



# Submission to the Productivity Commission Inquiry into Philanthropy

The Presbyterian Church of Australia in the  
State of New South Wales

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## Who we are

The Presbyterian Church of Australia in New South Wales consists of 183 congregations with over 13,500 adults regularly attending and supporting their local church and outreach into their local communities. The Church operates four independent schools and three low-fee Christian schools educating over 5,500 students, five of these schools in regional communities across New South Wales. It also provides a range of disability services, including Allowah Presbyterian Children's Hospital and Disability Support Services, supports chaplains in hospitals and prisons, operates six Early Childhood Services for Pre-schools/Kindergartens/Childcare, and coordinates the teaching of scripture in public schools which involves over 400 voluntary Presbyterian scripture teachers.

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## Our Position

1. We support many of the recommendations to simplify the administration of the Charity sector and to make a wider range of charities eligible for DGR status.
2. The Commission's report must recognise the extensive community benefit from religion and people of faith. In Australia, this is largely due to Christian churches.
3. Rather than removing religious education as an eligible category while greatly expanding the range of other eligible charities, the Commission should consider making it possible for a wider range of religious charities to receive DGR status.
4. Special Religious Education in NSW, and the equivalent in other states where it is offered, contributes to general community well-being and should retain DGR status.
5. Removing DGR status from building projects for independent schools will increase the cost to governments for educational infrastructure and deny smaller communities valuable facilities.
6. The category of Basic Religious Charity should be retained. Removing that category will impose unnecessary reporting and compliance burdens on larger churches.
7. If the category of Basic Religious Charity is removed this would give the ACNC powers to replace the governing bodies of churches. The exercise of that power would contravene important human rights which recognise the right of religious communities to independence.

The Presbyterian Church of Australia in New South Wales endorses submissions by:

- The Sydney Anglican Diocese,
- Freedom for Faith,
- Dr Alex Deagon and Dr Mark Fowler.

## *Introduction*

Both historically and currently, Presbyterianism in Australia is inextricably tied to philanthropy. Members of the Church care for one another and the community at large. To love one's neighbour as one loves oneself (Mark 12:31) will always be a core tenet of the Christian faith. Christians care for the people around them; and also care for the provision of tangible sustenance to those who are in need (James 2:15-16).

While supporting a number of the proposed initiatives outlined in the Productivity Commission's Draft Report into Philanthropy, this paper outlines those areas of the Draft Report that we believe will significantly impact people of faith broadly, and specifically, those who serve and contribute personally to the social services and educational ministries of The Presbyterian Church of Australia in New South Wales.

### *1. People of faith provide community-wide benefits.*

The Future Foundations for Giving report fails to recognise the important contribution to the common good of religion (and in Australia, that is primarily Christianity). Although the Report acknowledges that "religious organisations play an important role in many people's lives and communities across Australia", it also states that there is no case for extending DGR status to solely religious charities on the grounds that they do not meet the requirement that "the activity is expected to generate net community-wide benefits and would otherwise likely be undersupplied by the market" (pp17-18). We strongly contest the assumption that religion (and hence the advancement of religion) does not generate "net community-wide benefits". There is extensive evidence to demonstrate that it is just the opposite.

Australia has not traditionally given religious charities DGR status, or the equivalent (O'Connell, 2020). Whatever rationale is provided for that, it should not be defended on the premise that religious charities fail to contribute community-wide benefits. The Commission should ensure that the contribution of religion to the good of Australian society is placed on the public record and should take that far more seriously in its deliberations.

#### *1.1. Religious groups and churches make a very large contribution to social capital.*

The economic impact of religion on society demonstrates that religion contributes substantially to the welfare of Australians. The main societal benefits of religion can be broadly categorised as relating to social capital, social cohesion, and community health and well-being (Derrington, 2019). It is through the contribution of religion to these social dimensions that society and the economy are affected in a positive way.

Historically in Australia most charitable societies and foundations were religious-based. For instance, the Benevolent Society, Australia's oldest existing charity formed in 1813. The Presbyterian Church was particularly, though not uniquely, prominent in philanthropic ventures in colonial New South Wales (Cooper, 2015; Piggin & Linder, 2019). Religious-based charities are therefore much older than charities without a religious purpose (44 years compared with 23 years on average) and of the surviving charities established before 1900, over 70% are charities with religious purpose (Knight and Gilchrist, 2015).

Religious-based charities remain primary in helping the disadvantaged and continue to play a significant role in Australia's non-government schools and hospitals (Scaife et al., 2015).

Approximately 25% of the charities established in the last 25 years, are charities with a religious purpose (Knight and Gilchrist, 2015). In 2021 the ACNC reported \$13.4 billion charity revenue from donations and bequests and included in the top ten charities in terms of highest donations were the religious charities World Vision, Salvation Army and Compassion (Australian Charities and Not-for-Profits Commission, 2023).

#### 1.2. Religious groups consistently benefit the wider community, often in ways that are not captured by the Productivity Commission/ACNC data.

Religion contributes to the good of individuals and families who participate in it because humans have a spiritual dimension, and many people express that through religious activity. This is reflected, for example, in the correlation between religious participation and health which affects society and the economy in a positive way. Research suggests that the practice of religion increases physical health, life expectancy, and mental health (Weber and Pargament, 2014; Williams and Sternthal, 2007).

It is not just those affiliated with religion who enjoy the social and economic benefits of religion. The benefits spread throughout the broader society (Derrington, 2019). Approximately 10,000 Australian charities include the advancement of religion as one of their charitable purposes. Of these, 48% nominate one or more additional purposes: 24% include advancement of education, 18% relief of poverty, sickness or the needs of the aged, 4% provision of childcare services and 16% other purposes beneficial to the community (Knight and Gilchrist, 2015). Therefore, faith-based charities provide services across the full breadth of Australian society. In addition to serving the general community, faith-based charities nominated children, young people, women and/or the elderly as the main beneficiaries of their work. Over 60% of all reporting charities with a religious purpose nominated the general community as the beneficiary of their services, just over half nominated children, and 47% nominated young people. A slightly higher proportion of faith-based charities were reported to be active in disaster relief than non-faith-based charities and approximately 25% supported other charities (Knight and Gilchrist, 2015).

Acts of service by people of faith that benefit the wider community are not always captured by the Productivity Commission/ACNC data. A survey run by National Church Life Survey Research in 2022 from 3,385 churches showed that 78% of churches in Australia provided or ran social services and activities in the past 12 months, for example, visiting (e.g. prisons, hospitals) 49%; emergency relief or material assistance (e.g. food, clothes) 47%; chaplaincy (e.g. prisons, hospitals, schools, SES, sport) 24%; counselling services (e.g. marriage or parenting counselling) 22%.<sup>1</sup> Much of this local activity is not captured since it is conducted by 'basic religious charities'.

### 1.3. Religious people are more likely to give to charity, and are even more likely to contribute to non-religious charities than those without religious faith.

Globally, research has demonstrated that people affiliated with a religion are more likely to give to charity and to give more on average than those who do not have a religion (Shepherd et al., 2019; Lyons and Nivison-Smith, 2006; Zinsmeister, 2019). Religious people are also more likely to give to all types of charity (religious and secular), compared to non-religious people. Those who identify as not being religious are 25% less likely than religious people to give to charity (Brooks 2006). People who give only to secular organisations donate about half as much as those who give some of their money to a religiously affiliated organisation. It is also found that secular givers donate less overall than religious givers (Roeger *et al.* 2012).

Significantly, the practice of religion, which is indicated by regular attendance at religious services, correlates with a higher frequency of giving and giving more than those who rarely or never attend religious services. The more that religious people attend religious services, the more they tend to invest and financially support both religious and non-religious institutions. The effect of religious attendance on giving suggests that religion and religious practice provide a social context that encourages people to be generous, forming a habit of generosity (Shepherd *et al.*, 2019).

Research from Australia corroborates these findings with almost all churchgoers (91%) agreeing that their faith informs their giving priorities and practices and the more frequently they attend church the more strongly they agreed that their faith informs these priorities and practices (Baptist Financial Services, 2019). A 2017 study estimated that religiosity positively affects the likelihood of an individual donating, bringing about an additional \$142 million in donations each year (Deloitte Access Economics, 2017). Recent findings from the National Church Life Survey showed that most church attenders (87%) donated to a charity in the past 12 months and there were statistically significant differences noted by the duration of church attendance (Hourihan *et al.*, 2023). According to Scaife *et al.*, (2015), attending religious services at least once a month relates to 25 per cent higher giving to total causes.

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<sup>1</sup> 2021/22 Church Census, Australian Attenders

In terms of giving to non-religious charities, findings from a 2021 study demonstrated that Australian religious people are more likely to support non-religious causes than non-religious people. Religious commitment (identified in terms of attendance at a religious service at least once a year), led to an increase in donations of \$1,380 million dollars per year, compared with non-religious persons to non-religious causes (Agape Economics, 2021). Churchgoers are also highly motivated to give to different causes, with the 2019 Faith and Giving survey highlighting giving to children's charities (47%); homelessness (44%); medical and cancer research (37%); Christian mission/ministry (37%); and aged care (36%). This is a significant contrast to the profile of general Australian giving, since homelessness did not feature in the top five causes for all Australian givers (Baptist Financial Services, 2019).

1.4. Church attenders are more likely than all Australians to have offered informal help to others.<sup>2</sup> Religious people consistently engage in various forms of non-monetary acts of service within the wider community, such as donating blood or volunteering in the local community (Shepherd *et al.*, 2019). Giving is seen as more than just monetary. Churchgoers see giving as using their skills to help someone else, volunteering, sharing resources and spending time with people (Baptist Financial Services, 2019).

A study on the impact of religiosity on volunteering behaviour in Australia estimated that religiosity (defined by those who attend places of worship on a regular basis) is associated with 194,320 additional volunteers in Australia each year, which amounts to 30.5 million hours in volunteering time and an estimate of \$339 million in monetary value (Deloitte Access Economics, 2017). Furthermore, religious people are more likely to give in terms of in-kind giving to both non-religious causes and religious causes than non-religious people (Agape Economics, 2021). Findings from a 2021 report show that religious engagement leads to a substantial increase in volunteering for non-religious causes. In the study, volunteering was measured as being a volunteer to a non-religious cause. Religious people were estimated to be 74% more likely to volunteer than persons who had never been religious. Persons who engaged in religion only in adult life were estimated to be 122% more likely to volunteer than people who had never been religious. This is equal to 439 million extra hours volunteered each year from religious people to non-religious causes (Agape Economics, 2021). In summary, religious charities, including churches and other religious communities, make an enormous contribution to the well-being of Australians. Religious participants derive significant health and social benefits from their participation. Religious groups contribute directly to caring for vulnerable Australians through the formal charity sector and in many informal avenues. Religious people, especially those who attend religious services, make a disproportionate financial contribution to

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<sup>2</sup> Sources: 2022 Australian Community Survey, by NCLS Research (n=3,090) and 2021/22 National Church Life Survey, Attender Survey (n=105,368)

philanthropy and are more likely to provide non-monetary help, including to be active volunteers. Given all these factors, the overall benefit of religion to Australia must be recognised.

#### 1.5. Religious charities should not be arbitrarily excluded from DGR status

The evidence clearly establishes that religious bodies and people of faith make a significant and disproportionate contribution to community well-being. The premise of the report for excluding these groups from DGR status is not based on evidence. The Commission should at least recommend that charities that advance religious education retain DGR status. It should also consider how DGR status might be extended to a wider range of religious organisations.

#### 2. *Churches do not provide benefits based on financial contributions.*

One of the reasons argued for withholding DGR status from some categories of organisations is that they offer benefits to their financial supporters rather than to the wider community. It may seem that this is the case for churches since members contribute financially to support clergy and other staff and to build and maintain facilities and then are the major beneficiaries of the human and built resources.

However, a closer examination of church financial patterns, including in the Presbyterian Church, shows that there is no direct relationship between financial contributions and benefits. Churches are typically supported by voluntary giving and do not charge the equivalent of a membership fee. Much of this giving is largely or entirely anonymous. In most churches, a relatively small proportion of attendees provide the majority of the financial support. According to a 2021 National Church Life survey, although most church attenders (92%) contribute to their local church, 71% give less than \$2000 a year and only 14% give \$5000 or more a year (Hourihan *et al.*, 2023). Research findings showed statistically significant differences by duration of attendance with 15% of shorter-term attenders (attenders less than five years) responding that they 'don't contribute' compared with 5% of longer-term attenders. Statistically significant differences were noted by church role with 31% of attendees in a leadership or ministry role contributing 10% or more of their net income to their local church compared with 19% who were not in a ministry or leadership role. There were also statistically significant differences across age groups with attendees aged between 30-49 and 50-69 most likely to give over \$5000 (Hourihan *et al.*, 2023). Thus, many people receive benefits from churches, including spiritual enrichment, pastoral care, social connection and material support who make little or no financial contribution.

#### 3. *Special Religious Education in Government Schools benefits society.*



The Report implies that religion and religious education do not give community-wide benefits. This is demonstrably untrue. Religion, especially Christianity, makes very significant positive contributions to Australian society.

*Study of Special Religious Education and its value to contemporary society* (Gross & Rutland, 2018)

notes that SRE provides key benefits including:

- Strengthening the multicultural fabric of Australian schools.
- Creating safe places for students to explore deeper questions of identity.
- Important psychological benefits of students' mental health and wellbeing.
- An effective values education that empowers student decision-making, fosters student action and assigns real student responsibility.

SRE teachers are not only supported by their local churches and faith communities but also by a wide range of individuals many of whom may not attend a church, but who financially support the work of SRE in public schools because of their desire to provide these moral and religious learning opportunities to all students, across all faith groups.

Gross & Rutland (2018 p13) state: "SRE allows for a combination of the socialisation of the students into their specific cultural and religious heritage as well as providing moral education for a set of values. It is therefore an important part of a child's holistic education for those families who choose SRE for their children."

#### *4. School building funds' DGR status helps all of society.*

The proposal will have a profound impact on low-fee faith-based schools, indeed for all schools that benefit from DGR donations (generally donated by former students, current parents, and other community focused donors and local businesses). Such donations greatly reduce the cost to government to educate those same students than if they attended a local public school.

##### 4.1. DGR Building Funds help reduce the government cost of funding buildings.

School Building Funds with DGR status provide a supplementary source for funding new school buildings and other infrastructure that would otherwise need to be funded from government grants or by parents through increased school fees.

The Presbyterian Church agrees with the Anglican Church in its submission to the Productivity Commission, that "Governments provide all the capital funding (e.g. buildings and facilities) for

government schools, but only 14% of the capital needs of faith-based schools”.<sup>3</sup> DGR status is one means by which the government provides indirect support for the capital needs of faith-based schools. If the Federal government were to revoke DGR status and thereby remove this support, then it will have to address the capital funding gap in other ways.

#### 4.2. Enhanced school buildings can promote increased community involvement.

Particularly in regional and rural communities, schools serve as community hubs, and improved facilities that are raised through the incentive of DGR benefits can enhance community engagement. The Presbyterian Church’s schools in NSW open their doors to host community events, meetings, and activities that benefit not only students but also the broader community.

The Presbyterian Church agrees that it is important for schools with DGR status to be transparent about their fundraising activities and how the donated funds are utilised. This transparency builds trust with donors and the wider community, ensuring that the benefits of the school building fund are maximised for the greater good.

#### 5. *Basic Religious Charities must remain.*

From its inception, the ACNC has rightly recognised Basic Religious Charities. The title provided to these unincorporated gatherings befits the nature of small, local churches; as do the reduced reporting burdens that are placed on these local groups of people comprising mostly of volunteers. The Presbyterian Church functions in accordance with the Westminster form of government and is structured in such a way that fosters accountability. Various courts of the Church oversee its operations. The means of oversight of the Church by a plurality of overseers is the tenet of the Church to which it owes its name. