

1 December 2009

Contribution of the Not for Profit Sector  
Productivity Commission  
GPO Box 1428  
Canberra City ACT 2601  
Australia

By email: [nfp@pc.gov.au](mailto:nfp@pc.gov.au)

Dear Sirs

**Productivity Commission: Submission to the Review of the Contribution of the Not for Profit Sector**

The Australian Charities Fund welcomes the opportunity to provide a response to the Productivity Commission's Draft Research Report ("**the Report**"), released on 14 October 2009, on the review of the contribution of the Not-for-Profit Sector.

We strongly support Draft Recommendation 7.3 of the Report "to encourage cost-effective giving, the Australian Government should explore options to promote and support planned giving, especially payroll giving and bequests. Options include increasing the awareness of the tax benefits of giving, and financial assistance and advice to smaller organisations to establish planned giving programs".

In summary, we list in this submission a series of recommendations in respect of payroll (workplace) giving, relating to:

1. The promotion of workplace giving within the public sector.
2. The desirability of government matching public and private sector employee workplace giving donations for a fixed period.
3. The desirability of government providing enhanced tax incentives for employees and employers.
4. The desirability of government providing grants to Australian employers, particularly small to medium enterprises, to establish workplace giving programs.
5. The desirability of government, in collaboration with workplace giving intermediary organisations, developing a multi-faceted campaign to promote workplace giving to the wider community.

Please contact Edward Kerr on (02) 9024 8664 or by email on [edward.kerr@bain.com](mailto:edward.kerr@bain.com) if you have any questions in connection with this submission.

Yours sincerely



Edward Kerr  
Chief Executive Officer

1 December 2009

## The Australian Charities Fund's submission to the Productivity Commission's review of the contribution of the Not-for-Profit Sector

### Executive Summary

The Australian Charities Fund welcomes the opportunity to provide a response to the Productivity Commission's Draft Research Report ("**the Report**"), released on 14 October 2009, on the review of the contribution of the Not-for-Profit Sector.

We strongly support Draft Recommendation 7.3 of the Report "*to encourage cost-effective giving, the Australian Government should explore options to promote and support planned giving, especially payroll giving and bequests. Options include increasing the awareness of the tax benefits of giving, and financial assistance and advice to smaller organisations to establish planned giving programs*".

In summary, we list in this submission a series of recommendations in respect of payroll (workplace) giving, relating to:

1. The promotion of workplace giving within the public sector.
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3. The desirability of government providing enhanced tax incentives for employees and employers.
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5. The desirability of government, in collaboration with workplace giving intermediary organisations, developing a multi-faceted campaign to promote workplace giving to the wider community.

### A. About The Australian Charities Fund

The vision of The Australian Charities Fund ("**ACF**") is to facilitate unprecedented levels of giving through the workplace. Since its establishment in 2003, ACF has worked with 74 employers to launch workplace giving programs, which together have channelled over \$50 million in direct financial contributions to the community sector.

Workplace giving enables employees to make a difference in the community through regular donations from their pre-tax pay to charitable organisations with Deductible Gift Recipient (DGR) status. Currently, approximately 200,000 Australian workers have access to a workplace giving program facilitated by ACF. The average employee participation rate across all employer partners is 15% and the average annual employee donation is \$573.

Importantly, approximately 70% of ACF employer partners match employee donations, often dollar for dollar, thereby significantly increasing contributions to the charitable organisations. In addition, the majority of employers use their workplace giving program as a foundation for broader community engagement with their charity partners, including ad-hoc fundraising, unskilled volunteering, skilled (capacity building) volunteering, resource sharing, cause related marketing, community sponsorships and community grants programs.

Whilst the results achieved to date have been a great start, we believe an enormous untapped potential exists to grow this stream of giving for the benefit of employers, employees and the community.

## B. The case for Workplace Giving

Workplace giving has been available within Australia for decades but received its main impetus in 2002 when the Federal government introduced a tax ruling which allowed employees to essentially make tax effective donations through their pay.

Payroll giving is still in its early years in Australia and, encouragingly, the take up rate is considerably higher in other countries:<sup>1</sup>

	Australia	UK	Canada
Number of donors	94,000	580,000	1,500,000
Percentage of adults	0.6%	1.35%	5.6%
Funds raised (A\$M per annum)	18	200	343
Average individual donation (A\$ per annum)	190 <sup>2</sup>	350	228

We believe that workplace giving is the ideal method to encourage greater sustainable private giving and, as such, we strongly support the introduction of programs and incentives to facilitate this outcome.

If just **10% of working Australians** gave **\$5 per week** through workplace giving, the community sector would benefit by over **\$260 million per annum** just from employee donations (employer matching and the value of in-kind contributions such as volunteering will expand this contribution considerably).

ACF recently conducted a groundbreaking research project “Cutting to the Heart of Workplace Giving” (<http://www.australiancharitiesfund.org.au/news-a-events/acf-news/845-cutting-to-the-heart-of-workplace-giving>) with the objective of finding out how employee participation in workplace giving programs could be increased. The study draws on a quantitative survey of over 4,500 employees across a number of organisations and industry sectors, along with almost 100 qualitative interviews with employees, not-for-profits and corporate leaders. The result was a wealth of learning that we believe will help change the landscape of workplace giving in Australia.

<sup>1</sup> The Australian Charities Fund, CAF International, the Centre for Social Impact, PricewaterhouseCoopers, United Way, *The Giving Business*, March 2009 at page 13.

<sup>2</sup> ACF’s most recent research “Cutting to the Heart of Workplace Giving” revealed that the average individual donation in workplace giving programs facilitated by ACF is \$573 per annum.

For charitable organisations:

- workplace giving substantially increases total donations going to charitable organisations – 75% of workplace giving donors indicated their workplace giving donations are **in addition** to the donations they give through other channels and for over 93% total donations have increased considerably.
- workplace giving is low cost, stable source of funding to charities that enables them to plan their expenditure. Donations are regular, predictable and consolidated across all employees in an organisation so charities are also able to plan ahead and reduce their administration costs. By contrast, the median cost of fundraising in Australia is 18%<sup>3</sup>, and ranges from 11-58% depending on the channel of fundraising utilised by the charity<sup>4</sup>.
- workplace giving programs provide charitable organisations with opportunities to access the skills and expertise of the employer and its employees to build their internal capacity.
- Employees who give through regular workplace giving also give more to one-off fundraising events in the workplace and give more outside the workplace

For employees:

- employer matching of employee donations is the number one reason for employee participation in workplace giving programs. Other primary reasons for donating through workplace giving were - that it is convenient; the program included a cause that is important to the employee; it is tax effective; and employees are attracted by the impact of many people donating in regular, affordable amounts.
- more than 27% of donors were thinking about increasing their workplace giving donations.
- joining a workplace giving program was a catalyst to increasing their engagement in other forms of giving such as volunteering, skill sharing and one-off fundraising.
- there was a strong indication that they need to see that workplace giving is not just an ad-hoc initiative but is a strategic and important part of their employer's community engagement program.
- 73% stated that it is important to work for an organisation that is highly involved with the community.
- recognition of the difference that donations make and the celebration of the collective impact through workplace giving are critical for staff engagement.

For employers, workplace giving:

- demonstrates to staff and other key stakeholders that the organisation truly cares about the community.
- provides an easy and engaging way for staff to give together to increase overall community impact.
- builds employee pride in the organisation and creates a strong culture of giving.
- helps to attract and retain employees in a competitive labour market.

### C. Recommendations to grow workplace giving in Australia

As noted on page 7.33 of the Productivity Commission Draft Research Report, Australia lags behind the United Kingdom and Canada in terms of employee participation in workplace giving. The Australian Charities Fund believes that there are significant opportunities to grow workplace giving in Australia. As such, we support Draft Recommendation 7.3.

<sup>3</sup> Givewell, *Interim 2008 Australian Charities Financial Analysis*, 2009. The fundraising cost ratio is calculated as ratio of fundraising costs to fundraising revenue.

<sup>4</sup> CACOM <http://www.givewell.com.au/statistics.asp>

*Draft Recommendation 7.3*

*To encourage cost-effective giving, the Australian Government should explore options to promote and support planned giving, especially payroll giving and bequests. Options include increasing the awareness of the tax benefits of giving, and financial assistance and advice to smaller organisations to establish planned giving programs.*

### **1. Development of workplace giving programs within the public sector**

The public sector has a unique opportunity to take a leadership role in the promotion of workplace giving, thereby demonstrating its support and endorsement of a 'culture of giving' to its own staff, the private sector and the wider community.

#### **Recommendation 1:**

***ACF recommends that the government gives consideration to promoting workplace giving within the public sector through one or more of the following initiatives:***

- (a) by the Prime Minister's office requiring all Federal Departments (and encouraging all State and Local government entities) to have an active workplace giving program.***
- (b) by including in all Departmental senior leadership performance reviews, workplace giving program performance indicators, such as employee awareness of the program and employee participation rates.***
- (c) by incentivising public sector employees to participate in workplace giving through an enhanced tax deduction of, say, 150% of the deduction to which the employee would otherwise be entitled.***
- (d) by providing funding to employ a specialist in designing and launching workplace giving programs in the APS as the most cost effective and highest impact way to achieve a successful start to workplace giving.***

### **2. Government matching**

As part of our research, 60% of surveyed employees cited their primary motivation for workplace giving participation is the fact their employer matches donations.

#### **Recommendation 2:**

***ACF recommends that the government matches employee donations for a limited period to mobilise participation in workplace giving.***

It is likely that the prospect of employee donations being matched wholly or partially by both the Australian Government and their employer will:

- increase employee participation in workplace giving; and

- increase the amount currently donated by existing donors through workplace giving. In relation to this, we note that 27.6% of employees surveyed as part of our research were thinking of increasing the amount they give.

