

For Impact: The Charity Podcast

Episode 1 – Why are the media so wrong about charities?

Felicia: Welcome to our podcast for impact, where we look at the charity sector and talk about the taboos and challenges that are holding it back and what we can all do about it. Our first topic that we're looking at today is why is the media so wrong about charities? I'm Felicia Willow. I'm a consultant and interim CEO, also known as the Mary Poppins of the charity sector. I'm a lawyer by training, originally in human rights and international crime, but these days I work on governance, strategy and change, both with individual charities and across the sector to resolve some of the systemic issues that hold four impact organisations back. I'm here today with Chris Pitt from Benefact.

Chris: Hello there. It's lovely to be here. I am Impact director at Benefact, which is an unusual financial services group. We're owned by a charitable trust, so all of our available profits go to good causes. And that means we love charities. We love giving to charities, but increasingly we love finding ways to support them. So I'm very excited and interested in this topic because we want to celebrate what charities do. We want them to be recognised for the huge impact that they do have. And it sounds like you're going to really get stuck into this challenge.

Felicia: I hope so. What I wanted to find out was why is the media so often wrong about the charity sector and why are they so negative about it? You ask any random person in the street and they'll tell you that charities waste money, that they're inefficient, they spend too much on overheads. And I personally lay the blame for the prevalence of these attitudes on the media. And I don't think the problem is when the media uncovers the bad eggs in the sector, but I do think it's a problem when they perpetuate misinformation especially around finances, which I think creates these false assumptions, ideas like charity CEOs getting paid too much or charities wasting money on non-charitable activities.

So the first thing I did is I put in a call to an expert in charity finance reporting. Pesh Framjee is an expert charity accountant with more than 35 years of experience. I think Pesh is awesome. He invests a huge amount of time in challenging poor charity financial journalism. He also chaired the panel that produced the document *Dispelling Common Myths About Charities* for the ICAEW. And here's what he had to say.

Pesh: When you talk to journalists, et cetera, you realise that there are a number of myths that exist. And I often talk about the sort of my taxi conversation where I jump into a cab and say, can you take me to X, Y, Z? And they say, where are you going there? And I said, so-and-so's charities. And they start off with, oh, gosh, all charities, you know, don't they have all these problems? And they start talking about them. And I usually find that within the 10 or 15 minutes of my journey, when you can actually explain properly what some of the realities are as against the myths, they begin to change their view. Some of the biggest challenges facing the charity sector is massively increasing need and reducing resources. Going through hard times, government funding, whether it's donor funding, etcetera, is reducing, but at the same time, the need is massively increasing. So that's a big issue.

And sometimes that gap can be reduced, I think, by correcting some of these myths, both by members of the giving public, but also sometimes the myths in government and journalists. For my sins, I sat on the Charity Swap Committee, which is the Statement of Recommended Practice on Accounting and Reporting by Charities, for over 22 years. And we've been moving, trying to get the

presentation of the accounts better, so people actually link the narrative and the numbers. And actually, charities can explain more than just that in terms of words. And this might sound like heresy coming from an accountant, but there's much more than the numbers. You know, the pounds and the pence only show you part of the picture. And actually explaining it in greater detail is really quite important.

So I think there's education to be done in all sectors and actually making sure both the press, government ministers and other commentators actually take a more unbiased view on this would be very helpful.

Felicia: Yeah, absolutely. And I guess that's where I think a lot of charities feel a bit helpless at the moment, because I know in the myths work that you did, it was really looking at what individual charities can do. But it feels like this is a more systemic issue. How can we as a charity sector make these points loudly and get it out there? Because it feels just a bit like this is overwhelming assumption that is just wrong. So what do you think could be done there?

Pesh: Well, I pushed for this quite often. So I've seen press articles and I've written about why I think they got something hopelessly wrong. It's useful that people maybe outside the direct charities do that. So the charities do respond and put things on their website. So you'll see in this critique I did that some of the charities have responded and I've linked to what they said on their website. But the fact is, is that sometimes there's this sort of feeling, well, he protests too much. So, is that there's no fire without smoke? And so I think it's incumbent upon some of us like you, me, others, lawyers, accountants, etcetera work in the sector to help dispel and correct some of these things when we see them. Because sometimes the charities just say, look, it's a lot better to just keep our head down and rather than say anything.

But I've also got a lot of sort of trolling when I've done this. So, you know, people have written back about being anti-charity have said, oh, you're just an overpaid mouthpiece for the charity sector and of course you would say this, that sort of thing. But that hasn't stopped me. I think there are important messages and we need to tell people what they need to hear rather than what they might want to hear.

So if you tell someone for every pound you give at the charity, 33% will go on fundraising costs, they'll say that's terrible, you know. But if you were to say to them, if you gave one pound to charity and they could make it into three pounds, they'd say, well, that's great, but that's well, we'd use your one pound for fundraising and make it into three pounds. So it's exactly the same figure and exactly the same issue, but how it's presented.

Felicia: There's some fairly substantial research out there that charities who spend more on overheads do better. They have greater impact. And I know a lot of the work that the Charity Defence Council does in the U.S. has been quite focused on this. Is this something that you're looked into during the work on the Dispelling Myths Project?

Pesh: Forget that looking at it. I mean, I know I've been an auditor of charities for 35 years from some of the largest to some small ones, over 200, 300 charities, and I can see that the ones that have got good systems, good efficiencies, good IT, things that kind, are actually having better

impact. That's not to say that the small charities don't have impact, but there has to be horses for courses. You can't be a Save the Children or a British Red Cross or a World Wildlife Fund, UK or whatever, and say we'll do everything on the cheap, we won't pay any staff. It doesn't work like that.

And actually, it's also sort of a moral position for me. Why should a CFO for a charity think that they have to work for free? Why do they think they have to take a massive cut in their income if they come to work in the charity sector? Do they get their mortgages any cheaper when they go to the supermarket? Do they get a discount because they happen to be a charity employee? I'm afraid it just doesn't stack up for me.

Felicia: That'd be nice, though. I think I read that it was about 30% left on average that CEOs get compared with the corporate sector, although I believe it's widening. But yeah, 30% discount on my mortgage sounds fantastic. And that really leads me to talking about it does feel like across our society, charities are underestimated, are seen as quite unprofessional, not very competent, a bit woolly. I think sometimes people think we sit around and drink tea and eat cake all day. And a lot of people talk about moving from the corporate sector into an easier life in the charity sector. And of course, those in the charity sector who are working incredibly hard and trying to find all of those different funding streams that you talk about because the lives of their service users might depend upon it. There is nothing relaxing and stress free about that.

So I find it difficult to reconcile this external attitude towards the charity sector with the realities of actually working in it.

Pesh: So I think part of the problem is, is we talk about it and I refer to it, too, because as the voluntary sector, as the non-profit sector, so people think that there's no accountability. Voluntary is not amateur. You can be voluntary and be very professional. I'm a trustee of a number of charities at the moment. I've been a serial trustee, been a trustee for years and years and years. I work on a voluntary basis because trusteeship is generally voluntary. But that doesn't mean I'm in any way amateur in what I bring. And I treat this in as professional a way as I would treat any other fee paying job.

Felicia: So it does feel like when charities do make mistakes and when things go wrong, when there's been failures of governance, when they've been failures of operations, that when those big news stories hits the stand, it does feel like charities are firstly criticised, perhaps more than companies are. But also, I have seen in the recent public trust in charities report that negative actions by one charity actually really does affect perception of all charities generally, not just the same kinds of charities, but charities as a whole. What do you think is going on there? Why do we have this big reaction when charities fail?

Pesh: It's a very important point. And I often say that individual charities must guard their own reputation and the reputation of the sector as jealously as they guard their own reputation. So I don't know if something goes wrong at Shell, it doesn't directly impact, say, I don't know, British Airways or something of that kind. But if there's a problem with Charity A and it hits the press, it's going to impact so many other charities. And some of the problems are genuinely problems. And there are cases where something goes wrong and you may have a bad apple.

And I've worked on charity fraud and I've worked in the counter fraud areas. So, yes, people do some wrong things when they're working for charity. But that's the exception, really the tiny exception. And most charities want to root it out in their own organisations, too, if it exists.

Felicia: Do you think there's anything charities do that doesn't help all of this, you know, things that we're making it worse, taking actions we shouldn't?

Pesh: Absolutely. I think we perpetuate some of these myths because we think it's what the public want to hear. So by us putting out something like every pound you give will go directly to the cause

and we have zero fundraising costs, etcetera. And it's really interesting the zero fundraising costs and zero overhead costs is usually, well, someone has to pay for it, it's usually because they say, oh, so and so donor has picked up all our overhead costs. So every pound you give goes directly to the charity. Well, most charities could say that. Most charities could say all our investment income picks up our overhead costs and therefore everything you give goes to charities, but they realise that's a false messaging. It creates the wrong messaging. It makes people think that charities shouldn't have any overheads and that every pound you give should go directly to the cause.

If charities don't explain what they're doing, don't explain the outcomes, the impact they're making, people focus on the wrong things, which are easy to do. So you measure a charity's performance by looking at its cost ratios rather than looking at what it's done. I would rather support a charity that has a higher overhead cost ratio but is achieving more than one that has a low overhead cost ratio and is not achieving much.

Felicia: And that, I think, comes back to, I think, one of the fundamental challenges of the sector, what you've just been talking about. So the fact that in the for profit world, it's about profit, and that's where the bottom line is. It's profit, profit, profit. In the charity sector, impact is the bottom line. But we live in a world, obviously, where finance is incredibly important. So as a trustee, you have to be looking at the financial bottom line. But the ultimate bottom line is, in fact, impact. And it feels to me that a lot of this confusion comes from the fact that people who are looking at the charity sector haven't got that shift. They haven't got that fundamental focus on impact over finances. What do you think about that theory?

Pesh: You talked about the charity Defence League. Years ago, they put up a series of advertisements on sort of motorways, highways in the US. Don't ask me about overheads. Ask me about impact. And I think that's an important message. But it's how you are able to do that. And it's incumbent upon us in the charity sector, I think, to make sure that the charities we work with are actually explaining their impact, but at the very least, the outputs, the outcomes that they are delivering. And that's where we're trying to move to with financial reporting.

Felicia: So that was Pesh Framjee. If you want to see the kind of work Pesh does, Google 'Neither true nor fair' and Pesh Framjee, and you can see the epic takedown he did of a deeply flawed report by the so-called True and Fair Foundation into charitable spending. Now, after speaking with Pesh, I wanted to then take the issue to its source, journalists. I had a good chat with Russ Hargrave, who is currently at Politico, but has previously worked in both Third Sector Magazine and Civil Society, as well as working on the ground with a range of charities. Here's Russ.

I really wanted to talk to a journalist for this podcast, because I think some of the responsibility for the myths that surround the charity sector lie with the media. And I really wanted to get an insider's perspective on why that is. So from your perspective, how do journalists who write about the charity sector perceive the sector?

Russ: It's a good question. Journalists, whether they're writing about charities or anything else, all basically have the same goal in the end, which is to fill some space either in a newspaper or on a website, because their boss is leaning on them to write them stories.

Felicia: So one of the things that bothers me is this ingrained assumption that you see from the person on the street, the average person on the street, who sees that charities spend money on things that are inherently non-charitable and creates that whole overheads myth. So when I see that being perpetuated across the media, I think that causes a lot of problems and contributes to that

myth. Why does the media consistently kind of perpetuate this idea when it's been roundly proven time and again that it's a false dichotomy?

Russ: Because it is a classic clash between what donors want their money to do and what charities need money to achieve. But the charity sector as a whole is not great at explaining why those overheads are important. I think there is an onus on charities as well to make the case for why you need a backroom staff. You need to pay the electricity bill to keep the lights on. You need to pay the expenses of your incredible volunteers and your staff who are travelling all over the country doing good stuff. In the absence of charities doing a good job on that, it is irresistible in a way that if you're writing for a newspaper and your readers are among the people who are making generous donations and you find that a charity is spending money on stuff that you as an editor or you as a newspaper don't think is that charitable, it's just a very easy story to write.

I think what would be really great is if mainstream newspapers and charities put their heads together a little bit more to discuss exactly what these issues are and maybe make the case a bit more forcefully from the charity side about why overheads are so important and try and sort of blunt that argument a little bit. If that doesn't happen, those stories will keep on happening, I'm afraid.

Felicia: So, of course, the bottom line for charities isn't profit. It's not about finances. It's about impact. But the way we're regulated and the way the media talks about us is all about the finances. So if I'm told this charity is spending 50p in the pound on overheads, that actually tells me absolutely nothing useful. I have no idea how impactful that charity is. But the reality is that a charity spending very little on overheads is probably a lot less impactful than a charity spending a lot on overheads. So we wouldn't expect a business to stop funding research and development or to scrimp on IT or HR or office heating. So why is it that we think that a charity runs better without those things? It seems nonsensical to me.

Russ: It does. I think the public get some spending on overheads, on salaries, as you say, on even things like lawyers to make sure that a charity is operating inside the law, that kind of thing. Your example is 50p in the pound. I think 50p in the pound was going on overheads, and I would also be a little bit nervous about that charity. As a journalist, I would start looking at exactly where that cash was going, I'm afraid, which I know is counter to your point. But I think that there would be quite a strong...

Felicia: Well, it doesn't tell you what the impact is, does it? And that's what we're there for.

Russ: Exactly. So I think that's the question you'd ask. If you're putting that half the money into front line services and half the money into something else, I'd want to know what that half of something else was. But if half of someone's donation was going somewhere other than the front line, then a journalist's job would be to ask some smart questions about what is it going on and how important is that spending compared to the front line.

And just to give you a quick example, if that money was then going on absolutely essential work, say, a huge salaries for campaigners who are going to bring about a change in legislation that could last for 100 years, that's brilliant charity work. And as a charity journalist, I'd probably write that up as a charity doing something a little bit different and how amazing and they're investing in something that is so important.

Felicia: So one of the things that comes through to me is that journalists often misunderstand charity accounting. Do the average charity journalist get any training in charity accounting?

Russ: So the vast majority of journalists as a whole probably won't, which means the first time they read a set of charity accounts, they probably will be going in a little bit blind.

Felicia: Do you think the way that the Charity Commission website is set up is part of the problem? I mean, if a journalist without accountancy understanding goes in and checks a charity out, the first thing they see is this really misleading pie chart about finances and nothing about impact.

Russ: It's not helpful. I've talked to the Charity Commission about this in the past, you might be interested to know. And they would say, look, as a regulator, they take very seriously their responsibility to help donors understand how their money is used. Simple as that. There have been moves afoot. New Flantery Capital, a think tank I used to work at, went through a period of trying to persuade the Charity Commission to ask much, much tougher questions on impact as part of annual reporting each year for charities. So I would like to see more of that sort of thing. And then once the Charity Commission had more of that, there'd be fewer excuses for them not to start including it in that kind of punchy breakdown that readers get the minute they hit the website. At the moment, it's not terribly user friendly to really understand what charities are up to. Totally agree with that.

Felicia: And the irony is, of course, that monitoring, evaluation and learning are all costs that fall under overheads. So charities that are desperate to prove their impact actually find it difficult to get it funded. And then when they do spend money on things like that, they're actually criticised. So you're kind of caught in an impossible position as a charity. How much of the problem do you think stems from the reality that understanding charity accounts is boring? So the Charity Commission web page obviously really, I think, unhelpfully simplifies the entirety of charities work into this false breakdown.

But there's been some really excellent work done by people like Pesh Framjee breaking down these negative reports about expenditure and showing how wrong they are. But when you read his report, obviously, he's an accountant. He really knows what he's talking about, it all makes sense. But it's not nearly as much fun to read as the thing saying how bad and terrible charities are, even though those things are fundamentally false.

Russ: Yeah, Pesh, I know well from my old job, and he's a very impressive guy. And I think his sort of one-man crusade to try and improve the way this is understood is really admirable. But it is a one-man crusade, which makes it rather tough. As an editor, if a journalist pitched me a story which was small charity does brilliant work because that's what it's there to do versus big charity you've heard of has gone horribly wrong. Sorry, there's only one of those I'm commissioning.

Felicia: And that's the problem, though, isn't it? That is the issue. I think sometimes we have these judgments on charities, but we don't recognise the fact that charities are operating in an incredibly shackled position. There's lots they can't do that companies can do. And so, we judge them for things we wouldn't think twice of judging a company for.

