

BCA

Business Council of Australia

# Submission to the Productivity Commission Inquiry into Philanthropy

BCA Submission

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# 1. Overview

The Business Council welcomes the opportunity to provide a submission to the Productivity Commission inquiry into philanthropy.

Australian businesses give generously to causes across the spectrum and they are always looking for ways to do more because it is the right thing to do and what customers, suppliers and workers want. Philanthropy and community investment help make a positive contribution to long-run sustainability and returns, and are increasingly embedding into core business activities and strategic plans. Community expectations around the role of business in communities have also increased over time. Many BCA member companies have well established foundations and workplace giving programs.

The BCA understands this firsthand through BizRebuild, which was established by the BCA in early 2020 after the catastrophic bushfires. The purpose of BizRebuild is to ensure practical and targeted assistance to help small and local businesses devastated by natural disaster to get back on their feet so their communities can recover, rebuild and come back stronger than before. BizRebuild recognises that for communities to thrive once again, they need strong and successful businesses providing jobs and opportunities for locals. It is unique in Australia because no other organisation has been specifically set up to fill this gap in the nation's disaster and recovery response. BizRebuild also must navigate the regulatory barriers and complexities of complying with fundraising laws across Australia.

The BCA supports the Commonwealth Government's ambition to double philanthropic giving by 2030. Meeting this target will hinge on measurement, encouraging greater philanthropy and removing barriers to lifting philanthropy.

Corporate philanthropy can take many forms, of which workplace giving is a key channel for employers and employees to directly support the work of the not-for-profit sector. Workplace giving can be an efficient and reliable source of fundraising for all parties involved, and there is significant potential to lift both employer and employee engagement in workplace giving.

## 2. Key recommendations

1. Harmonise state and territory fundraising laws across Australia and consolidate administration into a single national platform.
2. Analyse the disparity in participation and donations through workplace giving programs across different sectors of the economy. This analysis should be used to develop a strategy to lift participation and engagement in workplace giving across the economy.
3. Develop a framework to measure the contribution and performance of the not-for-profit sector. This should be accompanied by a stocktake of existing reporting measures and data collections to help determine how to both streamline reporting and improve data collection.
4. Undertake a stocktake of information exchanges and requirements between employers, employees and not-for-profits with a view to harmonising and streamlining reporting standards. This will reduce barriers to onboarding and could be supported by a single database that provides consistent and timely data.
5. Develop a national campaign to promote philanthropy and workplace giving. Government should lead by example through the establishment and promotion of workplace giving programs across government.

## 3. Additional information

### 3.1 BizRebuild

BizRebuild is a business-led initiative developed by the BCA more than three years ago. It provides practical and on-the-ground assistance to small and local businesses left devastated by natural disasters, including vouchers:

- A \$2,000 Re-Equipping Voucher for the purchase of equipment destroyed or damaged during a natural disaster. These vouchers are used for the replacement of essential equipment to assist businesses to re-open or resume some operations.
- A \$500 Business Advisory Voucher which provides support through expert advice like accounting services and legal advice. These expert services may be useful at a period after a natural disaster when a business is examining the way forward, or for assistance in applying for other forms of natural disaster support.

#### Why was BizRebuild established?

BizRebuild was established to ensure practical and targeted assistance could help bushfire, flood and other natural events that devastate small and local businesses to get back on their feet so their communities could recover, rebuild and come back stronger than before.

BizRebuild recognises that for communities to thrive once again, they need strong and successful businesses providing jobs and opportunities for locals. Without jobs, local communities wither. Work is focused on directing assistance to small and local businesses to restore jobs, create new ones and help rebuild economies and communities. It assists individuals and businesses directly because it is part of BizRebuild's community mission.

The role of BizRebuild is unique in Australia because no other organisation has been specifically set up to fill this gap in the nation's disaster and recovery response. It is part of the Community Rebuilding Initiative which has a charitable trust focused on community rebuilding with Deductible Gift Recipient (DGR) status.

