

COMMITTEE FOR MELBOURNE

February 2020

NOT-FOR-PROFIT TASKFORCE

**CHARITABLE
GIVING IN
AUSTRALIA**



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OVERVIEW

Charitable organisations play a vital role in our society. They help ensure that Australia's social fabric remains strong and are a significant contributor to our overall wellbeing. Often tasked with filling the gap with services not fully provided for by Governments, or the private sector, they tackle some of our country's great challenges, and advocate strongly for policy solutions.

The value of the charitable sector (the sector) is not limited to its social impact. It employs one in 10 Australians¹, and contributes 4.9% to Australia's GDP, including the work of volunteers.² With approximately 3.6 million volunteers nationally,³ the sector has an invaluable impact on our daily lives.

This document is intended to provide members with a snapshot of Australia's major societal challenges, as well as the size, scale, and make-up of the sector as it attempts to address these challenges. It will also highlight the key external trends and factors testing the long-term viability of many charitable organisations. It draws on a range of sources to help provide an overall picture of the sector in Australia.

The Committee has many wonderful charitable and not-for-profit members doing outstanding work for the community, and many corporate members that are generously supporting charitable causes. The Committee believes it is time to shine a light on all this good work and established a Not-for-Profit (NFP) Taskforce.

The Committee's NFP Taskforce is chaired by Scott Chapman (CEO, Royal Flying Doctor Service (Vic)) and made up of interested members including, Royal Flying Doctor Service, Hall & Wilcox, McKinsey & Co., Melbourne Prize Trust, Ardoch, National Australia Bank, Commonwealth Bank, Lord Mayor's Charitable Foundation, Victorian Planning Authority, JBWere, Commonwealth Bank, Deloitte and VicSuper.

This report does not intend to prescribe solutions to the challenges highlighted but will form the basis for the discussion by the Committee's NFP Taskforce, to help shine a light on some of the issues and guide the Committee's activities in 2020 and beyond.

¹ The Australian Community Trends Report: National Research Study 2017. McCrindle.
² The Cause Report (2016). JB Were.
³ McCrindle (2017).



SOCIETAL CHALLENGES

AUSTRALIA IS FACED WITH A PLETHORA OF SOCIAL CHALLENGES, MANY OF WHICH ARE SYSTEMIC AND OVERLAP. THESE CHALLENGES ARE FUELLING THE DEMAND FOR SERVICES OFFERED BY CHARITABLE

Although Australia is a highly developed country with an advanced economy, there are over 3 million people (13.2%) living below the poverty line* including 739,000 children (17.3%). This equates to one in eight adults and one in six children living in poverty⁴.

Closely aligned with poverty is inequality, with many Australians having been left behind despite 28 years of uninterrupted economic growth. Income inequality is fuelling this trend, with the uneven distribution of wealth a major concern. The highest 20% of Australians live in a house with five times as much income as the lowest 20%⁵, while a person in the top 20% wealth group has 70 times as much wealth as a person in the bottom 20%.⁶

Income inequality is not unique to Australia. However, we do have a higher level of income inequality than global OECD averages. Australia's Gini Coefficient (inequality measure) is 0.34, compared to the OECD average value of 0.32.⁷ This inequality continues to fall disproportionately on women, with the national gender "pay gap" remaining stuck between 15% and 18% for the past two decades.⁸

Many factors are driving the intertwined issues of poverty and inequality. For example,

the high cost of living in Australia is having the twin effect of increasing the demand for the services offered by charitable organisations, while simultaneously inhibiting the capacity of everyday Australians to donate to these same organisations.

Population growth has been a factor in driving up the demand for housing stock in Australia's major capitals. The proportion of Australia's homeless population concentrated in our major cities, compared to rural areas, has increased from 48% to 63% between 2001 and 2016.⁹ While a percentage of this increase can be attributed to the migration of some homeless individuals from the regions to the cities, the shortage of affordable private rental housing and higher medium rents have also been major contributing factors.¹⁰ While most Melburnians are not being forced onto the streets, rising rents and mortgage repayments, combined with increasing costs for essential services, are placing individuals, couples, and families under financial stress. For some individuals, the threat of insufficient income and ongoing debt can lead to feelings of loss of control, anxiety, and depression; fuelling greater demand for services offered by charitable organisations.

*Refer to ACOSS and UNSW Sydney report 'Poverty in Australia 2018' for information relating to what constitutes the poverty line in Australia.

⁴ Poverty in Australia 2018 (2018). ACOSS and UNSW Sydney.

⁵ Inequality in Australia 2018 (2018). ACOSS and UNSW Sydney.

⁶ ACOSS and UNSW Sydney. Inequality in Australia (2018).

⁷ ACOSS and UNSW Sydney. Inequality in Australia (2018).