Russ: The slight counterargument I'd make and this would be the justification for journalists pursuing this story as well as charities are trying to do something more important than Amazon. Amazon is about can I get a book quickly or can I buy some weighing scales because I need them by tomorrow? A cancer charity is about helping somebody who's just received the worst news for them and their family. The fact that they have to still be around tomorrow and in six months and in 12 months for that person, I would say is an argument for them to be more careful, more risk averse in the way that they operate compared to those businesses where if a small business collapses and they lose their customers and they lose a small number of staff, that's terrible for them, but they're not basically giving a social service.

Felicia: I think the risk question is a really interesting one, because certainly when I'm a CEO of a charity, I am very conscious of operating in the black and not taking unnecessary risks. But I'm sure you've seen the TED Talk by Dan Pelosa from the US's Charity Defence Council talking about how we think about charities is all wrong. And he makes this really interesting point about the number of charities that have been able to grow over the past few decades as opposed to companies. And a lot of that comes down to being able to take risks. So, of course, arguably, the more that charities might be able to take risks, the more impactful and huge they could become. But we're not able to become that because we are kept within this tight risk framework. And I completely see your point about what happens to the people when charities do fail after that risk. But at the same time, I think, wouldn't it be amazing if charities weren't shackled in the way they are, and we could actually be much more transformative than we're enabled to be at the moment.

One of the common myths I see about charities is that charities are inefficient. It's probably one of my biggest bugbears. So I know there are inefficiencies in charities. Obviously, I work in organisational effectiveness and I work in change and transition and crisis. But I see a lot of the inefficiencies that I come across are stemming from a lack of funding and from those general negative attitudes towards spending on infrastructure. So they're things like out of date databases or financial management software that is just not suited for the organisation because the better one is more expensive. And this is really largely because it's really hard to get funding for that, even though, as we've said, not spending on them is a false economy if you want or if you're funding to have impact. Where do you think this perception came from that charities are inefficient?

Russ: So I totally agree that charities are, for the most part, actually very efficient indeed. The broader question about charities being inefficient, I think it's very easy to basically look at very large charities where salaries are extremely high, where staff numbers are extremely high and almost to read into those kind of blunt numbers, the assumption that therefore the charities aren't doing as much or as well as they should. There's really no sensible measure of that that anyone's ever come up with. And so I think it's a huge leap to say this charity isn't very efficient. But it comes, I think, from how famous those sort of top hundred biggest charities, the sort of the 20 million plus size organisations. They're just bigger than most people think charities are.

Felicia: I'm going to pick you up, though, on the on the overpaid, because this is one of the myths. If you look at what charity CEOs and charity staff are paid, it just doesn't stand up to these arguments. I mean, the people at the top of the sector are managing very complex, often international organisations that are incredibly difficult to run and their comparison in the private sector would be on many times what they're on. I think I saw it was on average across the sector. It's about 30% less that people get paid.

But I remember seeing recently, a piece on BBC where they were talking about the British Gases CEO's salary for last year, which was 4.5 million, and I thought I'd wonder what the Oxfam CEO gets paid. So I looked it up on their website and it's 125,000. And yet you will have people saying 125,000 is outrageous, yet Oxfam is a huge, complex, difficult organisation to run. And I would say 125,000 sounds very cheap for somebody to run that level. So this thing, I don't think they're overpaid at all. I don't know why people have that perception when companies get paid so much more.

Russ: Yeah, I know. And I should say my reference to overpaid was to sort of the perception that these big organisations have lots of people who are overpaid in them. I generally agree with your thesis. And in fact, I'd go a little bit further. What surprises me is that we don't see charity bosses coming out and making that argument direct down the TV lens and say, here are the decisions I

made today. Yes, I get paid £100,000 a year, what of it? This is what's required of me, and I'm proud of that and that's why I get paid.

Felicia: Charity bosses don't get to be asked on BBC News to do that because it's not interesting, is it? People don't want to see that side of the charity. They want to see the nasty stories.

Russ: Not necessarily, if it was hooked to something else. Just, you know, I think if you're the head of a charity and you phoned up the BBC planning desk and said, I'd like to come on and talk about my salary, they would certainly say, well, we're not quite sure why. But if you were on the telly anyway, because there'd been a natural disaster somewhere and you had your five minutes, I think you could use that in part. You know, you'll do your pitch to donors. You explain why you need to get money in. You'll talk about your incredible staff and everything they're putting in. You could definitely have 10 seconds where you said, and you know what, Charity bosses get lambasted in this country for their salaries. But me and my staff get paid far less than our equivalents in the private sector. And I've just decided to send 10 of my colleagues into a war zone and I won't sleep tonight. That is incredibly powerful. And nobody ever says it.

And as reporters, that gives us a brilliant story because the Mail and the Telegraph, maybe even Politico, would pick up a version of that and run with it the next day. And maybe that would change the discourse a wee bit. So that's one thing I'd love to see charities do more and do better.

Felicia: I'd love to see them have the opportunity to. I mean, I used to be the CEO at the Fawcett Society. I was interim there for a year. So lots and lots of media. I wouldn't have had a single opportunity to do that because I was commenting on what was going on, we were commenting on gender equality issues, me going, hey, by the way, this is what I've had to do today, and I only get paid this much. It would have been really weird. And I don't think I would have been invited back. Do you think that journalists working on these charity stories understand that when these negative stories hit, they're actually translating into people being less likely to give money and therefore charities having to cut services?

Russ: Oh, I'm going to give an absolutely brutal answer. I think they don't care. And up to a point. I think they're right not to care, I'm afraid.

Felicia: I think that there's a difference between justifiable, legitimate charity investigations such as the Captain Tom Foundation, for example, that do need to be raised. And the thing that happened with Oxfam a few years ago, these are really serious things that should be in the public domain. And I would say what is the vast majority of the kind of media coverage I see of the charity sector, which is misunderstanding things like charity accounting.

So I saw one, I think it was Daniel Boffi at The Guardian a few months ago did one where he looked into Barnardo's and he called it an investigation. And he basically completely misunderstood how a trading subsidiary worked. And for someone in the sector, you look and he's like, well, this is completely misleading and wrong. But what does it do? People read it and they think, oh, I'm not going to give money to Barnardo's now because they're doing this. And that kind of perception it's really hard to shift. It's very difficult for a charity to respond to that. And I think that that's where I think journalists need to have some responsibility for he did something damaging that was actually based on, I think, a false understanding of the charity accountancy process and how that works. But it had an impact. So I think you've got to divide between what I think is the majority of these negative stories about overheads and the ones where, yes, there's honestly wrongdoing going on that has to be uncovered.

Russ: I didn't see that story in particular. But nothing is more frustrating to specialist charity reporters than poor quality reporting elsewhere, not least because we think there are bigger, better stories hidden away in those accounts that are exposing wrongdoing. And so focusing on something that is about subsidiaries or just sort of the number of zeros after someone's name in the pay section. Actually, I never thought that was where the really important stories were.

Felicia: It was really interesting talking with Russ. He well defended his profession. But I think despite all his charity finance training, he still has that dichotomy of overheads versus frontline expenditure that I think is something we need journalists to abandon entirely. It did make me think, though, we need to push back on these mistakes because, as he highlights, journalists see themselves like crusaders for the truth and they don't care about the otherwise negative impacts they're having.

So I'm thinking the sector should produce something like a simple journalist focused code of charity reporting, which sets out standards and expectations and some of the common errors that responsible journalists will strive to avoid. I think that could be really powerful and easier to point to when someone doesn't bother to understand the finances. Maybe that would help journalists really strive to be at that higher level of reporting and understanding of the sector.

In my final conversation, I wanted to get behind why it is that the public is so quick to judge charities on the basis of these stories. Why do these stories sell? So I spoke with Dr Sharon Cohen, an associate professor in media psychology at the University of Salford and author of the book *Psychology of Journalism*. This is Sharon.

Felicia: So I came into this podcast with one main question, and that was, why does the media tend to portray charities so negatively? Do you have any thoughts on that?

Sharon: Well, yes, there is actually a lot of work in that area in what is called negativity bias. This is something that has been explored extensively by a lot of media and communication scholars, one of whom actually wrote a chapter for my book. And what the research tends to suggest is that we seem to have as human beings a sort of bias in seeking and detecting, paying more attention to negative information than we do to positive information. And that has obviously an impact in what sort of stories do journalists choose to cover. We know that we have this famous saying in journalism, "if it bleeds, it leads". That is the idea that so long as it's a negative, dangerous story, then we're going to pay more attention to it.

