can significantly increase contributions to charities in the field.

³ It is also possible that individuals incur a utility loss by contributing below the socially acceptable amount, whereby the acceptable amount can be signaled by the fundraiser through recommended amounts (Edwards and List, 2013) or through giving information about a past amount given by a previous donor (Croson and Shang, 2008; Shang and Croson, 2009).

Theoretically, Benabou and Tirole (2006) have incorporated social image into an individual's utility function. One prediction of their model is that when recognition is introduced, an effort to preserve a high social image adds to the motivation to give to charity. In a different model, Vesterlund (2003) has shown that recognizing donors could be beneficial to the charity because publicly visible donations may send information to other potential donors. Therefore, both models make compelling theoretical arguments for recognizing donors.

While there is agreement among researchers that recognizing donors by revealing their identities is important for increasing contributions to public goods and donations to charities, very little is known about which kind of recognition is more effective in the field. For example, one could recognize all donors (Andreoni and Petrie, 2004), or selectively recognize only the highest or the lowest donors (Samek and Sheremeta, 2014). On the one hand, full recognition incorporates both positive and negative recognition, since recognizing all donors implies also recognizing the highest and the lowest donors. On the other hand, recognizing only the highest or only the lowest donors singles them out and makes their social identities more salient. This singling out amplifies the desire to seek prestige by the highest donors (Hollander, 1990; Harbaugh, 1998) and the desire to avoid shame by the lowest donors (Frank, 1988; Gilbert, 1998; Ketelaar, 2004). In a sense, singling out creates tournament-like incentives, encouraging donors to seek a 'positive prize' of prestige and avoid a 'negative prize' of shame.⁴ Such incentives should strengthen the effects of prestige under positive recognition and shame under negative recognition, thus generating higher donations than full recognition. Ultimately, this is an empirical question that we address with our experiment.

⁴ It is well documented that tournament-like incentives are powerful at motivating individuals (Dechenaux et al., 2015). Moreover, such incentives are even more powerful than predicted by the standard game theory (Sheremeta, 2013, 2015, 2016).

3. Experimental Design

In the Harrison and List (2004) taxonomy, our experiment is a ‘framed field experiment’. The experiment involved 205 individuals who were recruited from families participating in an early childhood study in a suburb of Chicago.⁵ Upon arriving to the experiment, participants in groups of 5-8 individuals had the opportunity to donate part of their endowment to the American Red Cross. Individuals were assigned to a session date and time in advance without knowing which treatment would be carried out during that session, as such, we expect balance across treatment groups. Group size varied based on how many participants arrived to each session. Each group participated in a separate session and room.

At the beginning of the session, all participants identified themselves by writing their first and last name on a nametag that was displayed to the others at all times. Participants sat in a circle facing each other and were given a walled lapboard (that we call a ‘privacy screen’) so that all decisions could be made in private. Participants were instructed not to communicate with one another. Participants were given the instructions, which included a description of the American Red Cross (see the Appendix). The researcher also handed out a short quiz on understanding and went over the responses with the participants.

Each participant earned \$10 for coming to the experiment, which was announced in advance and distributed at the end of the experiment. Participants received an additional endowment of \$10 (ten, \$1 bills) to use in the experiment. Participants placed the amount that they wanted to give to the Red Cross in one envelope (labeled ‘give’) and the amount that they

⁵ Recruitment for the study was done through the ‘Living Lab’ at the Chicago Heights Early Childhood Center in Chicago Heights, IL. Over 2,000 subjects make up this pool of households from Chicago Heights and the surrounding area, and are invited to participate in field experiments on a semi-regular basis. Participants in this study had not participated in a similar study in the past, and we asked participants to indicate whether they knew anyone else in their group, separating them into separate groups if they said they knew anyone. In a survey following the experiment, we also asked participants state whether anyone in their group was a friend, and about 7% of participants said they were friends with someone in their group. Our results do not change when we control for this in the analysis.

wanted to keep in the other envelope (labeled ‘keep’). This decision was made quietly and in private. The researcher collected the ‘give’ envelopes and tallied the totals at the back of the room. The donation decision was only made once.

At the end of the decision, all individual donations (including \$0 donations) were displayed on the board at the front of the room sorted from the largest to the smallest. We conducted four treatments using a between-subjects design in which we experimentally manipulated the recognition information available to participants at the end of the experiment (see Table 1). In the *no recognition* treatment, no additional information was available about the amounts that each person gave. In the *full recognition* treatment, we told participants prior to their decision that the first and the last name of each group member would be written next to each donation amount at the end. In the *positive recognition* treatment, participants learned that the first and the last name of two highest donors would be displayed, but that the remaining participants would not be recognized. Finally, in the *negative recognition* treatment, participants learned that the first and the last name of two lowest donors (including \$0) would be displayed, and the other participants would not be recognized. In case of ties, the order of names was randomly determined.

At the end of the experiment, participants responded to a short questionnaire, which included basic demographic questions as well as questions about charitable giving habits, tendency to care about what others think and one’s perceived social status. The experiment lasted approximately 30 minutes. The researchers sent all the donated money to the Red Cross via web payment within a week following the experiment, and participants were instructed that they could receive a confirmation email if they wished.

4. Results

4.1. Average Donations

Figure 1 summarizes the average donations by treatment. In the *positive recognition* treatment, the average donation is \$6.93, followed by \$6.29 in the *negative recognition* treatment, then by \$6.02 in the *full recognition* treatment, and finally by \$5.26 in the *no recognition* treatment. Even in the baseline *no recognition* treatment, individuals on average give more than 50% of their available earnings to the Red Cross. Compared to the real donation experiment with university students of Eckel and Grossman (1996), individuals in our experiment gave more. A major difference in our experiment is that even in the baseline treatment, all donation amounts are immediately revealed, while in Eckel and Grossman's experiment, no donation amounts are revealed and the experiment was double blind. In addition, Carpenter et al. (2008) find that community members (as in our experiment) tend to give more than students to charity.

When comparing the four treatments, we find that all forms of recognition increase donations relative to the baseline treatment, and recognizing only the highest or only the lowest donors has the strongest and significant effect. Compared to no recognition, individuals on average donate \$1.67 more when positive recognition is introduced (Wilcoxon Mann-Whitney test, p-value = 0.01) and donate \$1.03 more when negative recognition is introduced (Wilcoxon Mann-Whitney test, p-value = 0.05). Individuals also donate \$0.76 more in full recognition relative to no recognition; however, this is not significant at the conventional level (Wilcoxon Mann-Whitney test, p-value = 0.12). We do not find any significant differences between the *positive recognition*, *negative recognition* and *full recognition* treatments (all p-values > 0.20).

When separating our data by small group sizes (i.e., 5 or 6 individuals within a group) and large group sizes (i.e., 7 or 8 individuals within a group), we find exactly the same directional effects of the different treatments, with all forms of recognition increasing donations relative to the baseline treatment. It appears that the differences between treatments are more pronounced in smaller groups, but we do not have enough data to examine their statistical significance.

4.2. Distribution of Donations

Figure 2 displays the cumulative distribution of donations by treatment. It is apparent that the cumulative distribution of donations in the *positive recognition* treatment first-order stochastically dominates the *no recognition* treatment (Two-sample Kolmogorov-Smirnov test, p-value = 0.06). However, there are no statistically significant differences between the *full recognition* and *no recognition* treatment (Two-sample Kolmogorov-Smirnov test, p-value = 0.14), and between the *negative recognition* and *no recognition* treatment (Two-sample Kolmogorov-Smirnov test, p-value = 0.12). Similarly, there are no significant differences between the *positive recognition*, *negative recognition* and *full recognition* treatments (all p-values > 0.20).

To look more closely at the distribution of donations, Figure 2 displays the histogram of donations across four treatments. Several interesting patterns emerge. First, we see anchor points at a gift of \$5 (50% of the endowment, and 25% of total earnings) and \$10 (100% of the endowment, and 50% of total earnings). Second, these anchor points become stronger when recognition is introduced. Under no recognition, 40% of participants donate less than \$5, 28% donate exactly \$5, and 25% donate exactly \$10. Full recognition significantly reduces donations

less than \$5 (from 40% to 20%, Fisher's exact test, p-value = 0.02) and increases (although not significantly) donations of \$5 (from 28% to 41%, Fisher's exact test, p-value = 0.16). Similarly, negative recognition significantly reduces donations less than \$5 (from 40% to 19%, Fisher's exact test, p-value = 0.02) and increases (although not significantly) donations of \$5 (from 28% to 38%, Fisher's exact test, p-value = 0.30). On the other hand, positive recognition does not significantly reduce donations less than \$5 (from 40% to 24%, Fisher's exact test, p-value = 0.14), but it significantly increases maximum donations of \$10 (from 25% to 49%, Fisher's exact test, p-value = 0.01).

In summary, we find that the underlying mechanisms of why different types of recognitions are effective are different. Negative recognition and full recognition encourage higher donations through discouraging donations lower than \$5, while positive recognition encourages maximum donations of \$10.

