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David heads Koda Capital's philanthropy & social capital team. His primary responsibility is providing strategic advice to charitable, non-profit, philanthropic and impact investors. Prior to joining the Koda team David held senior leadership positions at Perpetual, where he was head of philanthropy, and JBWere, where he was a managing director and head of philanthropic services. David is a member of the Centre for Social Impact's Advisory Council, Raise Foundation's Patron's Advisory Council and a director of three charities: the Sydney Community Foundation, the Foundation for National Parks & Wildlife and BoardConnect.

A SNAPSHOT OF AUSTRALIAN GIVING

Information, insight and observation for the benefit of donors and fundraisers

David Knowles

Introduction

This snapshot sits alongside a growing number of reports and research papers that shine a light on giving in Australia. Given the historic lack of insight and information on this topic, it is pleasing to now be able to draw on a number of sources, all of which help givers and receivers build a clearer picture of Australian philanthropy.

The existence of multiple data sources also allows Koda to take a slightly different approach to its own research effort this time around. Building on the work of dedicated researchers like the highly respected team at QUT's Centre for Philanthropy and Nonprofit Studies, we have reviewed the latest data and information produced by government, academic and private institutions across Australia. Rather than attempt to produce a dense or strictly academic summary, we have drawn out and pulled together some of the most up-to-date, interesting and important publicly available data on giving. We've then added our own insights and observations, based on direct experience with clients and the broader giving community.

This snapshot is intended to be interesting, surprising, insightful and easy to digest. To make it easier to read, sources are numbered

throughout the document and listed at the back. Bear in mind that many different sources have been used and this should be considered when evaluating, comparing and contrasting information. We hope this snapshot stimulates your own thinking.

"Philanthropy Australia welcomes Koda Capital's Snapshot of Australian Giving. We embrace all analysis and sharing of quality data and insight regarding giving and philanthropy in Australia: clarity and transparency around the role, scale and contribution of giving and philanthropy is essential to growing giving and community investment."

This Snapshot raises vital questions around the levels of participation in giving and the economics underpinning our critical charitable and social change institutions. It shows the progress and trends that are to be celebrated and encouraged, but also points out the areas that need more attention and work: a call to action for us all!"

- Sarah Davies, CEO, Philanthropy Australia



Overview

Overall, this snapshot paints a positive picture of philanthropy and a less rosy picture of giving in general.

In some respects, this report echoes what we foresaw in our 2015 and 2016 research. There are some clear positives this time around. Business giving levels are strong and larger businesses and corporations are becoming more thoughtful in their giving and volunteering. Private Ancillary Funds (PAFs), the giving vehicle of choice for wealthy Australians, have begun to show how they will turbo-boost Australian philanthropy. And the potential for a more giving Australia is evident, provided females move closer to wealth and pay parity.

At the same time, there are pockets of concern. Workplace giving, which should be a real success story, continues to disappoint. Religious charities are suffering, due to reputational damage and changes in the role religion plays in Australian society. And then there is the sobering fact that Australians spend five times more on alcohol than they claim in charitable donations.

Overall, powerful forces seem to be at work and these forces may result in major shifts taking place. For example, the concept of a charitable organisation may need to be reimagined, as governments look to pay for success, donors move away from hand-outs and charity leaders begin to reposition their organisations as sustainable social enterprises. Traditional fundraising charities and religious activity charities may face very real fund-

ing challenges in a country where growth in the giving population is not evident and new money comes from a smaller number of wealthier donors and funders who exert influence and expect a return on investment.

As we ponder how we expect charities to operate and what kind of models work in a financial sense, we may reflect on the fact that not only do many of our largest and best-resourced charities operate businesses and effectively run as sustainable social enterprises, but they do this without as much pressure to justify their expenditure on administration, fundraising, research and development.

Are we entering an era where giving increases and traditional charities struggle to attract support?

The quote

It may not be just the typical giver who is female either. Australian women can make a strong case to be called the most generous givers as well.

Giving by Australians

The simple act of donating money to traditional charities may have peaked

Key points

- The causes most favoured by Australian givers are religion, international, then health
- 33% of Australian taxpayers make a donation to charity and claim a deduction
- The total amount claimed has decreased 7.2% from \$3.1 billion to \$2.9 billion
- The number of claims made has also fallen, with 60,000 fewer Australians claiming a donation

Figure 1. Snapshot of Australian giving



- The average annual claim has fallen to \$633.72
- Household wealth in Australia has been stagnant and household income growth has been weak since 2010
- The police force is the occupation with the highest percentage of donors
- CEOs and managing directors give the most in dollar terms
- Australians with a taxable income over \$1 million who donate, claim 1.22% of their income, compared to a national average of .036%
- People in this group claim 79 times the average claimed by all taxpayers
- Yet 43% of people with a taxable income over \$1 million claim nothing
- The top 1% of income earners in Australia earn in a fortnight what the lowest 5% earn in a year

Figure 2. Top three reasons Australians give

The overall picture is not great. By several measures, giving is shrinking. The base of the Australian giving pyramid is getting smaller and all the action is at the top.

Perhaps we should stop knocking well-off Australians for not giving enough and focus more on encouraging those who don't give at all to share some of what they have. It is the 43% of high income earners that don't give at all who give wealthy Australians a bad name. Those that do give appear to be doing the heavy lifting. For example, the headline figure would be significantly lower if the amount claimed by wealthy Australians in relation to donations they make to PAFs was deducted from the total amount claimed by all Australians.

Not that tax-deductible donations tell the whole story. While the Australian Taxation Office (ATO) reports total claims of \$2.9 billion, Giving Australia, using a survey and a wider definition of gift, reports a total of \$11.2 billion. Even allowing for the wider definition and the difference between reporting to the ATO and completing a survey, there is a lot of giving outside that which is claimed back in deductions. This includes the growing pile of money being distributed to charities by PAFs - money that is not included in the \$2.9 billion figure. Indeed, as trust in charities declines and new giving avenues open up thanks to technology and the rise of social enterprise, tax-deductible giving (ex-money donated to PAFs) may decline, fundraising charities may find it harder to attract traditional donations and much giving may go unreported, as it increasingly takes place via technology platforms, social enterprises and skilled volunteering.

We consider that giving levels in Australia are increasingly determined by larger amounts donated by a small cohort of wealthy Australians and that this masks two important concerns: a failure to grow the proportion of Australians who give in a meaningful sense and a reduction in the level of support charities can expect from everyday Australians. Unless everyday Australians experience

a significant uplift in their income and wealth, influential giving may become a pastime of the well-off. If Australian charities do become more reliant on the largesse of wealthy Australians, we can expect the power imbalance between funders and doers to widen and charities can look forward to working with a smaller group of donors, with more influence, higher expectations and more conditional support. In extremis, such reliance on a small group of powerful private donors may also lead some to question the democratic and equitable role of philanthropy in shaping Australian society.

The female giver

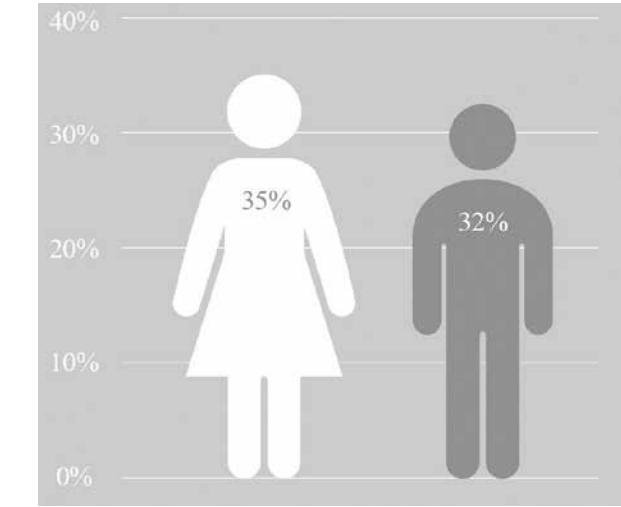
Women are more generous with their time and money than men

Key points

- Women are more likely to give, volunteer and take part in workplace giving than men
- Women also give a higher proportion of their income than men
- This is despite the fact women earn 15% less than men
- Male superannuation balances are also higher than female balances at every age group
- Female representation on NFP boards (40%) appears to be significantly higher than on ASX200 company boards (28%)

income between \$52,000 and \$64,999. She works full-time, is part of a couple and has dependent children living at home.

It may not be just the typical giver who is female either. Australian women can make a strong case to be called the most generous givers as well. While Australian males still give more in dollar terms than females, more women give and those that give more of what they have. As women are also likely to outlive their male partners, they also represent a more important source of vital bequest income. Women already play a pivotal role in philanthropy and they are set to increase their impact and influence as Australia moves closer to income and wealth parity.

Figure 3. Female vs male taxpayers claiming charitable donations

Business giving

Business giving is big business, but the days of cheque book charity are over

Key points

- Australian businesses give \$6.2 billion in donations, \$7.7 billion in community partnerships and a further \$3.6 billion in non-commercial sponsorships
- The education and research sector benefits most, receiving 22% of total business giving, followed by the culture and recreation sector at 19%
- The majority of dollars given by Australian businesses are given by large corporates even though large corporates make up just 0.2% of all Australian businesses
- The top 50 ASX listed companies contributed \$867 million to community causes in 2017
- \$333 million of this came from just two companies: Rio Tinto and BHP
- The top three trends in larger business giving are: increased engagement with social enterprises, greater focus on generation of social impact and investing in fewer, better resourced organisations

There are several parallels between business giving and individual giving. A small number of economically significant businesses have a meaningful impact on overall giving levels, not all economically significant businesses give and not everyone agrees on whether those that do give, give enough. What is less debatable is that Australian businesses, particularly corporations - our largest companies - are becoming more sophisticated and business-like with their giving. Many now put as much care and diligence into investing their community dollars as they do investing in their own operations.

Selecting a charity partner to support can still be a matter of the

heart (particularly if staff make decisions about who to support) but increasingly it involves a business decision. In short, corporates would rather support charities that align with their own brand and business aspirations. Charities can still ask for a hand-out, but they may be better off presenting a business case.

We can see this shift to a business-to-business approach not just in the numbers, but the trends. Larger businesses like working with social enterprises, well-resourced charities and charities that can measure and value their impact. While this clinical approach may sound disheartening to some, there is also reason to be optimistic, particularly as in recent years many larger businesses have begun to rethink their role in society and question the uber-capitalist view that businesses only exist to make a profit for shareholders. In a word, businesses are increasingly keen to (at least) talk about their deeper 'purpose'.