There is a famous experiment in psychology, it's very old, but I think it's interesting, it's called the Illusory Correlation experiment. So, say that I have two groups of people and I ask people to read cards that talk about members of a particular group and behaviours, positive and negative behaviours committed by members of that group, one group is twice the size of the other group. And they have exactly the same proportion of positive and negative information. So there is, say, a 60% of good members that behave properly and a 40% of people who are a bit naughty in each group. Now, people will tend to overestimate the amount of negative behaviour in the group that is smaller, because that is the combination of two rare events.

So it's called an illusory correlation because it doesn't exist that relationship. It applies to crime news, where people tend to overestimate the number of crimes and criminals, especially if these are minority members, because it's rare plus rare. Now, think of the charities. Again, charities are rare compared to the overall business landscape. And it's even more rare within that context for things to go wrong and for people to do the wrong things. Therefore, you might expect people to overestimate that.

Felicia: That's really interesting. I have this theory, and I just want to test it out with you. So people who don't support charities, who don't volunteer, who aren't using charitable services, so those who aren't participating at all in the voluntary sector, they seem to be the ones who really cling on to these negative stories. And I have a theory that it's because they otherwise would feel guilty at the lack of generosity that they're demonstrating. Do you think that's too much of a leap?

Sharon: I don't know. What I know is that, for example, if you look at the literature on contact and prejudice, you will find that people who have the highest level of prejudice tend to be the people that have no contact with the minority they're prejudiced against. What is even more interesting is that there is research in psychology that talks about the positive effects of contact even when you don't have direct contact with that person.

So going back to media and journalism, if we had a more positive coverage, it could be that people will challenge those negative voices because of the indirect contact or imagined contact with members of the other communities that they are not aware of.

Felicia: Do you think there's any element of charities being seen as virtue signalling, especially when they do grow beyond those small grassroots charities?

Sharon: There is a famous theory that I love in psychology and it's called the Moral Disengagement Theory. And it says that when we're morally called to behave in a particular way because it's the right things to do, and we, for whatever reason, are not invested in that particular behaviour, we don't want to do it, then we are likely to find ways and reasons to justify our lack of engagement.

Felicia: One of the things that I've been talking about is about how the charity finances can be misrepresented by the media. And I think there's this false dichotomy, perpetuated by our own regulator, sadly, between real charity spending on services and fake charity spending on overheads. Yet we don't see that same kind of distinction made for private services. So if I need a lawyer and I work on to a law firm, I don't criticise the fancy offices or the flower decorations or the expensive coffee. I'm happy for those unnecessary items that have nothing to do with the quality of the advice I'm being given to come out of my fees. In fact, I might judge a law firm negatively if it is in a shabby office and I'm offered some Nescafe.

Sharon: I think it's a sort of a journalist trope, to be honest. It's something that journalists are very good at, is trying to find the angle that they can use to show a hypocritical thing, because it's very appealing to the audience, like that gotcha.

Felicia: What do you think charities can do to get their cause better out there and, I guess, hook into this desire for negativity?

Sharon: I truly believe that in some cases, the only way to attract media attention is to disrupt the system. And again, it has to do with the novelty element of news. For charities, one potential way of doing it is to also have actions that are impactful that make their cause visible and clear to as many people as possible. But I think there is a lot in trying to tell good stories and try to show the success that charities have, their ability to really make a difference in lives and how these stories can actually help bringing the public with you, helping people understand what these institutions can do and how they're able to really support people and their families in whatever situation they are in.

And animals as well. I'm not saying only people, animals, trees, all these wonderful stories about the community, the sense of solidarity, all those positive outcomes. I think charities should scream about it. It would be amazing to have entire channels that are in part, and we hear it, there are events that connect directly the users or the people who are part of the charity, their stories, and get them out there as much as possible, because that's going to help draw in everybody else.

