Griffith UNIVERSITY
Griffith Business School
Queensland, Australia

Submission to Productivity Commission's Philanthropy Inquiry

To: Philanthropy Inquiry
Productivity Commission
GPO Box 1428
Canberra City ACT 2601, Australia

5 May 2023

Dear Sir/Madam,

Re: Submission to 'Philanthropy Inquiry
'

The following is our submission to the Productivity Commission's Philanthropy Inquiry by the Griffith Business School. This submission was co-authored by the following researchers and practitioners:

Dr Robert Bianchi, Professor and Director of the Griffith Centre for Personal Finance and Superannuation, Griffith Business School, Griffith University

Dr Ingrid Burkett, Professor and Director of the Griffith Centre for Systems Innovation

Dr Andreas Chai, Professor and Director of the Academy of Excellence in Financial Crime Investigation and Compliance, Griffith Business School, Griffith University

Dr Brett Freudenberg, Professor, Griffith Business School, Griffith University

Stefanie Hardacre, Associate Director, Advancement Services, Griffith University

Dr Parvinder Kler, Associate Professor and Head of Department of Accounting, Finance and Economics, Griffith Business School, Griffith University

Dr Ruth McPhail, Professor and Head of Department Employment Relations and Human Resources

Josh Murchie, Co-founder of Social Impact Group and Industry Fellow at the Griffith Centre for Systems Innovation

Marcus Ward, Vice President, Advancement, Griffith University

Objectives of the Inquiry

The Australian Government has committed to working with the philanthropic, not-for-profit (NFP) and business sectors to double philanthropic giving by 2030. It has asked the Productivity Commission (PC) to undertake an inquiry to analyse motivations for philanthropic giving in Australia and identify opportunities to grow levels of charitable giving further. The overall objective of the Inquiry is to

- analyse trends in philanthropic giving in Australia and the drivers of these trends
- identify opportunities for, and obstacles to, increasing philanthropic giving in Australia
- recommend ways to respond to these opportunities and obstacles.

Philanthropic giving fundamentally impacts the welfare of many Australians, including vulnerable segments of the population. We agree with the proposed definition of charitable acts motivated by the desire to improve the welfare of others.

Adopting an institutional approach to growing charitable giving

To better identify opportunities to increasing philanthropic giving in Australia, we encourage the Commission to adopt an institutional perspective and consider the network of institutions whose activities and interactions connect donors with worthy causes.

This system has some characteristics of a market in the sense that it connects donors (supply) who provide the resources to charities (demand). Charitable organizations develop strategies donors provide the resources to charities. Charitable organizations develop strategies to attract resources and allocate those resources (List 2011).

We note that the general focus of the call for submissions (PC 2023) has been on increasing the supply of charitable funds to this market by considering how government can encourage and incentivise giving via tax reform.

However, our view is that government also has a much broader role to play in ensuring that there exists a healthy and functioning ecosystem of institutions that effectively connect donors with emerging giving opportunities that benefit the most disadvantaged and vulnerable members of our community. We propose that a healthy and functioning system for philanthropic giving in Australia possesses the following characteristics:

1. Choice in the sense that there exists a diverse range of charitable causes to donors.
2. Ensures a broad distribution of philanthropic funding across a wide range of charities
3. Features charities that are effective in the sense that they match donours with recipients and are adaptive in the sense that they actively identify emerging giving opportunities and adopt new technologies for fundraising.

As such, we encourage the Commission to go beyond considering what barriers there are to increasing the overall quantum of charitable donations, but also to consider how government can take steps to ensure some degree of allocative efficiency is achieved by ensuring charitable funds are benefiting the most disadvantaged segments of Australia's population. For example, it would be worth investigating, as part of the report, how the regional distribution of charitable funds in Australia overlaps with the ABS Socio-Economic Indexes for Areas (SEIFA). Furthermore, the PC should consider what collaborative arrangements can be developed between governments, charities, social enterprise and universities to develop new channels to grow giving opportunities in local communities.

The Role of Social Enterprise and Social Impact Investing

In the call for submission, the Commission notes that it will consider social impact investing to the extent it can be regarded as a complement to, or substitute for, philanthropic giving. We agree with this as an approach. Beyond social impact investing, we call on the Commission to examine how purchasing from social enterprises and other social benefit suppliers could serve as another innovative and emerging way to track consumer commitment to impact, and therefore a complement to philanthropic giving.