5. Discussion and Conclusion

We conducted a framed field experiment to investigate how recognition impacts charity donations. We varied recognition in four separate treatments and found that all forms of recognition have a positive impact on increasing donations relative to the baseline treatment, with positive recognition and negative recognition having the strongest and significant effect.

A potential mechanism for why positive and negative recognitions are effective at increasing charitable donations is that selective recognition (both positive and negative) creates tournament-like incentives. Recognizing the highest donors activates the desire to seek prestige (a 'positive prize') from being a high donor, thus increasing the proportion of donors who contribute the full amount of their income. Recognizing the lowest donors activates the desire to

avoid shame (a ‘negative prize’) from being a low donor, thus decreasing the proportion of donors who do not contribute and increasing the proportion of donors who contribute half of their income. Compared to full recognition, recognizing only the highest or only the lowest donors singles these donors out and makes their social identities more salient, amplifying prestige or shame (since all attention is focused only on the two donors). Therefore, while all forms of recognition positively impact charitable donations, positive and negative recognition have the strongest effect.⁶

It has been a commonly-held belief, grounded in theoretical research (Vesterlund, 2003; Benabou and Tirole, 2006) and laboratory experimentation (Andreoni and Petrie, 2004; Rege and Telle, 2004), that positive recognition matters. Our study provides further evidence that positive recognition is effective in increasing charitable donations in the field.⁷ However, our results also point out the effectiveness of negative recognition. In our opening example, we quoted a story from the Chronicle of Higher Education in which two Ivy League universities attempted to increase donation amounts from their soon-to-be alumni by “publicizing the names of seniors who don’t contribute to their class.” This may seem like a controversial strategy (and indeed it generated many debates after the article was published); however, the bottom line is that negative recognition also works. Because shame appears to be a powerful motivator to encourage

⁶ One could formally model a signaling game to explain some non-monotonicities observed in our data (Spence, 1973; Feltovich et al., 2002). Although such an exercise is outside the scope of our paper, potentially it could explain why participants in the *negative recognition* treatment move from giving some amount below \$5 to giving \$5 and why participants in the *positive recognition* treatment shift from \$5 to \$10. This an interesting exercise for future research.

⁷ Interestingly, Samek and Sheremeta (2014) find that in a laboratory experiment negative recognition increases contributions to the public good while positive recognition does not. There are a number of important differences between our two studies which may explain different findings. First, unlike the public goods game, individual donations do not directly impact the payoffs of the group members who view the recognition information. In the public goods game, participants who are identified as top contributors may be viewed as “suckers”, preventing them from contributing to the public goods, while it is not the case with charitable donations to the Red Cross. Moreover, individuals receive no monetary benefit from the amount of total gifts given to the Red Cross, abstracting away from concerns about fairness, inequality-aversion and free-riding, which are important social motivators in public goods games (Ledyard et al, 1995).

giving, one may ask the question: why don't all social groups, charity organizations and online communities practice displaying the lowest contributors? While these institutions face the problem of increasing contributions, they also face the first-order problem of attracting and retaining contributors. Given the opportunity of free entry and exit, individuals may simply avoid contributing to communal and charity groups that identify the lowest contributors. Therefore, in the long run a negative recognition policy may backfire.⁸ We see the long term effects of recognition as a fruitful avenue for the future research.

⁸ It is also possible that positive recognition may have a similar effect of reducing entry in the long run. First, by creating tournament-like incentives, positive recognition may crowd out intrinsic motivation to donate. Second, it is well-documented that many individuals do not like tournaments (Niederle and Vesterlund, 2007; Cason et al., 2010) and so positive recognition may reduce entry of such individuals.

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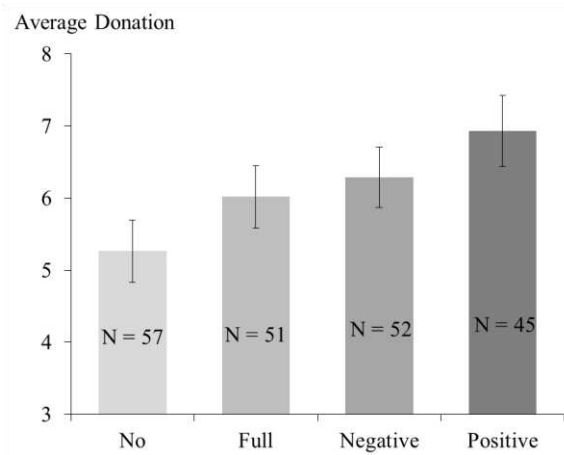
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Table 1: Summary of Treatments

Treatment	Display of Donation Amounts	Linking Identities to Donations	Number of Individuals	Number of Groups
No Recognition	Yes	None	57	9
Full Recognition	Yes	All	51	8
Negative Recognition	Yes	Lowest Two	52	8
Positive Recognition	Yes	Highest Two	45	7

Figure 1: Average Donations by Treatment



Note: The error bars represent the standard error of the mean.

Figure 2: Cumulative Distribution of Donations by Treatment

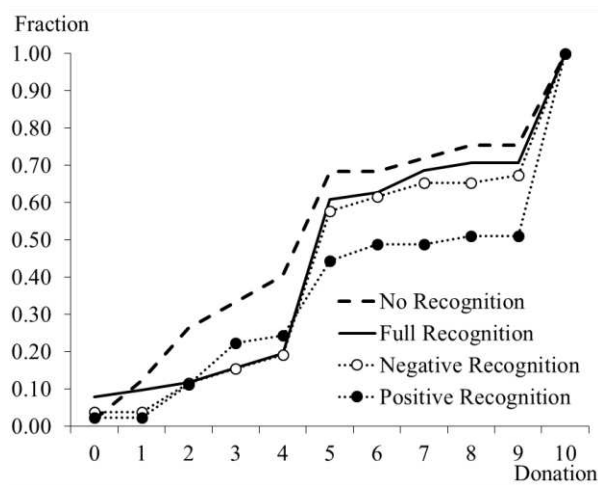
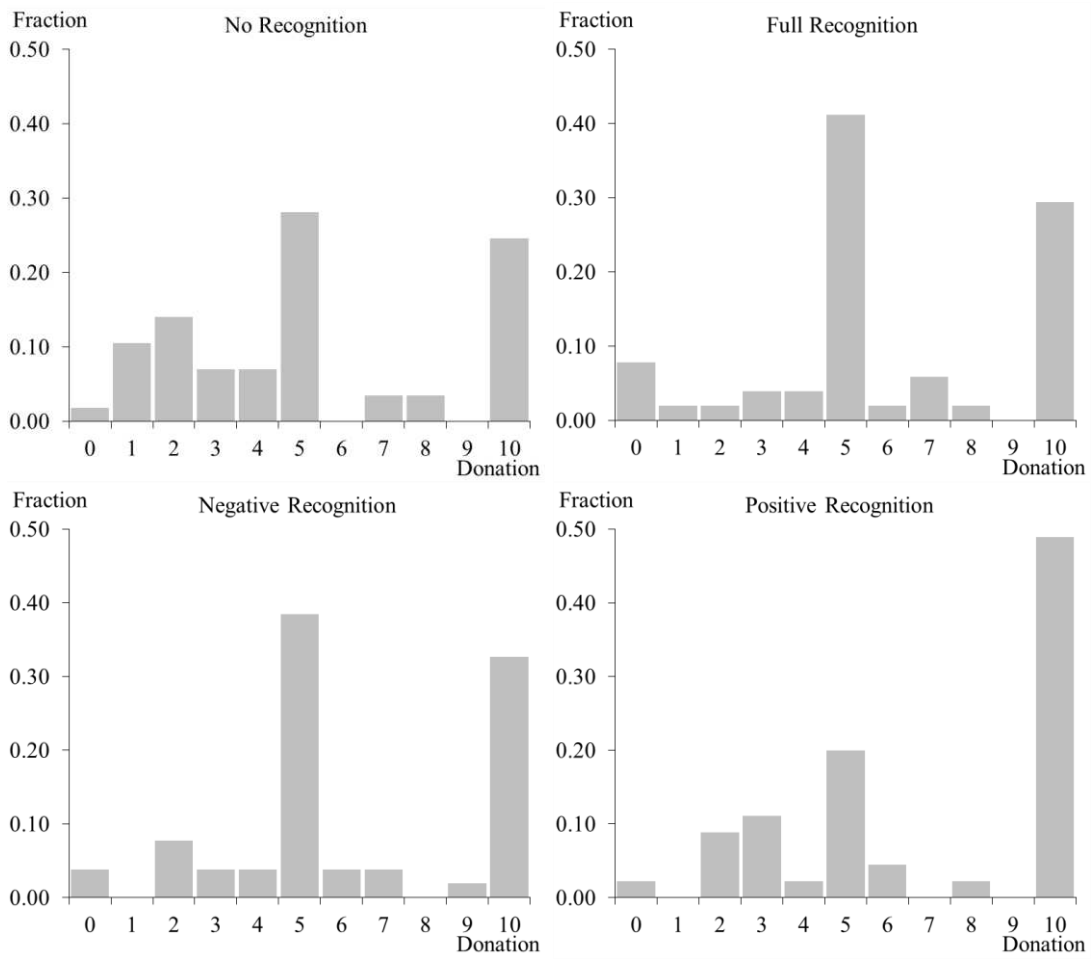


Figure 3: Histogram of Donations by Treatment



Appendix: Instructions

Welcome!

Welcome to the activity. To thank you for coming, I'm going to hand out your \$10 show up payment to you now.

In this activity we want to see the choices that people make. You will be making choices on your own and in private. So it is very important that you remain silent and do not try to look at other people's choices. If you have any questions, please raise your hand and I will come answer your questions in private.

First, to prepare for the activity, please write your FIRST and LAST name on both sides of your nametag and clip it on the front of your privacy box like this. I will come around and record the names of everyone in the group on my record sheet.

ACTIVITY INSTRUCTIONS

What will we be doing?

In the activity, you are going to get an additional \$10. You are going to decide how much to keep for yourself, and how much to give to the American Red Cross. You may keep all, some or none of the money for yourself or give none, some or all of the money to the Red Cross. It is completely up to you. You will only make this decision once.

Here is some information about the American Red Cross

The Red Cross is a charity organization led by volunteers, and provides relief to victims of disaster and helps people prevent, prepare for, and respond to emergencies. For example, in the past few months, the Red Cross helped by offering shelter to people when their homes were destroyed due to high winds and flooding this month. Donations help the Red Cross provide food, water and medical supplies to different parts of the world in times of need.



**American
Red Cross**

You will get two envelopes, \$10 in \$1 bills and a record sheet.

You will put the dollars that you want to keep in the blue envelope that says, "keep." You will put dollars that you want to give to the Red Cross in the red envelope that says, "give."

Please also write down the amount you chose to give on your record sheet.

What you keep or give is completely up to you, we just want to know what choice **you** would make. Take your time in making your decision, we won't go on until everyone is finished.

What happens when everyone is finished?

Do not seal your envelopes yet. I will come around and **I will count up the number of dollars in your red "give" envelope**, check to make sure it is correctly written on your record sheet, and write that down next to your name on my record sheet. So please keep your "give" envelope out. Next, I will ask you to seal your "give" envelope and drop it in this Red Cross box.

After I recorded everyone's gift, I'm going to write down on the flip chart at the front of the room the **amounts that each person gave**, starting with the highest gift and ending with the lowest gift. All gift amounts will be listed, including \$0 gifts. I'll also add up the total gift of the group and write it on the bottom.

[TREATMENT SPECIFIC INSTRUCTIONS]

None

Then, I'll announce the amounts out loud. I **will not** list anyone's name next to their donation, so your donation is **completely anonymous** to the rest of the group.

Full

Then, **I will write down each person's name next to their donation**, so everyone in your group knows what you gave. I'll also announce the amounts and names out loud. Note that if any two amounts are exactly the same, one of the names will be randomly chosen to be listed first.

Negative

Then, **for the two people who gave the lowest amount, I will write down each person's name next to their donation**, so everyone in your group knows what these two people gave. However, the donation made by the rest of the group who are not the two lowest givers will be **completely anonymous**. I'll also announce the amounts out loud, and I will announce the names of the two lowest givers out loud. Note that if two amounts are exactly the same, one of the names will be randomly chosen to be listed first.

Positive

Then, **for the two people who gave the highest amount, I will write down each person's name next to their donation**, so everyone in your group knows what these two people gave. However, the donation made by the rest of the group who are not the two highest givers will be **completely anonymous**. I'll also announce the amounts out loud, and I will announce the names of the two highest givers out loud. Note that if any two amounts are exactly the same, one of the names will be randomly chosen to be listed first.

[REMAINING INSTRUCTIONS THE SAME FOR ALL TREATMENTS]

At the End

You will **take home the money in your blue "keep" envelope**.

We will **send the money in the red "give" envelope to the Red Cross**. Since the Red Cross can't accept cash, in a few days, we will take all the dollars out from the envelopes, and we will write a check in the total amount that the group chose to give and send it to the Red Cross. If you want to get a confirmation about the gift, please include your e-mail address in the sign out sheet and we will have the Red Cross automatically email you the **total amount of gifts by this group**.

Quiz

Sam gave the highest amount in the group. How will Sam's gift amount be announced and shown on the board?

- The gift amount only
- The gift amount plus Sam's name
- Sam's name only

Pat gave the lowest amount in the group. How will Pat's gift amount be announced and shown on the board?

- The gift amount only
- The gift amount plus Pat's name
- Pat's name only