

**Productivity Commission
Inquiry into Philanthropy**

5th May 2023

Thank you for the opportunity to provide input on matters relating to philanthropy in Australia.

I am an Associate Professor at the Social Policy Research Centre, University of New South Wales. I conduct research about not-for-profit social and community service organisations¹. I would like to draw the Commission's attention to research showing limitations and challenges associated with philanthropy as a source of funding for community sector organisations.

The goal of growing philanthropy

First, it should be recognized that growing philanthropy is an agenda pursued by government and industry. **Rarely (if ever) do people experiencing poverty or social disadvantage call for more philanthropy.** Instead, they call for better government supports including a social security system which ensures that housing, food and energy are affordable; and access to decent housing, health, disability, mental health, education, employment and other services and supports.² When leaders and workers in non-profit social and community service organisations are asked what is needed to sustain their services and supports, they call for adequate, secure funding from governments.³ However, organizations tend to welcome philanthropy where it can supplement public funding that is considered inadequate, conditional and precarious, and where client fees and other forms of market-based funding are difficult to attract, such as where services are provided to clients experiencing social and economic disadvantage.⁴

¹ By social and community services I am referring to services such as child, family and youth services; disability and ageing services; community health and mental health; alcohol and other drugs; community and neighbourhood centres; migrant services; housing and homelessness services; community legal and advocacy services; Aboriginal health and legal services; and employment and financial services.

² See, for example, ACOSS (2023) *"It's hell": how inadequate income support is causing harm*, ACOSS, March 2023 https://www.acoss.org.au/wp-content/uploads/2023/03/ACOSS-cost-of-living-report2-March-2023_web_FINAL.pdf; Davidson, P. (2021) *Faces of Unemployment 2021*, ACOSS, https://www.acoss.org.au/wp-content/uploads/2022/01/Faces-of-Unemployment-2021_final.pdf; Naidoo, Y; valentine, k; and Adamson, E (2022) *Australian experiences of poverty: risk precarity and uncertainty during COVID-19*, Australian Council of Social Service (ACOSS) and UNSW Sydney. <https://povertyandinequality.acoss.org.au/australian-experiences-of-poverty/>

³ Cortis, N. and Blaxland, M. (2023) *At the precipice: Australia's community sector through the cost-of-living crisis, findings from the Australian Community Sector Survey*. Sydney: ACOSS. https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice_ACSS-2023.pdf. See also Cortis, N., Blaxland, M. and Adamson, E. (2021). *Counting the Costs: Sustainable funding for the ACT community services sector*. Sydney: UNSW Social Policy Research Centre. https://www.actcoss.org.au/sites/default/files/public/publications/2021-report-Counting-the-Costs_1.pdf

⁴ Cortis N (2016) Access to Philanthropic and Commercial Income Among Nonprofit Community Service Organisations, *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 28: 798 - 821, <http://dx.doi.org/10.1007/s11266-016-9715-2>

Insights from studies of community sector organisations

Since 2019 I have worked with my colleague Dr Megan Blaxland to design and analyse the Australian Community Sector Survey (ACSS), as part of a collaboration between the Social Policy Research Centre, the Australian Council of Social Service (ACOSS) and the COSS Network in the States and Territories.⁵ The survey captures perspectives of workers and leaders in community sector organisations. In 2022 1,476 community sector staff participated, including 318 organisational leaders (CEOs and senior managers). ACSS provides national evidence on organisational leaders' perspectives on their funding arrangements. With colleagues I also conducted the 'Counting the Costs' report, a collaboration with the ACT Government and ACTCOSS in 2021, which provides some additional evidence about organisations' funding mix and the role of philanthropy⁶.

Both studies have shown that government funding is too low to enable organisations to cover full costs, too short to support sustainability and staff retention, and it can involve high administrative costs.⁷ While philanthropy can help to fill gaps in government support, such as funding innovative pilot programs, it is not considered adequate, equitable or sustainable. Indeed, many community organisations receive no philanthropy, and some receive only very small amounts.

- Australian Community Sector Surveys confirm that philanthropy plays a relatively minor role in community sector organisation's funding mix. In 2022 for example, 56% of service leaders said their organisations received some philanthropy, but it was the main source of funding for only 8%.⁸
- For the Counting the Costs report, we surveyed 88 ACT community sector organisations in 2021 and found the median amount of income they receive from philanthropy or commercial sources was zero, indicating **at least half had no private income stream**.⁹

Government income is widely considered better for the financial stability and security of community sector organisations, although it is far from adequate.

- The 2022 ACSS showed that overall, 37% of leaders reported that their organisation's finances worsened in 2022. However this was the case for 53% of leaders in organisations in which philanthropy or commercial income was the most important funding source.

⁵ ACSS reports are available at <https://www.acoss.org.au/australian-community-sector-survey/>

⁶ Cortis, N., Blaxland, M. and Adamson, E. (2021). *Counting the Costs: Sustainable funding for the ACT community services sector*. Sydney: UNSW Social Policy Research Centre. https://www.actcoss.org.au/sites/default/files/public/publications/2021-report-Counting-the-Costs_1.pdf

⁷ Cortis, N. and Blaxland, M. (2023) *At the precipice: Australia's community sector through the cost-of-living crisis, findings from the Australian Community Sector Survey*. Sydney: ACOSS. https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice_ACSS-2023.pdf. Cortis, N., Blaxland, M. and Adamson, E. (2021). *Counting the Costs: Sustainable funding for the ACT community services sector*. Sydney: UNSW Social Policy Research Centre. https://www.actcoss.org.au/sites/default/files/public/publications/2021-report-Counting-the-Costs_1.pdf

⁸ Cortis, N. and Blaxland, M. (2023) *At the precipice: Australia's community sector through the cost-of-living crisis, findings from the Australian Community Sector Survey*. Sydney: ACOSS. https://www.acoss.org.au/wp-content/uploads/2023/04/At-the-Precipice_ACSS-2023.pdf. For previous findings see

⁹ Cortis, N., Blaxland, M. and Adamson, E. (2021). *Counting the Costs: Sustainable funding for the ACT community services sector*. Sydney: UNSW Social Policy Research Centre. https://www.actcoss.org.au/sites/default/files/public/publications/2021-report-Counting-the-Costs_1.pdf

Leaders of community organisations often comment that cyclical patterns of donating, and the increasing competition among organisations for philanthropic funding, mean that philanthropy is not a stable and viable funding source. They also sometimes find it provides inadequate security to their service users. Others have found philanthropic funders have unrealistic expectations of outcomes and impact.

In *Counting the Costs*¹⁰, leaders' comments offer insight into their experiences of seeking philanthropy, and the barriers they face. These two participants, for example, explained why philanthropy is not ideal for funding their work:

It's really hard when you don't work in a 'sexy' area or are not aligned with a larger group who can raise your profile to bring in philanthropic funds. We don't focus on fundraising as this is a specialty that we don't have and we can't afford to bring in (it is too risky and we have been bitten in the past). Our business is in providing health care/support to mostly low income people. This shouldn't have to be fundraised for. It is cheaper to outsource this work and that is why Government does so, therefore it should be properly resourced. Poor people shouldn't have to settle for less just because of their income status.

Philanthropic support is always welcomed but is not adequate to sustain programs. Many grants and opportunities are available for the set up of programs but do not support the continuity and ongoing costs of these programs or existing programs that were started from the grants. Sustainability of programs and services in the Community Services Sector is critical, service users and participants need security of support services.

Research conducted for NCOSS¹¹ in 2014, based on survey responses from 521 community sector organisations, also showed that philanthropy is very inequitably distributed across organisations.

- Survey data showed smaller community service organisations were less likely than larger organisations to receive any income from individuals or estates, businesses, philanthropic foundations or funds, or payroll giving.

Attitudinal measures indicated that many organisations experienced barriers to accessing philanthropy:

- When asked whether their organisation had good knowledge and understanding of philanthropic funding sources, two in five survey respondents (40%) said they did not.
- Almost three in five (59%) felt they did not have the resources or expertise to seek philanthropic support.

¹⁰ Cortis, N., Blaxland, M. and Adamson, E. (2021). *Counting the Costs: Sustainable funding for the ACT community services sector*. Sydney: UNSW Social Policy Research Centre.
https://www.actcoss.org.au/sites/default/files/public/publications/2021-report-Counting-the-Costs_1.pdf

¹¹ Cortis, N. and Blaxland, M. (2014) *Private funding and community service organisations in New South Wales*,
https://www.arts.unsw.edu.au/sites/default/files/documents/1_Summary_Private_funding_and_community_service_organisations_in_NSW.pdf

- Over a quarter (28%) felt philanthropic funds or foundations were unlikely to support the types of services they provide.

These data were also used as the basis for more sophisticated analysis reported in the 2016 article 'Access to Philanthropic and Commercial Income Among Nonprofit Community Service Organisations'.¹² Findings showed that nonprofits outside the metropolitan areas, and Aboriginal services, were least likely to receive donations and community fundraising income. I have attached a copy of this article for the Commission.

Overall, this program of research underlines that philanthropy is not an ideal funding source and can create challenges for the community sector. Efforts to increase philanthropic giving are likely to benefit some interests and some community organisations more than others.

¹² Cortis N (2016) Access to Philanthropic and Commercial Income Among Nonprofit Community Service Organisations, *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, 28: 798 - 821, <http://dx.doi.org/10.1007/s11266-016-9715-2>