Between April 2000 and March 2004, the British Government added a further 10% to all donations made through workplace giving. During this period, the value of donations through workplace giving doubled in real terms.<sup>5</sup>

### 3. Tax incentives

The tax benefits of workplace giving (and giving generally) are an important motivation for philanthropic giving. This is supported by the results obtained in our research where 38% of respondents indicated that tax effectiveness was their primary motivation for participating in workplace giving.

#### **Recommendation 3:**

***ACF recommends that the government provides tax incentives for employees and employers to participate in workplace giving by:***

- (a) employees: removing the current inequity whereby those paying a higher marginal tax rate achieve greater leverage in respect of the after tax dollars they donate. This could be achieved by:***
- ❖ ***employees being granted a grossed up deduction to achieve the outcome intended; or***
  - ❖ ***for the Australian Tax Office to, either directly or through the relevant employer, make additional payments to the charities equal to the difference in tax saving between the top marginal rate and the actual marginal rate of the employee taxpayer.***
- (b) employers: providing employers with an enhanced deduction of, for example, 130% of the employee amount matched.***

These initiatives would provide added incentive to employers to establish and promote participation in workplace giving, as well as driving employee contributions through workplace giving. As noted above, matching has the impact of not only increasing the total funds raised but also creates a mutuality of endeavour between employer and employees with the potential for positive impact on morale.

### 4. Providing grants to Australian employers to establish workplace giving programs

As noted in the Report on page 7.33, the cost of establishing a workplace giving program for small to medium enterprises (“SMEs”) can act as a disincentive. From our experience, to effectively establish and promote a workplace giving program within an SME, an initial investment of \$3,000-\$5,000 is required.

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<sup>5</sup> Charities Aid Foundation, *Analysis of UK payroll giving, July 2005*, 2005 at page 4.

**Recommendation 4:**

***ACF recommends that the government introduces subsidies for organisations, particularly SMEs, to establish workplace giving programs.***

As described in the Report, such a scheme was introduced in the United Kingdom in January 2005. As a result of the scheme, almost 3,500 employers introduced workplace giving growing the number of employees able to donate through workplace giving by over 250,000.<sup>6</sup> A summary of the scheme launched in the United Kingdom is set out in the following schedule.

***5. Campaign to promote workplace giving***

As part of ACF's research, approximately 16% of employees were unaware that their employer had an existing workplace giving program. In addition, The Giving Business report highlighted that over 60% of businesses had never heard of workplace giving.<sup>7</sup> Our experience and research has shown that fostering awareness of workplace giving, as well as highlighting its benefits to employers, employees and charities, is vital to engaging employees and maximising participation.

**Recommendation 5:**

***ACF recommends that recommendations 1-4 be implemented in conjunction with a co-ordinated, government funded, national campaign to promote workplace giving to employers, employees and charities.***

ACF is very well positioned to use its significant insights and experience to work closely with government to roll out a targeted campaign to promote workplace giving and achieve results. ACF would be pleased to work with other workplace giving intermediaries in such a campaign. This may include a media campaign, online promotion, presentations to industry bodies, forums for employers and charities, and an awards program to recognise highly successful programs.

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<sup>6</sup> Institute of Fundraising, *SME Grants Program Report: A Review of the Payroll Giving SME Grants Program April 2004 to March 2007*, April 2008 at pages 8 and 10.

<sup>7</sup> The Australian Charities Fund, CAF International, the Centre for Social Impact, PricewaterhouseCoopers, United Way, *The Giving Business*, March 2009 at page 6.



**SCHEDULE: INFORMATION ON THE SME GRANTS PROGRAM IN THE UNITED KINGDOM**

The following information was sourced from Institute of Fundraising, SME Grants Program Report: A Review of the Payroll Giving SME Grants Program April 2004 to March 2007, April 2008.

- In January 2005, a SME Grants Program was launched in the United Kingdom to promote Workplace Giving (“**Grant Program**”) to small and medium enterprises (“**SME**”). For the purposes of the Grant Program, a SME was defined as enterprises employing less than 500 employees.
- The Grant Program was funded by the UK Government and delivered in partnership by the Institute of Fundraising and Business in the Community.
- The Grant Program comprised, among other things:
- ❖ **Grants to Employers:** a one-off grant to SMEs with the size of payment dependent on the number of people employed by the relevant organisation as follows:

Payment	People employed in organisation
£300	1 – 199 employees
£400	200 – 249 employees
£500	250 – 499 employees

- ❖ **Matched Giving:** for SME employee donations commencing between April 2004 and March 2006 through workplace giving, donations up to £10 per month were matched by the Grant Program for the first 6 months of the giving.
- ❖ **Quality Mark Awards for Employers:** an award system to recognise and reward organisations that had introduced workplace giving. Awards are tiered depending on the number of employees participating in workplace giving as follows:

Tier	Employees participating in Workplace giving
Bronze	1 – 4% employee participation
Silver	5 – 9% employee participation
Gold	10%+ employee participation, plus evidence of matched giving, active workplace giving promotion or payment of workplace giving administration charge

In addition, the Grant Program was actively promoted and resources were provided to business and charities highlighting the benefits of workplace giving.