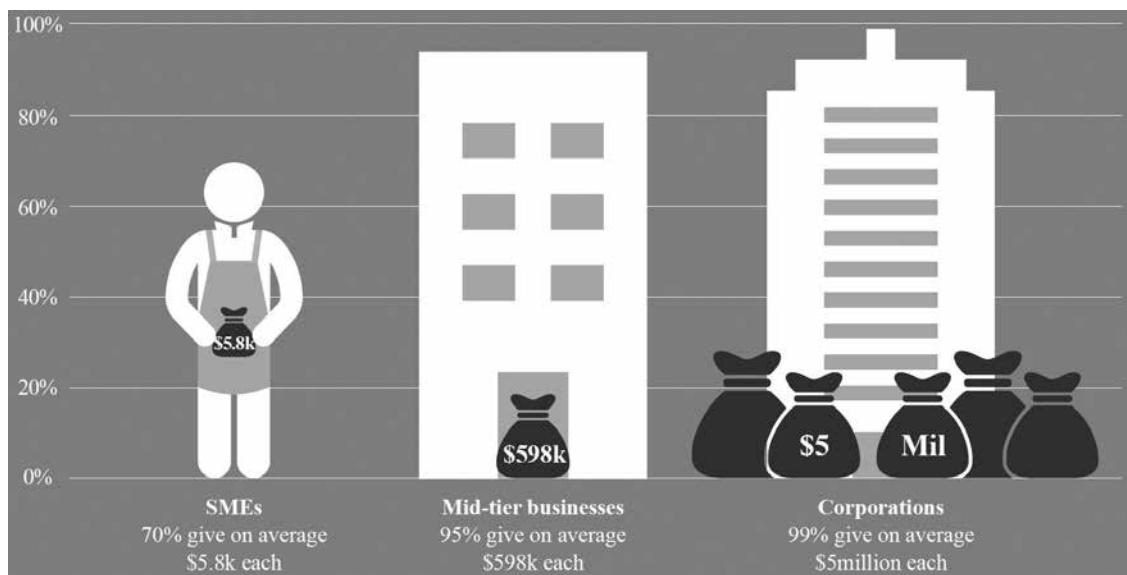
Workplace giving

It's time to ask why people don't take advantage of workplace giving schemes

Key points

- Employees are giving less via workplace giving and the average amount given is also falling
- The total given annually by employees across Australia is \$35 million, down from \$43 million
- The median annual donation by people using workplace giving is just \$75
- Only 4.7% of employees offered workplace giving take advantage of it - down from 4.9%
- Workplace giving remains an effective and efficient way for individuals to give

Figure 4. Average amount given annually by Australian businesses that give



Let's look at workplace giving, also known as payroll giving, from three different perspectives.

1. Firstly, the charity perspective. At Koda we see many charities targeting workplace giving as a strategic priority, because they believe it represents an effective way to increase their donation income and build relationships with businesses and individual employees. Sadly, while there are some exceptional success stories, particularly involving charities fortunate enough to enjoy good relationships with large corporates, these beliefs don't often translate to reality. It remains hard to convert workplace giving participation into meaningful relationships and the volume of money just isn't there yet.
2. Secondly, the business perspective. Businesses incur costs when they offer employees the ongoing opportunity to give to charity automatically through their payroll. This is good for charities and can make the company look good also. But this latter benefit comes at a price. Experience tells us that employees are often confused about whether workplace giving schemes are there for their sake or to make their employer look generous. They can also wonder about whether they want something that is essentially private and personal to be corporatized, run by and visible to, their employer. Do businesses give these reservations enough weight when promoting their own schemes?
3. Finally, the employee's perspective. As stated above, employees can be put off doing their giving through their employer, even when their employer sweetens the deal considerably by matching their donations. Despite all the advantages of this super-efficient and effective way of giving, the vast majority of employees are yet to be sold on it. To-date, most of the emphasis has been on selling employees the benefits. Given this has had limited results, perhaps it's time to stop focusing on the reasons why and ask them why not. There will almost certainly be a range of reasons which, if properly understood, can help overcome concerns, allay fears, address misconceptions, eliminate distrust...and get people giving.

Volunteering

Charities and NFPs remain heavily dependent on free labour

Key points

- The average Australian volunteer gives up 2.5 hours per week on average
- Primary and secondary education is the most popular cause people volunteer for
- Rates of volunteering are highest in the 45-54 year age group
- Clean Up Australia has the most volunteers (766,013) of any charity in Australia, with more than ten times the number of the next highest, Surf Life Saving NSW
- Australian charities have 2.9 million volunteers and 1.3 million employees
- Four out of five Australian charities employ volunteers and half employ no paid staff at all
- A volunteer donates almost twice as many dollars as a non-volunteer

According to the latest Giving Australia report, volunteering participation and hours have both increased over the past decade. Other reports vary in their assessment of Australia's commitment to volunteering. What makes a definitive assessment difficult is the way in which different agencies define, survey and measure volunteering. Some statistics measure only time spent with registered charities, others include any non-profit. On balance, we see no compelling evidence to suggest volunteering is in decline.

As we have noted elsewhere in this paper, charity costs are rising and employment costs are the biggest expense item. So, charities need to hope Australians don't lose their love of volunteering and they should probably also spend more time creating compelling opportunities for people to engage with them in a meaningful way. Direct experience and observation tells us younger adults are just as

Figure 5. Reasons why people use workplace giving schemes

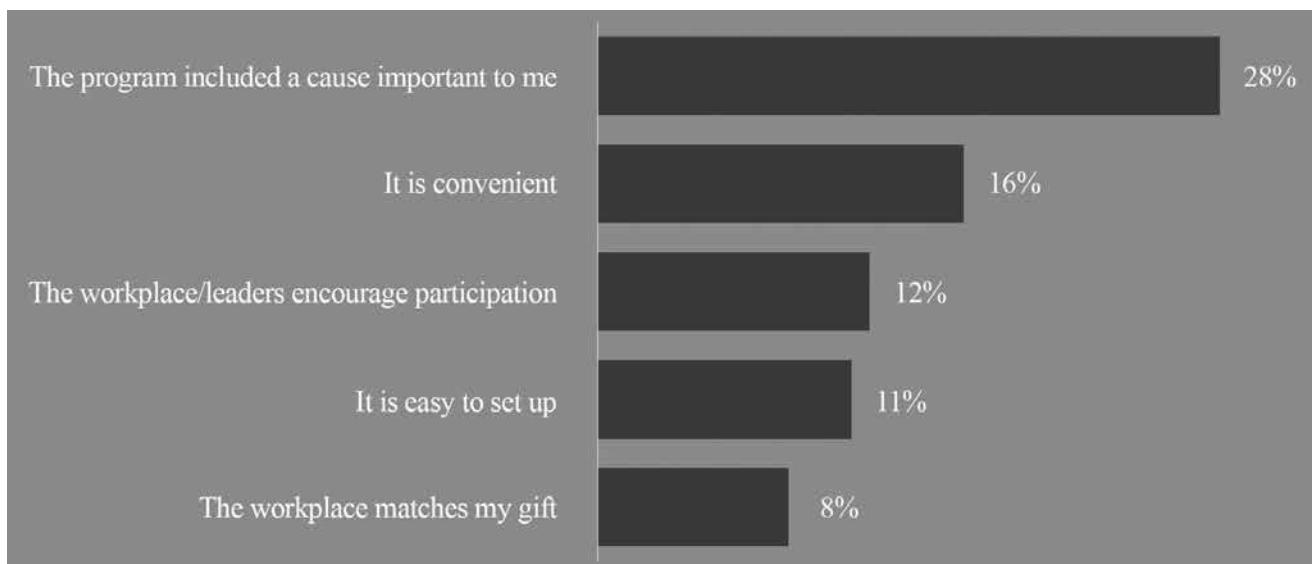
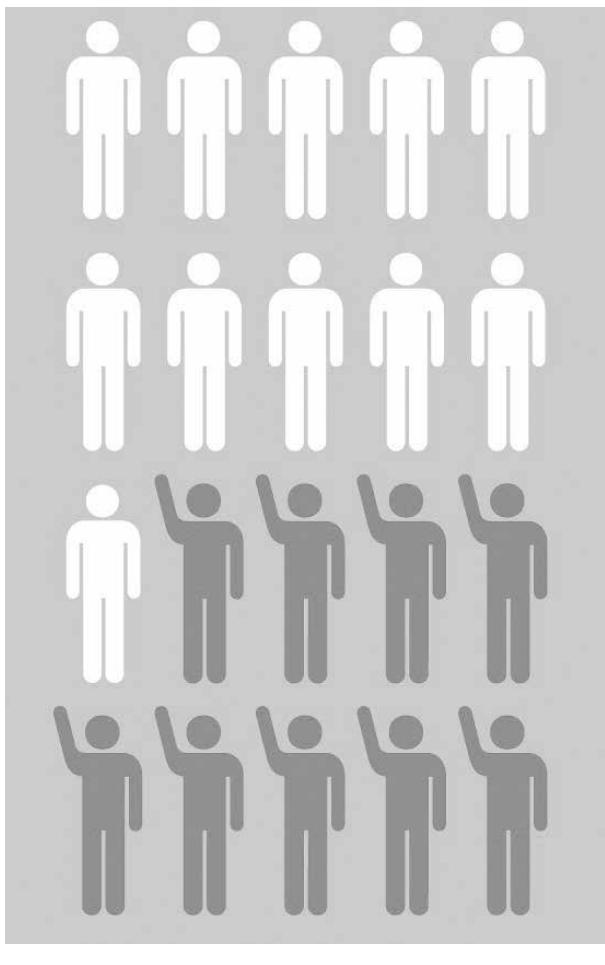
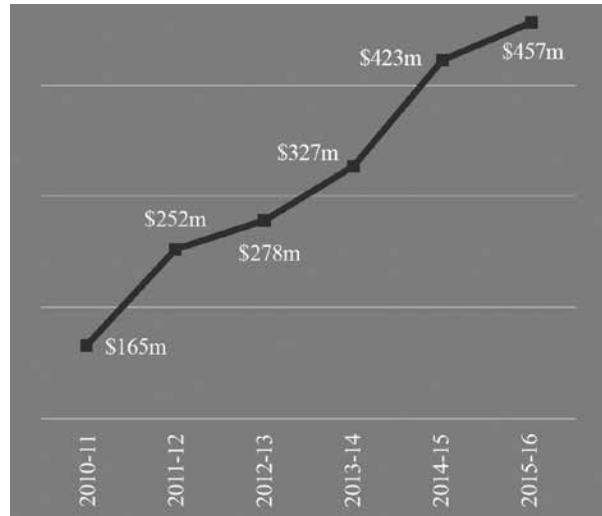


Figure 6. Australians who volunteered in 2016**Figure 7. Annual PAF distributions between 2010-11 and 2015-16**

keen, if not keener, as older Australians to get to get involved in causes that matter to them. As long as technology does not kill our ability to socialise, physical volunteering should be here to stay. Hopefully, Australia and the wider world will also benefit from the contribution of a technology-enabled generation of global volunteers, who, while not physically present, offer their skills and abilities to those in need.

Rise of the private ancillary fund

We are beginning to see how private ancillary funds (PAF) will become the engine of Australia's philanthropic growth

Key points

- There are 1,426 PAFs and the number is growing at 8%
- PAFs now distribute \$457 million per year to Australian charities
- PAF distributions have almost tripled in the space of six years
- The combined asset value of all PAFs is \$8.3 billion
- This number has almost quadrupled in the space of six years
- PAF growth concentrates philanthropic power and influence in the hands of wealthy Australians

The Paul Ramsay Foundation dwarfs every other PAF and will change Australia's giving landscape forever. Ramsay has the potential to quickly become a \$5 billion fund distributing well over \$100 million per year. To put that in perspective, Fred Hollows Foundation says \$100 million could restore sight to four million cataract sufferers and World Vision says it would provide sponsorship for over two million children a year. When we consider PAFs, we should remember there are PAFs and there is the Paul Ramsay Foundation.

Regardless of Ramsay, PAFs are on course to become a hugely significant part of the Australian philanthropy equation, yet they remain elusive and mysterious for most charities. PAFs are like the self-managed super fund of the philanthropy world, insofar as they offer people greater control. Because they offer control, they tend to attract people who are used to making their own decisions and people who like to direct their own affairs. What this means is that charities should understand that the PAF market is not really a market at all. PAFs are about people.

They are as independent and idiosyncratic as the people who run them. This, plus the fact that the 'P' in PAF stands for Private, means it is very difficult to 'access PAFs', which is what many fundraisers are trying to do. The truth is that connecting with more than a handful of PAFs is likely to remain very difficult for most. That is bad news for them, but also bad news for people with PAFs. Many PAF founders will continue to find only those charities that happen to come into their orbit, rather than the best charities, most closely aligned to their philanthropic beliefs and goals. Perhaps we'll see a better connection point established, maybe via a technology platform and/or through a representative group like Philanthropy Australia. With around 20,000 eligible charities and just 1,426 PAFs, it will not be easy to satisfy everyone though.

If fundraisers want to increase their appeal to PAFs they should make it clear they are set up to help them and work with them. They can make it clear online and in their communications that they have an offer specifically for PAFs. That way, at least PAFs will know when they come across a charity that the charity is thinking about them.

People with PAFs are looking for a good experience. Many PAFs were set up by accountants and lawyers, their founders left to their own devices. Many founders have been underwhelmed by their early experience of structured philanthropy. They want to enjoy their giving, they want to feel they are making a difference and they want to feel appreciated for more than their money.

The recipients

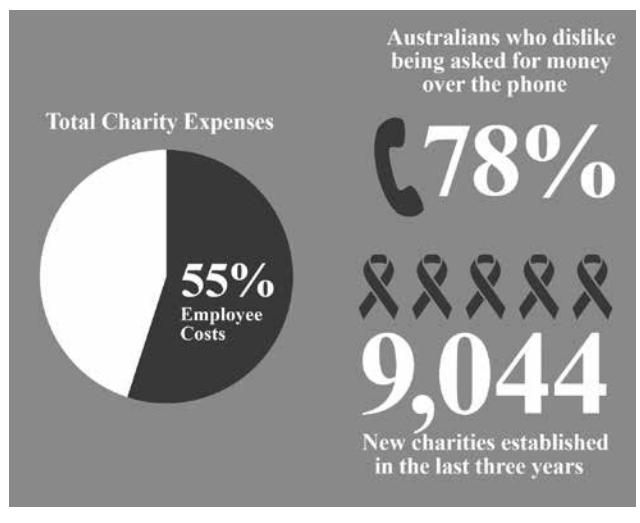
The traditional fundraising charity model is facing multiple threats

Key points

- 90% of charities share just 6% of all donation income; the other 94% goes to the top 10% of fundraising charities in Australia
- World Vision Australia (\$347 million), the leading recipient of donations and bequests, receives more than three times the support of the second-highest recipient, Salvation Army Eastern Territory (\$114 million)
- Charities collect \$143 billion of revenue and only 7% comes from donations and bequests
- Charities' expenditure has increased by approximately 11.6% since 2015; This is faster than revenue growth in the sector
- 11 of the top 20 revenue raising charities in Australia are universities; seven of the remaining nine are organisations with a strong religious affiliation
- The top five charities by number of employees are all either universities or aged care providers
- One in three charities in Australia report 'Advancing Religion' as their charitable purpose
- Religious organisations are losing 'market share'
- Planned givers give charities six times more money than unplanned givers
- Yet only one in five unplanned givers say they will consider becoming a regular donor
- Australians dislike being asked for money on the street, yet almost 20% still give when asked
- Australians dislike being asked for money over the phone, yet 24% still give when asked
- 48% of people give when asked by a friend via social media
- Nearly 60% of all money given to charity still comes in the form of cash or a cheque

According to the ACNC Public Trust and Confidence in Australian Charities 2017 report "There has been a steady decline in trust and confidence in Australian charities. Since 2013, levels of trust and confidence in charities have decreased 13 percentage points. The level of trust in charities was 37% in 2013, 30% in 2015 and, 24% in 2017. Those who outright distrust charities (14%) has increased significantly from the 2015 research (10%)". This does not reflect a wider reduction in institutional trust. According to the same report, "Contrasting the declining levels of trust in charities, in general trust has increased in doctors, the police, the High Court and the Australian Taxation Office". The future does not look bright when considering the report goes on to say "Older Australians (those aged 55+ years old) are more likely than their younger counterparts to have high levels of trust."

Figure 8. Charities' expenditure is outpacing revenue growth



The ACNC Public Trust and Confidence in Australian Charities 2017 report goes on to say something else of profound importance: "Australians disapprove of charities that pay sales people to raise funds and those that spend what they consider as too much on administration - this can result in distrust." This statement highlights a big disconnect. Half of all charity costs are employment costs, yet donors don't like charities spending money on salaries. Administration might underpin a charity's ability to have a positive impact on a community, yet donors don't like charities spending money on administration. An investment in fundraising generates vital income for charities, yet donors don't like charities spending money on fundraising. It seems clear that either donors will change their attitude to how charities generate impact or charities will have to change their funding and operating models. The latter seems more likely.

Much of what is classified as charitable giving already goes to charities that the general public probably doesn't consider in the traditional charity mould. For example the University of Queensland, Hillsong Church and the Rinehart Family Medical Foundation, all sit in the top 20 donation and bequest recipients in Australia. The list of the largest charities in Australia by revenue contains a number of organisations the general public may not recognise as traditional charities, for example Queensland Sugar Limited, University of Melbourne and Griffith University. The same list also contains a number of organisations that generate a considerable portion of their income from business operations, such as the University of Sydney, Goodstart Early Learning and Little Company of Mary Health Care Limited.