According to recent research commissioned by Social Enterprise Australia, there are over 12,000 social enterprises in Australia, generating $21.3 billion in economic impact, and employing around 206,000 people – around the same number as are employed in the mining sector (SEA, 2023). Social enterprises generate significant social, cultural and environment benefit in Australia through their businesses – including in areas of job creation amongst groups of vulnerable Australians and addressing community needs in rural and remote areas where traditional markets have failed. Most of the social enterprises in Australia do not have and are not eligible for DGR status (higher than charities – of which over half do not have DGR status according to the AIHW (2021).

Social enterprises make the majority of their revenue from trade (rather than through donations) by definition. According to Social Traders (2021)[1] the definition of a social enterprise is threefold – they must:

1. Have a defined primary social, cultural, or environmental purpose consistent with a public or community benefit, and
2. Derive a substantial portion of their income from trade, and
3. Invest efforts and resources into their purpose such that public/community benefit outweighs private benefit.

Given the significant role that social enterprises play in engaging in social impact investing among rural and remote areas, there should be scope in the Inquiry to consider what steps can be taken to significantly strengthen social enterprise development in Australia and thereby social impact investing, particularly as charitable giving cannot, on its own, deliver sufficient impact in more regional areas.

A first step could be to track investment efforts and spending by social enterprises in Australia. Tracking impact investing and spending by social enterprises alongside giving, would significantly modernise and extend Australia's understanding of whether and how the economy is shifting towards delivering social value. We recommend that the Productivity Commission examine adding social enterprise spend to its definition and tracking of giving in Australia.

Second, impact investment is experiencing significant growth in Australia (with forecasts from the Responsible Investment Association of Australasia (RIAA) suggesting exponential growth from $30 billion at the end of 2021 to $500 billion by 2025 (RIAA Benchmarking report, 2022). These investments are primarily focused on investing in outcomes in sectors such as housing, community, disability, education and increasingly conservation/agriculture and mental health – and social enterprises are amongst the entities that receive impact investment and deliver the impacts associated with them (RIAA). Even the 2021 figure for impact investment is double the total giving in Australia of around $13billion (Philanthropy Australia, 2022). Currently there are no tax incentives or other stimuli for investors to consider impact investment, and managed and superannuation funds still experience either cultural or regulatory barriers in growing their impact investment components.

> **Recommendation:** The Inquiry should examine more diverse and extensive mechanisms for incentivising the flow of capital to impact, particularly through social enterprise and other entities delivering critical social, environmental and cultural impacts in Australia.

Universities as incubators for Social Enterprise

Another step to grow social impact investing is to develop incubators for social enterprise. Universities are known to connect aspiring students with business ideas, offer key resources and academic expertise that fosters entrepreneurial innovation (Mian 1994). Aligned with Griffith University's overall mission to transform lives and add to human knowledge and understanding in a way that creates a future that benefits all, the university has developed an outstanding track record in supporting social enterprise in the local community:

- Griffith has operated an impact incubator (https://www.ourhomebase.co/) at Logan via the Griffith Centre for Systems Innovation that sought to strengthen community connections and cohesion and improve livelihoods, health and security of people in Logan. This was by done by aiming to foster the cultivation of social enterprises to grow inclusive and impact-led organisations that reflect the diversity of Logan. This program was piloted in 2020/21 until Federal funding was cut short because of a governmental program change.

[1] Australia's Social Enterprise certifier

- Griffith alumni Josh Murchie founded the micro-philanthropy software platform little Phil that enables tracking of donations, from recipient to cause, and reduces many of the administration costs that can eat away at donation's dollar value.

- Griffith has also created an innovative approach to developing a program, the Student Investment Fund, which combines Work Integrated Learning opportunities and delivers scholarships to assist vulnerable students in the local community (see case study below). This is a good example of how universities can innovatively combine academic expertise with educational opportunities to grow charitable giving to the local community. Another example of how educational experiences can support charities is the Griffith Community Internship that received an Australian Award for university teaching in 2017. Since 2012 over 2,300 students have achieved personal and professional growth while providing over 120,000 hours of volunteering to almost 400 community organisations.