#### How was BizRebuild established?

The Community Rebuilding Trust was established as a perpetual charitable trust. It is managed by Equity Trustees as the trustee in partnership with BizRebuild and is supported by a fundraising panel of notable Australians. The patron is General the Honourable Sir Peter Cosgrove AK CVO MC.

The tax deductibility of donations was a critical element to raising donations as part of BizRebuild, but the unique purpose of BizRebuild did not fit within the existing DGR endorsement framework. The BCA approached the former Treasurer's Office and alongside General the Honourable Sir Peter Cosgrove AK CVO MC, met with the Treasurer. This involved a discussion around the purpose of the Trust and the importance of DGR status.

The Community Rebuilding Trust received DGR status through *Treasury Laws Amendment (2019-20 Bushfire Tax Assistance) Bill 2020*, which unanimously passed both houses of Parliament in February 2020.

#### What has BizRebuild achieved?

BizRebuild, through the Community Rebuilding Trust, has donated over \$9.5 million to small businesses and communities affected by natural disasters since 2020 across New South Wales, Queensland, South Australia, Tasmania, Victoria and Western Australia. BCA member companies have donated directly and organised secondments of senior staff to BizRebuild. The breadth of support includes:

- BizRebuild has donated over \$4 million to help rebuild important community infrastructure projects, such as community halls and innovation hubs, in Cobargo, Mogo, Rappville, Araluen, Kingscote, Biggara, and Cudgewa.

- Over \$5 million of vouchers to small businesses impacted by natural disasters since 2020. This includes around \$2.5 million worth of vouchers in 2022 to more than 1,500 small businesses in flood-affected communities across New South Wales and Queensland.
- During the 2022 floods, BizRebuild helped across 34 Local Government Areas (LGAs) in NSW and 14 LGAs in Queensland.
- Over 90 per cent of businesses in the Lismore LGA were directly impacted by flooding, with BizRebuild assisting almost 600 small businesses.
- Support for almost 300 small businesses in the Byron, Ballina, and Tweed areas.

Often the impact of BizRebuild’s support to people’s lives cannot be measured. We have received numerous testimonies that our voucher programs have given people hope when they needed it most.

## Regulatory barriers

BizRebuild stands ready to assist in response to natural disasters in any state or territory across Australia. As a result, the Trust must comply with the fundraising laws for each state and territory. This gives rise to regulatory barriers and higher compliance costs as each state and territory:

- can have vastly different processes and requirements for an application
- uses different platforms, including individual logins for each platform
- communicates with charities in different ways
- troubleshoots in different ways.

This creates a situation where it can be difficult to track the progress, status and expiry of each fundraising licence. This also contributes to slower and inefficient disaster response. To illustrate, fundraising licences within the state and territory portals tend to be connected to an individual with responsibility for keeping track of the licences e.g. the individual that originally registered the licence. Where this individual changes jobs it is difficult and administratively burdensome to transfer access to another individual. This must also be repeated across each of the states and territories.

One motivator for giving can be in response to an event, such as a natural disaster. It is therefore critical that fundraising licences are kept updated across Australia, but the process around doing so is unnecessarily complex, inconsistent, and burdensome. The Council on Federal Financial Relations recently agreed to a set of nationally consistent fundraising principles to streamline and harmonise state and territory laws.<sup>1</sup>

### Recommendation 1

Harmonise state and territory fundraising laws across Australia and consolidate administration into a single national platform.

## 3.2 Corporate philanthropy

Business is increasingly integrating and embedding philanthropy into core business activities and strategic plans. Companies are actively and increasingly displaying their social and corporate consciousness as both a commitment to communities and as a point of differentiation. This can be with respect to their reputation with customers as well as employees, many of whom value working for and a connection with the values they represent. Community expectations around the role of business in communities have also increased over time.