⁸ Gender Equity Insights 2016: Inside Australia's Gender Pay Gap (2016).

⁹ Henriques-Gomes, L. (30 May, 2019). "Homelessness becoming concentrated in Sydney and Melbourne, study finds". The Guardian.

¹⁰ Ibid.



BY THE NUMBERS

With the demand for charitable services increasing, it is important to understand the size, scale, and make-up of the sector.

Type of organisations

Charities that register with the Australian Charities and Not-for-profits Commission (ACNC) must identify their charitable purpose.

The Charities Act 2013 lists 12 charitable purposes:¹¹

- advancing health
- advancing education
- advancing social or public welfare
- advancing religion
- advancing culture
- promoting reconciliation, mutual respect, and tolerance between groups of individuals that are in Australia
- promoting or protecting human rights
- advancing the security or safety of Australia or the Australian public
- preventing or relieving the suffering of animals
- advancing the natural environment
- promoting or opposing a change to any matter established by law, policy or practice in the Commonwealth, a state, a territory, or another country (where that change furthers or opposes one or more of the purposes above), and
- other similar purposes 'beneficial to the general public' (a general category).

¹¹ Australian Charities Report (2017). Australian Charities and Not-for-profits Commission (ACNC).



Of these categories, the top five charities by sector as a proportion of charities in 2017 were:

1. Religion	30.4%
2. Education and Research	19.7%
3. Social Services	10.9%
4. Health	8.8%
5. Development and Housing	8.5%

With the size and scale of social needs increasing, a major challenge for charitable organisations is to scale up their service delivery. While many organisations seek to address one social challenge, integrated responses to the challenges faced are becoming more important. For example, many people experiencing homelessness are also experiencing mental and substance dependency issues, and hence the need for a cross-disciplinary and integrated response. Even in the domain of affordable housing, the sector will struggle to provide adequate solutions without partnerships with the private and public sectors.

Industry size

The size of the charitable sector in Australia is significant. As outlined above, charities employ one in 10 Australians, and operate across a significant number of sectors.

- 57,500: approximate number of charities registered with the ACNC.¹²
- 1.26m: number of people the NFP and charitable sector employed in 2017: equal to approximately 10% of Australia’s workforce.¹³
- 3.6m: number of volunteers, nationally.¹⁴

• The top five categories by total revenue are:

1. Higher education	21%
2. Primary and Secondary Education	18%
3. Aged care activities	16%
4. Health services	9%
5. Social services	8% ¹⁵

Closer to home, the size of the charitable sector in Victoria is significant:

- 13,262: number of charities operating with a street address in Victoria (26.2% in Australia).¹⁶

- 15,759: number of charities operating in Victoria (31.1% in Australia).¹⁷

Giving size

Charities rely on donations, bequests, and grants to operate. Donations and bequests represent just 7% of the total income for the sector,¹⁸ despite approximately one-third of Australians claiming a donation on their income tax return.¹⁹ Most revenue raised comes via other means, including selling products, user pays services, member fees, and grants, whether from a government, corporation, foundation, or trust.

Across Australia:

- \$10.5b: in donations and bequests.²⁰
- \$146.1b: total revenue for the sector in 2017, up from \$142.8b recorded in 2016.²¹
- \$2.9b: total amount donated and claimed by individual taxpayers (down 7.2%).²²

12 ACNC (2017).
 13 Ibid.
 14 McCrindle (2017).
 15 ACNC (2016).
 16 ACNC (2016).
 17 Ibid.
 18 Ibid.
 19 QUT Working Paper No. ACPNS 71 (June 2018).
 20 ACNC (2016).
 21 ACNC (2017).
 22 QUT Working Paper No. ACPNS 71 (June 2018).



- 33.40%: percentage of Australian taxpaying population (4.51m people) that made and claimed a tax-deductible donation in 2015-16 (down from 34.58% or 4.57m in 2014-15).²³

In Victoria:

- 2.9%: amount by which charitable giving grew by in 12 months (Feb. 2017-2018).²⁴
- 18%: rate of donations growth for cancer (fastest).²⁵
- -16.9%: rate of donations growth for medical research (slowest).²⁶
- \$342: Average donation per donor in the year (Feb. 2017-2018, up from \$340).²⁷
- Fitzroy North: the most charitable suburb in Victoria for dollar giving (\$303) and equal most charitable in Australia. It was the most charitable by income (0.41) in both Victoria and Australia.²⁸

Large philanthropic giving:

Below is a table listing the top 10 Australian individuals, families, and private foundations, by total amount given to charitable causes in 2017-2018.