Case study: Griffith Student Investment Fund (SIF):

The Griffith University Student Investment Fund (SIF) was launched in 2018 with an initial $250,000 from the institution. Both Bachelor's and Master's students studying finance enrol in the SIF course where they learn to invest in Australian Securities Exchange (ASX) listed companies that are socially responsible. Students complete a conventional equity investment analysis of a company as well as a review of its environmental, social and governance (ESG) factors. Students gain valuable investment skills and present their findings to an investment committee comprising both industry professionals and academic staff. Approved investments generate dividends, which fund student scholarships for individuals experiencing financial hardship. Since its inception, the SIF has disbursed $20,000 of scholarships (i.e., $5,000 annually from 2020 to 2023). Thanks to the support of Griffith University and this initiative, the SIF's assets have grown to approximately $400,000 in 2023. The SIF demonstrates how finance students can apply their investment skills to generate cash flows to help other students in need. The SIF is supported by the Griffith Centre for Personal Finance and Superannuation (GCPFS).

As incubators of social enterprises, enhanced philanthropic giving through universities to social enterprises could be another avenue through which the government can cultivate evidenced-based public policy outcomes that are independent of government. We encourage the PC to consider how government can offer the relevant data to universities to understand their local community and work to improve measures of social wellbeing across the spectrum of issues that are apparent within each institution's community.

> **Recommendation:** The Inquiry should consider how government can offer the relevant data to universities to understand their local community and work to improve measures of social wellbeing across the spectrum of issues that are apparent within each institution's community.

The Griffith Giving Program

Beyond actively fostering the emergence of new social enterprises, Griffith University also has a Staff Giving program that holds key lessons for the corporate sector. Aligned to our social justice value the University Staff Giving program enables staff to have donations deducted directly from their fortnightly pre-tax salary/wage. This staff donation is then matched dollar for dollar by Griffith University to create scholarships for students experiencing financial hardship. Despite the recent fall in participation in workplace giving programs as shown by data released in December 2022 by the Australian Tax Office, Assistant Minister for Competition, Charities and Treasury Andrew Leigh, the number of Griffith University Staff Giving participants increased by 28% over the past 12 months.

Reasons for this growth include:

- strong and visible leadership buy in from the Vice Chancellor.
- senior executives answering a call to action to showcase the program and role model involvement.
- alignment to the values of the University.
- clear and visible impact as demonstrated by the students who receive the scholarships through thank you calls and lunches for staff.
- Staff Giving newsletter updates and importantly strong administrative and professional support from the University to maintain and grow the program.

The next steps in advancing the program include developing champions in local groups and teams, creating competition/gamification between groups, improving systems to enhance giving, developing a communications strategy to increase awareness starting with providing reporting to the most senior levels of the University and potentially embedding KPIs for the leaders.

Challenges however remain and include raising awareness to all staff even those who have worked at the University for a long time are often unaware of the program. A sense that 'giving' is not a workplace appropriate topic for leaders and supervisors to promote is widespread and so normalising a culture of workplace giving is important, as is incentivising employers to build systems that enable and support the program at every opportunity. Our data also suggests there is a strong gender bias in givers with the majority being female. Consideration in the future should also be given to how a gender balance can be reached.

Such low awareness can apply to the availability of a workplace giving program broadly (Freudenberg, 2009), and such low awareness would negatively impact on both employers and employees participating in such a program. The Commission should consider promoting the opportunity for 'workplace giving programs' broadly so more organisation and individuals are aware of the scheme. Such promotions could include exemplars, such as Griffith University, to demonstrate how such a scheme can operate and the benefits that can eventuate. Additionally, the Commission might consider what incentives can be created among organisations to encourage staff giving including the automatic sign up of staff with opt out options, the inclusion of giving programs in contracts of employment, promotion and appointment letters, the inclusion of the program in performance management discussions and annual pay increase notifications. There could even be scope for an enterprise or group-based contribution to be negotiated into the Enterprise Bargaining Agreement. Tax incentives for organisations with increasing numbers of staff givers should also be considered.

> **Recommendation:** The Inquiry should consider how government can better incentivise workplace giving programs among employers and employees. The Inquiry should consider what steps can the government take to encourage such scheme via amendment to corporate reporting requirements and tax policy.

Volunteer time and tax deductions

There are various mechanisms to allow tax deductions for the donations of money and/or assets to DGRs.[2] While the evidence about whether these tax deductions motivate the donor is inconclusive (Madden and Newton 2006), it is clear that those taxpayers on the highest marginal tax rates will gain the

[2] *ITAA 1997* (Cth) Division 30.

greatest tax saving for a donation. Madden and Newton found that over 75% of tax advisors see that an important or an extremely important reason to provide philanthropic advice is because in ‘planning wisely, philanthropic giving can reduce taxes’. Also, Madden and Scaife (2008) found that 71% of respondents strongly agreed or agreed with the statement that they expected their donations to be tax deductible.