Philanthropy and community investment help make a positive contribution to long-run sustainability and returns. This must all be balanced with increased stakeholder demands for accountability, transparency and returns. From the perspective of philanthropy this can be in the form of more thorough consideration of who to give to

<sup>1</sup> <https://ministers.treasury.gov.au/ministers/andrew-leigh-2022/media-releases/agreement-reached-reform-charitable-fundraising-laws>

and how to give (e.g. aligning with corporate priorities, competencies and attributes), and ensuring probity and due diligence concerns are addressed. Previous BCA and Centre for Corporate Public Affairs research found local community programs feature strongly and are particularly prevalent in heavy industry and around remote facilities.<sup>2</sup>

Corporate philanthropy can take the form of companies directly making donations or through their workforce. This can include workplace giving (i.e. regular donations through payroll), donations collected from staff through the company, volunteering or other contributions in kind. In many cases companies match worker donations to help encourage giving and improve the impact, such as on a one-for-one basis or higher multiples.

*Giving Australia 2016* estimated that in 2015–16 Australian businesses made \$17.5 billion of contributions through:

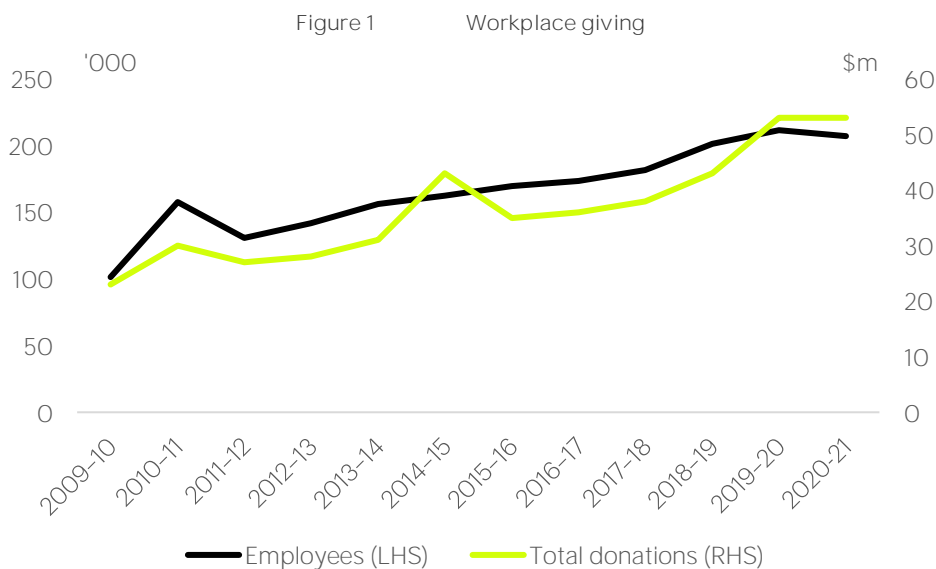
- \$7.7 billion of community partnerships
- \$6.2 billion of donations
- \$3.6 billion in non-commercial sponsorships.

Large businesses accounted for \$9 billion (over half) of this amount despite accounting for 0.2 per cent of all businesses.<sup>3</sup> More recent data show Australia’s top 50 companies invested a record of over \$1.22 billion into philanthropic efforts, up \$50 million on the previous year.<sup>4</sup> A key challenge for the not-for-profit sector – as well as the broader Australian economy – is its heavy reliance on a few key industries to generate the revenues needed to fund government services.

## Workplace giving

Workplace giving is a key channel for companies to directly support the work of the not-for-profit sector. Employees enjoy doing it, it brings teams together, supports a range of initiatives, and is simpler for employees at the end of the year during tax lodgement. At the same time there are benefits for not-for-profits by making it easier for people to donate and engage, while delivering a more predictable and efficient form of fundraising.

Australian Taxation Office (ATO) data show more than 200,000 employees donated directly through a workplace giving program in 2020-21, up from around 100,000 in 2009-10.<sup>5</sup> The total value of donations has increased from \$23 million to \$53 million over this period, with an average donation of around \$258 in 2020-21.



Source: ATO Taxation Statistics

<sup>2</sup> Centre for Corporate Public Affairs and Business Council of Australia, 2007, *Corporate Community Investment in Australia*, June.

<sup>3</sup> <https://www.aihw.gov.au/reports/australias-welfare/philanthropy-and-charitable-giving>

<sup>4</sup> <https://strivephilanthropy.com.au/2022-givinglarge-report-media-release/>

<sup>5</sup> ATO Taxation Statistics

But this form of giving sits well below its potential. There were approximately 6,300 employers that offered a workplace giving program in 2020-21, with around:

- 2,500 small- and medium-sized companies (\$2 million to \$250 million turnover)
- 1,600 micro companies (below \$2 million turnover)
- 1,000 large companies (over \$250 million turnover), representing over 70 per cent of large companies
- 800 not-for-profits
- 360 government entities.

The employees of large companies accounted for around \$19 million of the \$53 million of workplace giving in 2020-21. Employee participation tends to be higher among smaller companies and these employees tend to donate above average amounts. At the same time, participation tends to be lower for the employees of not-for-profits but donations are much higher, while both participation and donations among government employees tends to be lower.

#### Recommendation 2

Analyse the disparity in participation and donations through workplace giving programs across different sectors of the economy. This analysis should be used to develop a strategy to lift participation and engagement in workplace giving across the economy.

### 3.3 Measurement and reporting of corporate philanthropy

There are many existing measures of philanthropy, including from the Australian Bureau of Statistics (ABS), Australian Charities and Non-for-profits Commission (ACNC), ATO and Australian Institute of Health and Welfare.<sup>6</sup> The private sector has also produced a range of reports and estimates, including the JBWere NAB Charitable Giving Index, Strive Philanthropy's GivingLarge reports and Volunteering Australia. The BCA has also previously attempted to measure the contribution of members through a mix of member surveys and cooperation with other organisations.<sup>7</sup>

Many of Australia's largest companies also report based on the Business for Societal Impact (B4SI) Framework, which provides a voluntary standard for measuring the inputs, outputs and impacts of business contributions to society. Like the Global Reporting Initiative, the B4SI Framework offers flexibility for users to pick the standards relevant to their stakeholders and offers a consistent reporting approach.

The inquiry should develop a framework to help measure the contribution and performance of not-for-profits – and ultimately support better outcomes. This framework should identify the key inputs into the sector, the key outputs, and the outcomes they drive. A broader measure of impacts is also an important element but there may be practical challenges in measuring these impacts. This should be supported by a stocktake of existing reporting measures and data collections, including those that are administrative and/or regulatory in nature through to regular private sector surveys.

There should not be an expansion of reporting requirements without both a clear purpose for additional reporting and demonstrable net benefit from doing so. The development of a measurement framework and stocktake of existing reporting measures and data collections would provide a sound basis from which to determine where measurement efforts are best directed.

<sup>6</sup> Several are summarised here <https://www.abs.gov.au/statistics/research/information-needs-volunteering-data>; for example. Also see here <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/8157.0Main+Features12000-01?OpenDocument>.

<sup>7</sup> For example see Business Council of Australia, 2004, *The Community of Business: The Role of Big Business in Australia*, February; and Centre for Corporate Public Affairs and Business Council of Australia, 2007, *Corporate Community Investment in Australia*, June.

## Indigenous Australians

BCA members are some of the largest employers of Aboriginal and Torres Strait Islander people and are committed to creating positive change in the communities in which they operate. Many member companies have developed exemplary training and employment opportunities. Investing in young people and actively promoting education and employment opportunities is not just a corporate social responsibility but a business imperative.

Companies are making significant investments to boost the pipeline of Indigenous talent throughout school years, to higher education and into employment. BCA members identified an overarching ambition to support and assist Indigenous economic and social participation in terms of the types of activities and strategies pursued. Compared to 2019, BCA members have increasingly turned their focus to investing and supporting Indigenous education, pro bono support and skilled secondments while also maintaining a strong focus on growing the Indigenous supply chain and procuring from Indigenous businesses.

Of the BCA members who responded to the BCA's latest Indigenous Engagement Survey in 2021, 86 per cent indicated that they are making a range of investment contributions to Indigenous education-related programs or partnerships, with funding for scholarships most common.<sup>8</sup> Those businesses who identified their level of contribution noted it was in the order of \$25 million.