RANK	NAME	VALUE(\$M)	CAUSE
1	Paul Ramsay Foundation	85.8	Health, mainly chronic disease. Education, mainly early childhood and strengthening sector capacity.
2	Minderoo Foundation	60.4	Community, cancer, oceans, Indigenous disparity, higher ed research, early childhood, slavery.
3	Ian Potter Foundation	25.8	Arts, community wellbeing, education, environment, health and disability, medical research, and science.
4	Lowy Foundation	22	Sydney Modern at the AGNSW, medical research and the Lowy Institute for international policy.
5	Graham and Louise Tuckwell	20	Part of \$100m for two halls of residence at Australian National University, Tuckwell Scholarship Program.
6	Ainsworth family	19	Sydney Modern at the AGNSW, health and medical research including at Western Sydney University.
7	Kinghorn Foundation	17.9	Medical research, poverty, and Australian youth.
8	Susan and Isaac Wakil Foundation	17.2	Sydney Modern at the Art Gallery of NSW, nursing, and health at University of Sydney.
9	Gandel Philanthropy	16.7	Arts, education, health and medical research, youth at risk, Jewish identity, Indigenous programs, poverty

Source: JBWere. (May 2019). Australia's Biggest Givers (2017-2018).

²³ QUT Working Paper No. ACPNS 71 (June 2018).

²⁴ NAB Charitable Giving Index: Insights into the Donating Behaviours of Australians (2018).

²⁵ Ibid.

²⁶ Ibid.

²⁷ Ibid.

²⁸ Ibid.



To make it into the top 50 in 2017 (2015-2016 financial year), philanthropists needed to have donated at least \$3 million. In 2019 (2017-2018 financial year), they would have had to have given at least \$3.6 million;²⁹ signifying the growth of large philanthropic giving.

Size of charities

Most of the charitable sector is comprised of small charities (measured by revenue), which are the ones competing for a shrinking pool of available donations.

With over 57,500 charities registered with the ACNC, approximately two-thirds are small organisations operating in one state, and with an annual revenue of less than \$250,000.³⁰ Of the small charities, 36.3% are extra-small charities (\$50,000 or less).³¹

Smaller charities are much more likely to rely on donations and bequests for their income, while larger charities are more reliant on grant funding, as well as other sources.³² Furthermore, larger charities are more likely to have deductible gift recipient (DGR) status, which allows donors to make a tax deduction.³³

The value of name recognition in the charitable sector is very high. The largest 10% of organisations receive 94% of donations, with the remaining 6% of donations being

contested by 90% of charitable organisations.

³⁴

Size	Revenue	Percentage of sector
Small	\$250k or less	67%
Medium	\$250k - 1m	16%
Large	\$1m + in revenue	17% ³⁵

Greater Melbourne

There is limited data relating to the size, scale, and make-up of charitable organisations operating within Greater Melbourne.

However, where charities provided a postcode for their business address (including PO Boxes), 68.9% indicated that they were located within major cities in Australia.³⁶

Therefore, we can assume that just over two-thirds of sector organisations which have their headquarters in Victoria are likely to be based in Greater Melbourne.

With 13,262 charities registered as having a street address in Victoria, one could therefore conclude that there are over 9,000 charities located in Greater Melbourne.

²⁹ JBWere. (May 2019). Australia's Biggest Givers (2017-2018).

³⁰ ACNC (2017).

³¹ Ibid.

³² The Conversation (14 March, 2017). Infographic: a snapshot of charities and giving in Australia.

³³ Ibid.

³⁴ McLeod, J. (June, 2018). The Support Report. JBWere.

³⁵ ACNC (2017).

³⁶ ACNC (2017).



SUMMARY OF SECTOR CHALLENGES

Despite the sizable contribution the charitable sector plays in Australian society, as well as the rise in demand for their services, the capacity of charitable organisations to deliver their core services is becoming increasingly difficult. This is despite millions of generous, individual Australians, as well as private organisations, donating money (often anonymously), and volunteering time, to various causes.

Raising funds is one of the preeminent challenges for charitable organisations, with many indicators highlighting that giving in Australia is shrinking. Since 2010, household wealth in Australia has been stagnant, and income growth weak.³⁷ With less disposable income, the amount of giving by everyday Australians has decreased. The number of Australians claiming a donation to the Australian Tax Office fell by 60,000 at the end of the 2016 financial year, falling to 4.51 million people, from 4.57 million people the previous year.³⁸

Part of this problem lies in gender inequality which remains persistently high in Australia. Generally, women are considered more generous than men in terms of giving, volunteering, and involving themselves in workplace giving initiatives.³⁹ Furthermore, on average, women give a higher proportion of their salaries to sector organisations than men,⁴⁰ despite earning 15% less on average.⁴¹ Greater gender equality, particularly in the workplace, is in the sector's interest.