Felicia: Yeah. Because you see, when you're looking at your standard online newspaper, any mention of a charity story, if you look in the comments, there's these kind of, oh, but all the money's wasted, and I'm going to do this with my money instead. It's a really difficult perception to get over. But I know, I don't know if you come across the Happy newspaper, they have a whole kind of double spread on these happy news. And it's really inspiring. And I work in the sector. So I meet these stories all the time. And I'm constantly inspired by the people and stories. But still when I pick up the Happy newspaper, I'm like, oh, I love this page. It's just. I guess I find it hard to understand why in the world that we live in, which is so depressing on so many levels, climate change being a massive part of that, people aren't more desperate for some good news. And I think that's what the charity sector has so much of if you just dig a little down. But it does seem like the traditional mainstream media is just not hugely open to that at this point.

Sharon: Well, I have some good news for you. Because it's true that there is a negativity bias, it's true that overall, like there was a study with 17 different countries across six continents, where they showed that people paid more attention across the board to negative on average, but, and in the but there is the hope. What they found also is that although the overall average of nation was in more interest towards negative than positive, in many countries, it was not significantly different from zero. And the individual variation was actually broader. So that means in terms of layman language, it means that yes, it might be that overall. If you're looking at big numbers, it seems like we're more into negatives, etcetera. We as people vary a lot more. But there are also a lot of people who turn away from negative news.

Think about COVID. What happened? People got fed up with negative news. If news started covering positive, as well as negative, they will find a public for it. Like in every nation, there is a significant proportion of people who are actually more interested and more biased towards positive news than they are to negative. So there is that market.

Chris: So there we are. That's the end of the podcast. I know I've learned a lot. But Felicia, has your view changed when you started out on this process of that myth?

Felicia: I think it was really interesting to hear the psychological theories at work behind this attraction to negative news and why people are so wrong about charities. And it's that contact question about the more contact you have with something, the more you understand it. I thought that was really interesting. But I think what it also did is really confirm that we do have a problem here, that there is something going wrong with how news about the sector is reported, and that we as a sector need to speak up more.

I thought Pesh's point about the fact that those of us who aren't employed within the sector, but are working across it, such as consultants and academics and accountants, should all be speaking up. We all need to use our voices more effectively to say this is not helpful, this is not right, it's not correct, and try and change how things are done. So I thought that was really interesting.

Chris: And I think it was a question that you covered in the podcast, but to what degree do you think the sector isn't helping itself?

Felicia: I think the sector really struggles to help itself because of the lack of funding. I mean, one of the things that we were talking about was about the importance of demonstrating impact and showing the change that you're making as a charity. But of course, these monitoring and evaluation frameworks are in themselves funded by so-called overheads. So a sector that's not set up in a way that's actually prioritising what it's there for is going to have trouble with that. And working with journalists and doing media, that all costs money that is not part of the direct charitable expenditure. So I think we're constrained in helping ourselves, but I definitely think we need to do more of it. We need to speak up. And I think that's why those of us, again, outside it slightly, maybe have slightly more power to do that.

Chris: Sounds like somebody needs to fight on their behalf, which hopefully this is a part of that. So I guess to wrap things up then, the hardest question of all, have you got a kind of top tip or most important thing that you think could change what charities need to do to really kind of tackle this myth?

Felicia: I've got three takeaways, really. I think the first thing all charities have to stop doing is telling their donors how much money is going on the cause versus overheads. That behaviour has got to stop. And as much as they can, communicate impact better. That's what we're here for. We're here for impact. We're a 'For Impact' sector. Secondly, as much as we can to engage with journalists. So calling out that bad reporting, following in Pesh's footsteps and saying, this is not good reporting, this is not good financial accounting, potentially working on this idea of a journalist code of conduct, but also working actively with journalists to help them avoid these silly or uninformed mistakes as much as possible within the constraints that we have. And finally, as inspired by Sharon is to be disruptive, but also try to seek out these journalists who understand that there is a market for the positive and wonderful things that we do here in the 'For Impact' sector.

Chris: Fantastic. Well, I hope this podcast will cause some ripples at least. And I guess we hope everyone's enjoyed it. We want everyone to let us know how much you've enjoyed it so we can do more of it, and also, what you want Felicia to be digging into in the future. So, yeah. Thanks, everyone, for listening.

Felicia: Thanks. And thanks to Benefact for supporting the podcast. Hugely appreciated.