In addition, many businesses reported making pro bono/in-kind contributions in supplying expertise, advice and employee hours to Indigenous groups, organisations and non-government organisations. This is an important pathway to building relationships and fostering genuine trust with Indigenous communities. BCA companies that were able to respond in detail to this element of the survey estimated that a total of almost 39,000 of pro bono hours of time was given to these partnerships with a total dollar value contribution of around \$31 million and averaging \$1.9 million per company.

### Recommendation 3

Develop a framework to measure the contribution and performance of the not-for-profit sector. This should be accompanied by a stocktake of existing reporting measures and data collections to help determine how to both streamline reporting and improve data collection.

## 3.4 What are the barriers to corporate philanthropy?

The BCA supports the Commonwealth Government's ambition to double philanthropic giving by 2030. Measurement is critical for determining the relevant target, but this will also hinge on both encouraging greater philanthropy and removing barriers to lifting philanthropy.

- **Make it simple.** The process for employees signing up to workplace giving programs should be kept as simple as possible to help drive engagement.<sup>9</sup> This includes minimising the amount of personal information required and an online form.
- **Streamline processes.** The process of engaging, reviewing, and onboarding a not-for-profit can be a complex and costly exercise for all parties – particularly for smaller entities. There is no uniform standard and extensive information may be required from the not-for-profit, ACNC and Australian Securities and Investments Commission. Not-for-profits provide this information to multiple companies, and companies request this information from multiple not-for-profits, compounding the complexity and compliance costs.
- **Measurement.** Measurement of the 'output' or 'impact' of not-for-profits can be a factor in selecting who to partner with or support. However, the challenges in measuring these factors mean there may often be a focus on what can be measured (e.g. administration fees) as a substitute.

<sup>8</sup> Business Council of Australia, 2022, *Indigenous Good Practice Guide*.

<sup>9</sup> Behavioural Economics Team of the Australian Government, 2022, *Increasing workplace giving: What works at work?*, March.



- **Staff awareness.** There are numerous priorities and stakeholders competing for the time and attention of employers and employees. Employers may offer and promote their philanthropic efforts but employees may not be fully aware of the existence of programs, the benefits or the involvement of their colleagues. Similarly, the recent spate of natural disasters can change preferences around donations, including a greater desire to support local charities or more spontaneous giving.
- **Due diligence.** Employers must conduct appropriate due diligence around the stakeholders they engage with. For example, support for a not-for-profit can imply endorsement – particularly where companies match employee donations. Therefore, due diligence is essential for managing a mix of reputational risks through to ensuring the recipients of donations comply with all the relevant rules and regulations, such as anti-money laundering and counter-terrorism financing rules. This also creates an ongoing need for compliance and due diligence.
- **More staff in more locations.** Globalisation, the pandemic and changes to the way we work mean that a company’s employees can be scattered across the world. This can make it more difficult to drive employee engagement, but can also introduce the regulatory barriers from other countries in supporting philanthropy.

The creation of a culture of giving is critical for doubling philanthropy in Australia by 2030. This should be supported by a national awareness campaign, supported by leaders across the community, to lift philanthropic efforts – particularly for workplace giving. Workplace giving can be an efficient and reliable source of fundraising for all parties involved, and there is significant potential to lift both employer and employee engagement in workplace giving. Large business has an important role to play in lifting the engagement of its employees. At the same time, government can also play a role in leading by example. Over the past decade, an average of around 3 per cent of employees of government entities participated in offered workplace giving programs. This means there is significant room for improvement and lifting engagement.

#### Recommendation 4

Undertake a stocktake of information exchanges and requirements between employers, employees and not-for-profits with a view to harmonising and streamlining reporting standards. This will reduce barriers to onboarding and could be supported by a single database that provides consistent and timely data.

#### Recommendation 5

Develop a national campaign to promote philanthropy and workplace giving. Government should lead by example through the establishment and promotion of workplace giving programs across government.

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