The rise in large-scale philanthropic giving has partially offset this decline in giving from everyday Australians. Private Ancillary Funds (PAFs) have grown in prominence, with the number in Australia almost quadrupling in six years. PAFs now distribute approximately \$457 million per year to Australian charities.⁴² Engaging the PAF market is a strategic imperative for the charitable sector.

Given the relative decline in giving by everyday Australians, the rise of the PAF market is a welcome sign. However, there are some challenges in this evolving environment which the charitable sector must address. They include the need to develop an understanding of the PAF market, such as identification and access, as well as the need to build and retain positive and lasting relationships with PAF founders whilst ensuring that an overreliance on a limited pool does not create a risk exposure.

Compassion fatigue, or a desensitisation to appeals for donations remains a prominent threat. Charitable organisations must continuously inform themselves of the triggers which inspire people to give, and to implement evidence-based methods that encourage people to give more.

³⁷ Household, Income and Labour Dynamics in Australia (HILDA) Survey 2016/2018.

³⁸ QUT (June 2018).

³⁹ Giving Australia 2016: Individual giving and volunteering (September 2017).

⁴⁰ QUT (June 2018).

⁴¹ Workplace Gender Equality Agency: Australia's Gender Pay Gap Statistics (August 2018).

⁴² QUT (June 2018).



Another important factor is the declining level of trust in charitable organisations. In 2013, the level of trust in charities was relatively low at 37%. This dropped further in 2015 (30%), and further again in 2017 (24%).⁴³ In 2020, the Edelman Trust Barometer, a global survey conducted by Edelman Intelligence, found that trust in non-governmental organizations (NGOs) dropped from 56% to 54% from 2019-20.⁴⁴ The reasons behind this trend are varied, but likely includes the growing number and complexity of organisations in the market. While this decline in trust extends to other institutions throughout Australia, and around the world, it is something the sector should turn around to remain viable.

The ways in which people give are changing. New and disruptive technologies, including digital platforms, mean that people and organisations are engaging and communicating with the sector in different ways. The challenge for charitable organisations is multi-faceted in address this issue. Furthermore, any data collected by charities must be stored strictly in accordance with privacy laws.

There is now one charitable organisation for every 422 people in Australia.⁴⁵ With so many charities, the duplication of activities and services is arguably hampering the effectiveness and efficiency of the sector. The plethora of charitable organisations operating across multiple sectors is not only duplicating efforts, these organisations are competing for a share of an income stream, which is becoming smaller and more concentrated.

CASE STUDY

CHERISH THE CHILDREN FOUNDATION

Former Australian champion tennis player, and philanthropist, Pat Rafter, established the Cherish the Children Foundation in 1999. Its mission was to provide support for emotionally, mentally, and physically challenged children.

Despite the great work that the charity undertook, it was forced to close in 2011; unable to compete against established foundations being one of the contributing factors.

This story is reflective of the rise and fall of many charitable organisations. ACNC data indicates that 8,500 charities have been established, and more than 13,500 revoked, since 2012. This cycle appears inevitable as charities continue to compete head-on with each other.

Source: Margaret Faulkner and Cathy Nguyen, 'Celebrity charities just compete with all other charities - so why start one?', *The Conversation*, 31 January found at: <https://theconversation.com/celebrity-charities-just-compete-with-all-other-charities-so-why-start-one-70711>

⁴³ Public Trust and Confidence in Australian Charities Report 2017. ACNC.
⁴⁴ Edelman, Edelman Trust Barometer 2020, Global Report, p 38.
⁴⁵ JB Were (2016).



CONSIDERATIONS FOR THE FUTURE

In an environment where there are many challenges for charitable organisations to attract funding and revenue and to have a prominent voice in a crowded and changing market, the sector needs to consider a number of initiatives including greater collaboration across the sector and community, including private sector, academia and government.

For example, consolidated marketing efforts could be developed to educate the community about:

- the need for giving,
- the types of organisations that operate,
- the work of the sector, which could help build trust, and
- the different ways to give and the resulting impact (e.g. money, time, volunteering etc.)

In addition, educating the charitable sector about ways they can better connect with the community, with more sophisticated ways to reach varying demographics, might also improve levels of giving. For example, to stay relevant and connected with the communities those organisations serve may depend on digital marketing strategies, which may also need to be implemented to attract younger audiences raised in a digital environment. New and contemporary fundraising techniques, as well as reporting requirements, may need to be embraced by the sector.

Organisations in the sector, especially those providing similar services (e.g. addressing homelessness) should consider how they might consolidate operations or collaborate. In an environment of constrained resources, it is essential that grants, funding, and resources, are directed to organisations that provide the most effective services for the community.

These are some of the options for increasing and scaling up the level of giving in Australia. The myriad challenges facing charitable organisations means that they must evolve quickly to ensure they remain as effective as possible, maximise their impact, and are sustainable in the long-term.



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