

**PHILANTHROPY
AUSTRALIA**

A Strategy to Double Giving by 2030

**PHILANTHROPY AUSTRALIA'S DRAFT
SUBMISSION TO THE PRODUCTIVITY
COMMISSION – EXECUTIVE SUMMARY**

3/03/2023

**Work-in-progress draft to engage
Philanthropy Australia members and key
stakeholders.**

philanthropy.org.au

EXECUTIVE SUMMARY

Why a More Generous and Giving Australia Matters

The Challenge

Australia's giving compares unfavourably with our counterparts - 0.81 per cent of GDP, compared with 1.84 per cent in New Zealand and 2.1 per cent in the United States. Reaching the NZ proportion of giving would lift annual giving in Australia from \$13.1 billion to \$30 billion per annum. Only 29 per cent of the population give and receive tax concessions (2019), down from 38 per cent in 2011.

The Opportunity

Despite being behind international counterparts, Australia is well positioned to create a more generous culture and double giving by 2030.

- We have unprecedented wealth. Over the two decades to 2040, \$2.6 trillion will pass to the next generation. If we could pass even just 5-10 per cent to charity, this would unleash \$130-260 billion, helping to catapult us to being among the leading philanthropic nations in the world.
- The Government has committed to work with the philanthropic, for-purpose and business sectors to develop a Strategy to double giving by 2030.
- We have high impact reforms available that can double giving to charity – see below.

The Result – Why a more generous and giving Australia?

1. Helping people in need and addressing our great challenges

Our charities big and small – like the Royal Flying Doctor Service, Smith Family, Fred Hollows and Foodbank - help millions of people in need every year across every area of social and environmental endeavour. Great philanthropy transforms societies. Where would we be without our great Australian charities?

2. Amplifying the impact of government and easing the fiscal squeeze

At a time of major fiscal constraint, giving can amplify the impact of government through:

- **Social innovation** – taking risks and innovating in ways government can't or won't that contribute to lasting institutions and transformative system change (such as the creation of headspace).
- **Capital for NFP-delivered government funded services** – In a suite of fields – like aged care, disability services and employment services, not-for-profits play a major role in service delivery (\$89 billion in revenue from government in 2020), often being more cost-effective or on-par with private providers. As government seeks expanded service provision, private providers have a strong advantage in being able to raise capital. Philanthropy can play a crucial role in levelling the field, enabling NFPs to gear up for new and expanded service delivery. In other fields, like universities (where leading universities are now raising in excess of \$1 billion through fundraising campaigns) and the arts (such as the creation of world class Southbank Arts precinct in Melbourne), philanthropy is radically expanding what can be achieved in areas government might otherwise have to fund.
- **Funds for impact investing** – Philanthropists are increasingly including impact investing as part of their portfolio, and this looks set to considerably expand if, as expected, the Federal Government establishes a more favourable policy architecture for impact investing in the 2023 Budget.
- **Meeting unmet need** – Government cannot solve every social challenge. Civil society, including community organisations who understand local needs and how to address them, can meet needs not addressed by government.

Across our history, huge opportunities for greater social impact have been missed due to a lack of collaboration between government and civil society. Governance reforms to facilitate engagement between government, philanthropy, charity and business could radically lift social impact through collaboration on joint initiatives, including social innovation aimed at system change, and co-investment in Flagship projects. See below.

3. A better society

Giving doesn't just deliver better outcomes for millions of people. It also leads to a more generous and giving culture, where we focus on serving each other, being active in the community, and working to ensure no one is left behind.

Andrew Leigh and Nick Terrell in *Reconnected* (2020) charted the decline in social capital in Australia in recent decades. We participate less in community groups, volunteering, sport, or politics. We have less friends, are less likely to know our neighbours, and almost half the population report being lonely each week. The connections and social capital that give us meaning, bind us to each other and ensure no one is left behind, have been in decline.

Australians are yearning for a return of a more generous and giving culture. We have the makings of more connected communities. *Reconnected* contains dozens of stories of people bucking the trend to build stronger communities. Redbridge research projects show that, coming out of the pandemic, people are keen to engage in local communities, and show care and compassion for others. Their focus groups confirm giving is core to Australians' sense of self and national identity.

"I think Australians have a very strong sense of fairness. What defines our culture is, we like battlers, we like little guys, and we like kids."

Research also confirms giving makes people happier and healthier, with a stronger sense of meaning and purpose. In sum, we enjoy supporting our fellow human beings in need.