Nationally, just 7% of charity income comes from donations and bequests, but this statistic is somewhat misleading, because included in the number is the money earned by universities, aged care providers and other charitable entities that charge for their services and don't fit the typical charity operating model. While this reflects Australia's broad definition of 'charity', it may also point to a future in which organisations that serve the community and operate on a sustainable funding basis are more likely to succeed.

As Koda reported in 2015, self-earned income is already the main income source for charities in Australia. Again, this fact may paint a

slightly misleading picture, due to the difference between what constitutes a charity legally and in the eyes of the general public. However, it still reflects a broader shift away from asking for ‘hand-outs’ in order to fund charitable activities. Beneath the surface of this shift sit a large number of traditional fundraising charities struggling to make the transition to sustainability.

Internationally-focused charities receive a lot of their income from a large number of smaller donors. If, as we suspect, this part of the market is not growing, they may need to increase their appeal to high net worth Australians, trusts and foundations. Similarly, religious charities that list ‘religious activities’ as their main activity (as opposed to, say, health service delivery or aged care) seem to be suffering, not just as a result of reputational issues and societal shifts, but as a result of stagnation at the base of the Australian giving pyramid. All the action is at the top of the pyramid, which is not good news for religious organisations. While international and religious charities do very well in terms of overall donations, wealthy Australians are more inclined to support education, health, arts and culture. Compounding this issue for those charities that advance religion is the possibility that, while international organisations may find it relatively easy to repackage what they do in order to appeal to wealthy donors, charities limited to religious activities may be more constrained in what they can do.

Most fundraising charities have to examine which fundraising methods work best. The Giving Australia research on donor preferences presents them with something of a conundrum. Given donor views on street and phone-based fundraising, peer-to-peer and digital-based fundraising methods look attractive. Aside from the reality that charities will need to adopt contemporary fundraising techniques to reach younger generations raised in a digital environment, mobile/digital methods should also make giving easier and remove barriers to giving in certain situations. In a digital world, donors can always access their money and effectively always carry it with them. While the majority of donations still come via cash or cheque, both are destined to fade into history, making digital marketing strategy a key focus area for fundraisers.

Conclusion

Demographics, economics and social policy all play an important role in how Australians give and to what extent. This snapshot reveals a mixed bag of results. On the plus side, there is plenty to be enthusiastic about, particularly when looking at what PAFs and fe-

male givers might do for Australia. There is also work to be done to increase participation in workplace giving and participation in giving in a broader sense.

What is encouraging is that we now know more than ever about what is given in Australia. What we still know little about is how well what is given is spent and what the true financial and non-financial benefits of giving are. Further investment in measuring impact will yield much in this regard. However, valuable resources must be applied to measuring impact and measuring impact costs money. Australian givers will be more beneficent if they accept high performance and impact involves spending money. If funders don’t begin to accept that charities need to spend to deliver, charities may lose support and in time charities may need to operate more like self-sufficient businesses with a social purpose. This scenario throws up perhaps the biggest challenge traditional fundraising charities might face if forced to adapt. That is, it is easier to turn a sustainable business into a business with a social purpose than it is to turn a charity with a social purpose into a sustainable business.

On a positive note, it is good to be reminded that there are many motivations for giving and giving takes many forms. It is exciting to see new directions, approaches and possibilities. We now have a giving culture that embraces traditional charity and philanthropy, plus social enterprise, impact investing, collective giving, skilled volunteering and crowdfunding. Perhaps we are seeing a move away from reliance on – and trust in – traditional charities, to something else. Certainly, for people that wish to give, there are new options, new ways of solving problems and new people forming new-look organisations and partnerships to solve them.

In an increasingly sophisticated environment, the top three ‘giving’ reasons from the Giving Australia research show Australians still give very much with their heart, despite the giving industry’s obsession with outcomes and impact. While the heart is and always should be central to any giving decision, every donor wants their contribution to make a difference. Good giving requires thoughtfulness and understanding as well as generosity...on the part of funders and fundraisers alike. This reality was summed up for the giving population over 2,000 years ago, by Aristotle. To paraphrase what he had to say on the subject:

“To give away money is an easy matter and in any person’s power. But to decide to whom to give it and how large and when, and for what purpose and how, is neither in every person’s power nor an easy matter.” FS