Although, Freudenberg (2009) found that for approximately 44% of individuals the tax implications have little or no implication on donations. This finding seems to be stronger than Tax Office data suggesting that only one in three donors claim tax deductions (McGregor-Lowndes and Newton 2007). However, Freudenberg (2009) did find that those with higher taxable income placed greater importance on the tax implications of donations (47.8%), compared to those earning less than $50,000 (27.3%). This could reflect that those donors on higher levels of income have greater discretionary spending when it comes to donations and the value of an allowable deduction is greater due to the higher level of progressive marginal tax rates applying to them.

Considering that many charitable givers volunteer their time to charitable causes, tax deductions for charitable donations do not generally assist those who volunteer their time to various charities and DGRs. Even if the recipient of the volunteer’s ‘time or services’ is a DGR, it is not normally possible for the volunteer to claim a tax deduction for expenses incurred in doing the volunteer work. Such non-deductible expenses for the volunteer could be the cost of travel, the cost of clothing and telephone expenses. Neither could the volunteer claim a deduction for ‘notional expenses’, such as the amount that the volunteer could have notionally charged for their pro bono work. The reason for this non-deduction of ‘time or service’ is that there is no transfer of ‘property’ from the volunteer to the DGR. It is this ‘transfer of property’ that is necessary for a donation at law to exist.

One way this rule can be circumvented is if volunteers are reimbursed by the DGR for the direct expenses that they incur. If the volunteer then ‘donates’ back this reimbursed amount to the DGR, there has been the necessary property transfer for the volunteer to claim a tax deduction for (Tax Ruling 2005). For example, a volunteer incurs $10 in travel costs which is reimbursed by the DGR. The volunteer can then ‘donate’ back the $10 to the DGR and claim a tax deduction of $10. Given the large percentage of people volunteering their time, allowing volunteers to claim expenses incurred in volunteering for DGRs would bring some equity to those taxpayers who donate time compared to money and/or property. Such tax deductions could be for travel expenses incurred in volunteering, as well as other direct expenses.

> **Recommendation:** Consider changes to the tax system to allow for volunteers to claim expenses incurred when volunteering for DGRs.

Alternatively, another approach to enable tax deductions is for the volunteer to claim as a tax deduction the shadow price of volunteer time. This could be calculated by estimating the value of foregone earnings. For example, for a worker who earns the minimum wage and have volunteered 2 hours of their time to a DGR, the tax deduction can be calculated as: 2 hours x the minimum wage. The use of foregone earnings is widely used in the valuation of transport infrastructure (Small 2012).

> **Recommendation:** Consider changes to the tax system to allow for volunteers to claim earning foregone when volunteering for DGRs.

Deceased estates and tax deductions

Generally, cash donations made pursuant to a will are not tax deductible even if the recipient is a DGR.[3] This includes scholarships gifted to universities. Testamentary donations of non-cultural goods will also be non-tax deductible. However, the potential capital gain or capital loss on the transfer of the non-cultural goods by the executor to the recipient may be disregarded provided it would have been deductible if the

[3] *ITAA 1997* (Cth), section 30-15(2).

donation had occurred while the person was alive.[4] If the transfer of the non-cultural good would not have been deductible prior to the death of the deceased, there is the potential for a capital gain or loss by the executor of the estate. The potential to have a capital gain arises because the executor is deemed to have received the market value of the property on the transfer even though no money is received.[5]

There is support to broaden the tax incentives to people who leave goods or money to DGRs in their will. For such reforms to be beneficial, awareness of them needs to be increased. Therefore, while these potential reforms are recommended – it is critical that due consideration is given to their implementation in a manner that is understandable.

> **Recommendation**: Consider changes to provide executors with tax deductions for donations made pursuant to a person's will on the same eligibility basis as if the donation had been made while the deceased was alive. This should include scholarships gifted to universities from a deceased estate.

Tax returns and tax deductions

A potentially easy way that donations could be facilitated is by including a new option on the ATO's tax return notices that allows taxpayers to nominate a charity to receive all (or part) of the taxpayer's tax refund. This donation could be specified as a percentage from 1% to 100% of the refund amount and using a specified identification code, such as their ABN, could identify charities. Given the importance of simplicity, this reform has great appeal. The tax deduction would then be claimed by the taxpayer in the next relevant tax year.

> **Recommendation:** Consider changes to tax returns to allow for the nomination of a DGR as a recipient of a taxpayer's tax refund.

Matching scheme and tax deductions

Another potential reform is the government matching dollar for dollar donations made to DGRs (OECD 2020). However, the concern for the government would be the loss to revenue if there were no cap on the extent of government co-contributions.[6] Also this could see some larger national organisations gaining an advantage at the detriment of smaller local charities who may not be as sophisticated to attract donations. Nevertheless, this could provide incentives to those organisations to become more pro-active. It could be that this 'matching' scheme be introduced only for a limited time to try to enhance the culture of giving in Australia.

> **Recommendation:** Consider changes for the introduction of a government co-contribution scheme in terms of donations made to DGRs (this could be subject to an annual cap).

Growing awareness of tax knowledge

Consideration should be given to increase public awareness of tax benefits of giving. Low awareness of any tax provisions can hinder their effectiveness, as low tax literacy can be linked to non-compliance (Mihaylov et al 2015). It has been reported that some of the lowest awareness of tax provisions relate to those around philanthropy. For example, there is low knowledge about the workplace giving program, deductions for donations of land, film offsets and prescribed public funds (Freudenberg 2009). In a US study, Hageman and Hausserman (2020), found fewer than half of participants understand the basic principles of how charitable donations affect tax liability. Furthermore, it was found that educational intervention, via a short educational video, can improve this knowledge and assist them to better

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4 ITAA 1997 (Cth), section 118-60. This CGT exemption applies even if the value of the property is less than $5000.

5 ITAA 1997 (Cth), section 116-30.

6 This is particularly the case given the reduction of the government's co-contribution scheme in relation to superannuation.

understand the tax financial effect of such a donation. However, some research has demonstrated that taxpayers with such improved knowledge about the tax financial effect of a donation, may in fact reduce the amount of donations provided (Hageman and Hausserman, 2020).

While taxpayers may rely on their professional advisors for insight about the effect of donations, previous studies that have found that advisors can be lacking the 'hard technical tax knowledge' relevant to philanthropy (Cohen 2002). Madden and Newton (2006) found that the capacity for advisors to provide philanthropic advice appeared to be lacking as a large percentage of advisors thought that they were only somewhat informed at best (compared with well-informed or extremely informed). This would suggest that any strategies to improve tax knowledge, should not only be directed at taxpayers, but also advisors. Consideration could be given to what role the Tax Practitioners Board, CA ANZ and/or CPA Australia can support knowledge growth among registered advisors in this area.

> **Recommendation:** Collation of a register of specialist tax professionals who have a greater understanding of philanthropy (including tax lawyers, accountants, tax agents and financial planners).
>
> **Recommendation:** Guidelines encouraging private giving need to be effectively disseminated, not only to individuals, but also professional advisors given their low awareness of 'giving' provisions. These can also be incorporated into Professional Development Programs/Educational requirements offered via the CA ANZ, CPA Australia and/or Tax Practitioner Board.

Practitioner Perspective: Limitations of the ATO definition of a tax-deductible gift

We have observed a general trend of philanthropists becoming more sophisticated in their giving, as well as more engaged, moving away from the traditional hand over a cheque and do little else. Increasingly philanthropists are wanting to understand more about the impact of their giving, wanting to document more details in funding agreements regarding objectives, progress, milestones etc, with payments released as the program progresses. This is not intended as an obligation and provides no benefit back to the donor, it is merely a product of the increased sophistication and engagement from philanthropists, and their wanting to create and understand impact.

However, the increased sophistication and detail in funding agreements often moves the funding away from being considered a tax deductible gift by the ATO definition, on the advice from tax and legal teams. This can create unnecessary challenges in relationship management, where the funding can no longer be referred to as a gift/donation, while the funder very much perceives their funding as a gift and that they are a donor.

> **Recommendation:** The Inquiry should consider reviewing the definition of a gift as it applies to individuals and other giving vehicles such as trusts and foundation to accommodate for the increasing sophistication and engagement in philanthropic giving

Practitioner Perspective: Reporting limitations or inconsistencies

Media reporters, external report developers, and even some of the data considered for this Inquiry is generally drawn from the donation and bequest line in the notes of the financial statements. There is generally inconsistency in the funding included in the donations and bequest line across different organisations, a major contributor being the above-mentioned point. Increasingly, in part due to the increasing complexity and sophistication of giving, the donations and bequest line in financial states does not reflect the entirety philanthropic giving in the broader sense. Furthermore, the more complex funding is generally the most significant philanthropic gifts, therefore the exclusion of that funding in reports on giving has a material effect.

Many Australian and New Zealand universities participate in a philanthropic giving benchmarking exercise, coordinated by the Council for Advancement and Support of Education (CASE). One of the figures included in the benchmarking exercise is the total philanthropic funds received by the university in the surveyed year. For the purposes of the survey, the definition of philanthropy is broader than that of an ATO tax deductible gift, focusing on a definition of philanthropic intent, while excluding some funding bodies (such as government or government funded entities). The below tables provide a comparison for eight Australian universities of the donations and bequests figure as reported in financial statement compared to the CASE benchmarking figure.

2020

University	***Donation and Bequests – Financial Statement***	***Income Received - Benchmarking***	***Difference benchmarking to financial statement***
Uni A	$61,617,000	$69,785,000	-$8,168,000
Uni B	$124,961,000	$114,503,000	$10,458,000
Uni C	$42,006,000	$45,045,000	-$3,039,000
Uni D	$15,321,000	$15,830,000	-$509,000
Uni E	$99,705,000	$168,109,000	-$68,404,000
Uni F	$13,889,000	$70,792,000	-$56,903,000
Uni G	$10,416,000	$31,357,000	-$20,941,000
Uni H	$20,384,000	$43,581,000	-$23,197,000

2021

University	***Donation and Bequests – Financial Statement***	***Income Received - Benchmarking***	***Difference benchmarking to financial statement***
Uni A	$64,626,000	$67,694,000	-$3,068,000
Uni B	$77,861,000	$75,449,000	$2,412,000
Uni C	$46,600,000	$50,635,000	-$4,035,000
Uni D	$19,347,000	$19,028,000	$319,000
Uni E	$62,044,000	$72,655,000	-$10,611,000
Uni F	$23,204,000	$67,504,000	-$44,300,000
Uni G	$10,979,000	$26,226,000	-$15,247,000
Uni H	$35,083,000	$62,199,000	-$27,116,000

Recommendation: The Inquiry should consider reviewing reporting guidelines to provide more consistency and completeness in reporting of philanthropic giving.

Practitioner Perspective: Capital allocated for charitable purposes not deployed for charitable benefit

Whilst government provision incentivises the transfer of capital to be used for charitable purposes, it is not necessarily sufficiently deployed for charitable benefit. Even with the positive benefits of the introduction of Private Ancillary Funds, too often those who have them or are acting on behalf of those who have established PAFs have the charitable distribution low down on their priorities. There is a perceived sentiment that in many circumstances the rationale and motivation is to maximise tac efficiency and other benefits. Thus, individuals, families, and advisers who have established trusts and foundations are at times not very inclined to sufficiently mobilise or direct the funds towards a charitable purpose.

This has been further exacerbated with estates or transfers of funds to trustee companies. The power and influence of agency, particularly after the principal has passed away, is significant. In some circumstances the perceived incentive is to retain the corpus and maximise any benefits from the administration of the funds, including adviser fees, accounting, legal, and investment fees, in addition, the prestige and status attached.

> **Recommendation:** The Inquiry should explore a raise in the threshold of annual distributions, along with greater oversight or policy to ensure increased deployment for charitable benefit.

The role of unpaid care work –a disproportionate burden for women

Unpaid care work is an act of charitable giving that contributes to the well-being of individuals, their families and societies (Irongmonger 1994, Stiglitz et al., 2007). It refers to all unpaid services provided within a household for its members, including care of persons, housework and voluntary community work (Elson, 2000).

These activities are considered work, because theoretically one could pay a third person to perform these. In Australia the economic value of unpaid care work has been estimated at $650.1 billion dollars or 50.6% of GDP using 2009-10 data (Hoenig and Page, 2012; WGEA, 2016). Statistics Canada collects similar information and provide a more contemporary figure for a similar country. They report for 2019 that the gross opportunity cost of the value of unpaid household work was equivalent of 32.7% of nominal GDP or CAD 860.2 billion (CAD 34,370 on a per-capita basis). This is larger than the total contributions of the manufacturing, wholesale and retail industries, and disproportionately carried out by women, especially women with children.

We call on the Commission to consider what can be done to support care givers. It is factually clear that the role that women play in contributing to unpaid work represents a key disadvantage and likely cause of the gender pay gap (Blau and Kahn 2017, Risse 2023).

Much as with the provision of taxable concessions to gifting, the government could consider income splitting, where the stay-at-home partner who carries out unpaid work is ‘bequeathed’ an income taken away from the partner in paid work. Canadian data suggests that this tends to be concentrated among higher income households, so the amount could be capped, or varied (a) depending on the presence and age of offspring, (b) by percentage of income on a sliding scale or (c) be introduced in tandem with a negative income tax.

Given the bulk of non-income generating partners are women, this will maximise the choice of women, particularly women with children, to choose between the creation of either workplace or household production. This is especially so given that the value of household production has thus far been significantly discounted on the basis of its exclusion from the national accounting calculations.

> **Recommendation:** The Inquiry should evaluate the possibility of introducing income splitting arrangements that provide greater financial support to caregivers.

Cross-border philanthropy and Australia's Foreign Policy.

In an increasingly globalised society, a significant portion of charitable giving benefits international causes, with 10% of Australian charities operating overseas. The Inquiry should consider the extent to which increasing such outbound charitable flows could impact Australia's Foreign Policy objectives across various regions. Australia's Official Development Assistance (ODA) as percentage of Gross National Income has been in decline for the past two decades (ACFID 2022). The total Australian ODA is approximately 4.4 billion. A key objective of this funding is to provide Humanitarian assistance to support major pressing Humanitarian Crises. According to the Global Philanthropy tracker's research on cross-border resource flows across 47 economies, Philanthropic outflows represent approximately 40% of ODA (Global Philanthropy Tacker 2020). Understanding how responsive outbound philanthropic giving in Australia is to international disasters and emerging Humanitarian Crises could assist Australia in better targeting ODA to regions where private philanthropic flows are less responsive.

> **Recommendation:** The Inquiry should consider changes to NGO reporting requirements that enable data to be collected on the quantity of cross border philanthropic outflows to recipient countries.

In other cases, cross border philanthropic flows may be at odds with Australia's National Interest. For example, charities have been occasionally utilised by terrorist organisations to facilitate terrorism financing (Rose 2018). Greater awareness of these risks has placed an increased burden on charities involved in cross border philanthropic flows (Fowler 2022). As part of their Anti-Money Laundering & Counter Terrorism Financing (AML & CTF) obligations, banks and other financial intermediaries in Australia utilised by charities actively monitor and assess AML & CTF risk. In a study of UK charities, Fowler (2022) reports evidence of charities experiencing a loss of banking services due to these issues. To avoid instances of de-banking among charities, steps should be taken to encourage charities to adopt a risk-based approach to Know Your Customer (KYC) and Customer Due Diligence (CDD) procedures that ensures ascertain the sources of funding (Singh and Lin 2021). In this regard, the Inquiry should consider how it can support the development of accredited micro-credentials and training resources that enable charities to actively monitoring and assessing AML & CTF risks.[7]

> **Recommendation:** The Inquiry should consider what steps can be taken to train charities to actively assess and monitor AML & CTF risks. This can be done by developing accredited micro-credential training for charity board members.

Facilitating the adoption of new technologies

The combination of RegTech (regulatory technology), MarTech (Marketing Technology), and FinTech (Financial Technology) with emerging technologies such as blockchain and artificial intelligence have the potential to unlock new and alternative streams of fundraising and reduce overheads and barriers to giving.

The application of RegTech to support reduced regulation requirements may significantly reduce compliance overheads for NFPs, enhance the protection of donors, and also provide fast and simple solutions for businesses to integrate giving into their business, products, and services.

The current system of verifying and facilitating donation requests are from legitimate charities and authorised representatives places unnecessary costs and time burdens on both NFP organisations and potential donors. Public reporting for charities can also be cumbersome as the same or slightly modified

[7] The UK's Compliance toolkit for charities contains chapters on terrorism and due diligence https://www.gov.uk/government/collections/protecting-charities-from-harm-compliance-toolkit.

reports and data must be provided to multiple government departments across both state and federal governments. For example, to register and comply with regulations for a registered charity in Australia the organisation may have registrations and ongoing reporting obligations with the ASIC, the ABR, the ACNC, the ATO, and multiple state departments depending on where fundraising occurs.

There are over 60,000 registered charities in Australia and estimates of 600,000 unregistered NFPs (ANAO, 2020). The complexity, time, and costs involved in registering and complying with such cumbersome regulation may be a significant factor in why there is almost ten times the number of unregistered charities

Technology has the potential to significantly reduce the costs and time involved to register and operate non-profits regardless of their size and annual revenue. It is proposed that a streamlined registration and compliance structure be established for micro organisations (<$1 million revenue per annum) that leverages technology to protect consumers, provide enhanced transparency and lower the costs to encourage unregistered organisations to register.

- For example, littlephil.org has been developing platform technology that uses blockchain and artificial intelligence to reduce overheads and increase transparency and fundraising streams for non-profits.

In theory, a person or group of people may come together with a common social mission and decide to register their charity using the Little Phil technology. The authorised representative undertakes bank-grade AML/KYC ID verification, and once verified will have an account on Little Phil, all of which can be completed within hours compared to the current Government registration process which can take weeks to months and thousands of dollars to complete.

This will assist Government in understanding the true number of NFPs operating, the regions that are the most active, and where there are shortfalls for strategic allocation of funding for underserved regions and societal issues.

Combining RegTech to lower compliance and verification burdens with FinTech to facilitate low-cost integration and financial donations opens previously unavailable donors. For example,

- the Little Phil technology infrastructure allows any business to connect and integrate giving into their business, product or service using API integrations to facilitate the secure collection and distribution of funds to verified NFPs that are registered with the technology.

- e-commerce integrations “Shop and Support Shopify App” There are over 4 million e-commerce stores that operate with the Shopify technology platform. Shop and Support by Little Phil enables any store using Shopify to integrate giving into their business in minutes. The store simply installs the app, selects one to three charities, and either a percentage or dollar amount per sale that will go towards a charity. The customer will be able to decide which charity to allocate the funding to. This becomes an alternative stream of fundraising for NFPs and also assists in the promotion of the charities to consumers at the checkout, both of which are new demographics for giving.

- Workplace Giving - Employee Empowerment. Employees can receive a monthly giving credit to donate to what they care about as part of their remuneration package. This provides a new demographic of donors a no-cost way to experience philanthropic giving and an increased likelihood of repeat donations should the donors receive an enjoyable experience. Technology facilitates the secure allocation of donation credits, settlements to verified non-profits, and engagement feedback loops through updates and data to the companies and employees who donate.

The same infrastructure may be used for entrepreneurs, change makers, and businesses around the globe to integrate philanthropic giving into their own products and services.MarTech & Artificial Intelligence (AI) also has the potential to significantly reduce overheads and increase the efficiency of NFPs. For example:

- the Little Phil Artificial Intelligence-powered Charity Content Assistance can already produce optimised copy for charity fundraising campaigns, updates, social media posts, blogs, and emails. The application of this technology in a user-friendly and affordable manner levels the playing field for smaller NFPs who may not be able to afford content and marketing staff, or lack the in-house capacity to execute on their own. It is estimated that this solution can increase productivity for NFPs marketing and fundraising by up to 10 times.

- the average high-quality blog post takes 4 hours and 10 minutes to write *(Orbit Media, 2022)*. With the AI-powered content assistant, a similar quality blog post can take minutes. The technology has the potential to free up time for charity workers to focus on more strategic objectives of the organisation, whilst still remaining competitive with best practices for digital marketing.

The AI industry is currently lacking regulation, and it is our view that prior to any proposed regulation that proper consultation with technology experts within the NFP industry is critical. The NFP industry is often overlooked and misunderstood by policy advisors and may cause permanent adverse impacts to the prosperity of the NFP industry without proper consultation. The potential of AI to significantly reduce overheads and maximise impact within the NFP industry is already beginning to evolve and we anticipate it will continue to do so at ever-increasing speeds.

We believe that there could be billions of dollars or more in additional philanthropic funding accessible to make a direct impact on causes across Australia should technology such as this be championed by Government and simplified regulations for the registration and ongoing compliance of micro-small NFPs be modified to reduce overheads.

> **Recommendation:** The Inquiry should take into account how new technology and streamlined regulations have the potential to unlock access to billions of dollars worth of philanthropic giving through new and alternative streams of fundraising, along with improving the integrity of the NFP industry and providing visibility over a larger percentage of unregistered NFPs that operate in the shadows.

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