4. Unleashing the power of community-led social change

The experience of COVID is driving seismic shifts in society beyond the pandemic. In particular, people are now spending much more of their lives in local communities. Research shows many people: now have hybrid working arrangements, working half their week or more at home; are setting up home offices; spend more time in their backyards; shop more locally; and value their local community more – 53 per cent say they value a strong local community more than they did three years ago, while just 5 per cent say they value it less.¹ With people keen to get involved locally, a particular opportunity is to grow local giving and volunteering, and in particular, expand the national network of Community Foundations, so we can expand national giving, community participation, social capital and support for Australians in greatest need.

5. A better sharing of wealth and opportunity

Australia is one of the wealthiest nations on earth and wealth at the top end is rising rapidly. Wealth among the Top 200 has increased from \$209 billion to \$555 billion between 2016 and 2022, or from an average of \$1.05 billion to \$2.77 billion.²

As a society, we need to make a clear choice: Do we wish to see all this wealth pass to future generations, maintaining wealth and privilege for those most fortunately placed, or do we wish to see some of this money used to support Australians in greatest need, so opportunity is more evenly shared in our country?

If, like those that sign The Giving Pledge, the most wealthy Australians committed to give away at least half their wealth, it would catapult Australia to among the leading philanthropic nations in the world and help ensure all Australians can lead lives of opportunity, freedom and contribution.

6. National Wellbeing and Productivity

For Australians most fortunately placed, marginal wealth and income is surplus to their needs, so transferring this wealth to help people in need, or to help address issues such as climate change or educational inequity, marks a significant improvement in national wellbeing. PC and Government focus on philanthropy and charities can also help spur productivity as the charity sector is a major part of the economy - 11 per cent of Australia's workforce.

¹ McCrindle, 'Australians returning to a local lifestyle – and what it means for business' -

<https://mccrindle.com.au/article/topic/demographics/australians-returning-to-a-local-lifestyle-and-what-it-means-for-businesses/>

²Rich List. Accessed May 2022: <https://www.afr.com/rich-list>

7. Improving public policy

Delivering reforms that would improve our nation's future is becoming harder. Politicians typically face a strong public response when proposing change. Powerful vested interests protect their own special arrangements over the broader, more diffuse public interest. Reform typically has many opponents and few friends.

Civil society – particularly philanthropic funders and charities – often plays a critical role in building public support that creates an environment in which politicians can feel comfortable pursuing reform.

- Charities, because they work at the coalface, play a crucial role in advocacy, alerting government to critical needs and ensuring policy is designed in ways that will meet the needs of end users.
- Philanthropic support for advocacy – because it can be independent of government – can produce bold and rigorous reform propositions. It can also be massively cost-effective, as relatively modest investments can drive major changes to significant government policies and funding. For instance, a \$100,000 grant from the Origin Foundation to the Grattan Institute to examine the impact of remote schooling on students from low-income families was a key catalyst behind almost \$600 million in investment in tutoring programs for affected children across Victoria, NSW and South Australia.

8. Strong Public Support for the Double Giving Agenda

Redbridge polling of more than 2,500 Australians in November 2022 shows overwhelming support for the double giving agenda, whether:

- General support – giving brings people together and strengthens our sense of community (74% agree, 7% disagree); or
- Support for specific reforms, such as super bequests (75/6), extending DGR to all charities not just some (74/6), the choice to donate as part of the tax return process (70/9), a National Giving Campaign (65/7), or changing tax laws to better incentivize giving (66/8).

The Strategy to Double Giving

Given the Government's commitment to developing a Strategy to Double Giving, the PC should provide advice on how elements of the strategy could be framed, with a clear policy framework, explicit goals and key drivers of increased giving, with specific reforms to propel each. PA's *Strategy on a Page* is provided overleaf.

A Strategy to Double Giving by 2030

The Strategy on a page

Goals

INCREASE OVERALL GIVING
Australia doubles its overall giving by 2030

INCREASE THE PROPORTION GIVING
Australia increases the proportion of the population giving from 29% (2019-20) to 40% by 2030

A CULTURE OF GIVING AMONG WEALTHY AUSTRALIANS
Giving is expected among all HNW Australians and all 'The Top 250' are giving substantially

Intermediate Outcomes

A policy environment that fosters giving

A generous and giving national culture

Strong foundations for giving

Reforms

1. Superannuation bequests
2. Extending DGR to all registered charities
3. A choice to donate at tax time
4. A strategy to drive the growth of Australia's Community Foundation network.
5. Enhancing the effectiveness of ancillary funds
6. Fix Fundraising
7. Late-in-Life and Legacy Giving

1. A National Giving Campaign
2. The philanthropic sector agenda
(eg encouraging high net worth individuals to give, and financial advisers to engage clients on giving)
3. The business agenda
(eg Pledging 1% of equity, time, products and/or profit, expanding workplace giving)
4. The charity sector agenda
(e.g. investing in human capital & evaluation, providing full and more certain funding)
5. Philanthropy in schools

1. A national strategy with clear goals and high impact reforms.
2. New governance arrangements to drive government-civil sector collaboration for a better society
3. A national giving and community participation data set
4. An action research agenda
5. Effective evaluation

Inputs

Bold, decisive action by each of: 1) Government; 2) Philanthropy; 3) Business; 4) The Charity Sector

1. A policy environment that fosters giving

The 2022 Global Philanthropy Environment Index shows Australia's environment for encouraging philanthropy ranks 19th in the world – at 4.27 out of 5 – below a group of advanced economies with scores in the 4.5-5.0 range, which are Belgium, Denmark, Finland, France, Germany, Liechtenstein, Netherlands, Norway, Singapore, Sweden, Switzerland and the United States. We can create the environment to double giving by:

1.1 Superannuation bequests: With super balances at death set to reach at least \$130 billion by 2059 (in 2018-19 dollars), giving Australians the choice through their super arrangements to leave some money to charity when they die (and abolishing the tax penalty for doing so) would unleash tens of billions for charity. This reform is by far the most powerful lever we have to lift giving. It is highly cost-effective as such giving does not attract a tax deduction.

1.2 DGR for all registered charities, not just half: As the PC recommended in 2010, all of Australia's charities (almost 60,000 organisations) should have DGR status (allowing the public to donate and get a tax deduction). All policy institutions freely admit the rules that permit one charity to get DGR status (e.g. direct poverty relief), but may disallow another (e.g. preventing poverty) were developed in an ad hoc manner with no clear policy rationale. The policy purpose of providing tax incentives to encourage giving is to support charitable activities that provide a positive public benefit. All charities do this, so all should be given DGR status, which would boost the funds they can attract for their important work. It would cut red tape for government and charities, and bring us in line with nations like the US, UK and New Zealand where giving is higher than in Australia.

1.3 An option to donate at tax time: Providing Australians with a choice to return some or all of their tax return to charity as part of the tax return process could embed in our culture a valued national custom, where every year we consider providing support for people in need, when we can afford to do so. With around \$30 billion being returned from income taxes each year, this prompt could provide billions in additional funds to charities.

1.4 A strategy to drive the growth of Australia's Community Foundation (CF) network: With people keen to get involved locally, a particular opportunity is to grow the national CF network, so that over time, the vast majority of Australians have a local foundation they can get involved with. This would have a powerful impact in expanding national giving, community participation, social capital and support for Australians in greatest need.

This would unlock new opportunities for government-charity-philanthropy collaboration to drive impact. Local MPs can work to ensure their electorates have CFs and then work with local communities to better understand and address local needs. Over time, a national CF network will become powerful national architecture, allowing government and local communities to work together to address challenges suited to local solutions.

1.5 Enhancing the Effectiveness of Ancillary Funds: Allowing funds to distribute to other ancillary funds would facilitate higher value giving, such as where a PAF wishes to give to a PuAF – such as a community, arts or hospital foundation - operating closer to the ground, and better able to target money for maximum impact. More scope to 'spread' their minimum distributions over 5 years would lift the impact of giving by creating more scope for larger, transformative projects. Providing certainty over the valuation of unlisted shares could unleash millions from Australia's rapidly expanding suite of new technology firms.

1.6 Fix Fundraising: Creating a single national fundraising regulation regime – to replace the seven different State and Territory sets of rules – would cut costly and time-consuming red tape and enable more funds to go where they are needed most – helping people in need. Now is the time to capitalise on recent momentum for reform, ending what has been government failure lasting decades that costs charity \$15 million a year - money which should be going to support people in need. The PC 2010 report recommended this reform.

1.7: Encouraging Later-in-Life and Legacy Giving: While \$2.6 trillion is set to be passed between generations over 20 years to 2040 – a huge opportunity – at present only around 7 per cent of Australians are leaving bequests in their wills. An incentive to make a 'living' bequest, as exists in leading countries that donate more of their national income to charity, could make a huge difference. We recommend the PC undertake: policy design work aimed at delivering maximum benefit:cost from establishing a Living Legacy Trust structure, drawing on previous work and advice from interested philanthropists; and consider alternative means to encourage later-in-life giving and bequests, when people are better positioned to give, but relatively few do.

2. A more generous and giving national culture

An improved policy environment can only succeed if we also create a more generous culture, where giving, particularly by those most fortunately placed, is a frequent practice and core to our national identity.

2.1 A National Giving Campaign. Sustained campaigns have shifted our national behaviour in fields including tobacco, sun protection, HIV and depression. A campaign to inspire Australians and give them simple, practical ways to give could unleash the generosity and ‘fair go’ ethos that is an essential part of the Australian identity. It could target markets with massive potential for growth, including UHNW/HNW Australians; financial advisers who advise on the allocation of trillions; the mass market (still responsible for half our individual giving) and volunteering (worth more than all other giving combined); and business (with pre-tax profits running at \$500 billion a year).

Changing culture and doubling giving can only succeed if the key actors in society change their behaviour. We cannot simply rely on government. We recommend the PC engage each of the philanthropy, business and charity sectors during the Inquiry to identify how each could contribute to doubling giving.

2.2 The Philanthropy Agenda. Philanthropy Australia is already working with its 800-plus membership and the broader philanthropy eco-system to implement its 10-year agenda, *A Blueprint to Grow Structured Giving*. Together, the sector can help drive initiatives, including: supporting professional advisers to engage with their clients about giving; supporting HNW philanthropists to engage their clients about giving; and devising a National Giving Campaign, and implementing components related to HNW giving and financial advisers.

2.3 The Business Agenda. Facilitated by business peak bodies, Australia’s almost 2.6 million employers and 14 million workers can contribute to a business double giving agenda, which could include: supporting the National Giving Campaign; signing on to Pledge 1% - giving 1% of equity, time, products and/or profit; enabling workplace giving by employees, with employers matching donations; and embedding more ‘win-win’ activity, undertaking philanthropy in ways that also further key business objectives.

2.4 The Charity Agenda. This agenda can be informed by both charities and reprising the PC’s 2010 report, *Contribution of the Not-for-Profit Sector*, which outlined a powerful agenda for reform, much of which is yet to be implemented. Measures that strengthen the community’s confidence that funds donated will be used well – such as robust evaluation and improving human capital (notably leadership, governance, business planning and fundraising skills) – are crucial to improving the willingness to give and to creating genuine impact. Government can create a better environment for charities by: reducing red tape, Fixing Fundraising, more partnership and less ‘command and control’, and fully funding service provision, with improved funding certainty through longer term contracts.

3. Strong foundations for giving

A key impediment to growing giving in Australia has been that crucial institutional arrangements and areas of policy architecture have not been established and sustained. We can help double giving and lift its impact via:

3.1 A national strategy with clear goals and high impact reforms, as detailed here.

3.2 New governance arrangements to drive government-civil sector collaboration for a better society: This submission proposes governance arrangements that would allow government, philanthropy, charities and business to develop shared agendas, unleashing a massive source of largely dormant capacity to drive radically stronger social and environmental outcomes, including through trialling social innovation aimed at sparking broader system change and co-investing in Flagship initiatives. As the Prime Minister has outlined:

“We must rediscover the spirit of consensus that former Labor prime minister Bob Hawke used to bring together governments, trade unions, businesses and civil society around their shared aims...”

Prime Minister Anthony Albanese in his speech to the AFR Business Summit, 2022

The type of governance arrangements envisaged would include a high-level leadership group focused on propelling the double giving agenda, and Ministers in each sector meeting regularly with funders to devise and implement a strong pipeline of collaborative projects in all key social and environmental portfolios.



3.3 A national giving and community participation data set. Australia’s data on giving is poor, incomplete and out of date. Numerous organisations compile components of the picture, but often with inconsistent methods. Good data would guide all parties on how we can double giving and help us to track our progress. We recommend the PC: develop a single, comprehensive National Giving and Community Participation Data Set, identifying the level of total giving in Australia and its key components; and recommend clear, streamlined institutional arrangements and responsibility for the ongoing collection and dissemination of data on philanthropy, including which organisation would lead the work.

3.4 An action research agenda. Doubling giving will require several dozen initiatives across the government, philanthropy, business and charity sectors, often in pioneering areas like encouraging HNW giving, encouraging financial advisers to engage clients on giving, establishing super bequests and providing a choice to donate at tax time. A fund of \$10 million over 6 years to 2030 could be allocated to guide effective implementation of these flagship initiatives.

3.5 Effective evaluation. Evaluation is critical to ensuring programs are well designed and deliver the intended impact. In turn, good impact data gives the public confidence to increase donations, knowing their money will be well used. The PC could usefully recommend reforms to improve evaluation, including: A Centre/Unit to build capacity and promote best practice in evaluation by both funders and charities, a voluntary framework to inform and promote effective and comparable evaluation; and government funding for evaluation for all major government service-delivery programs run by charities.



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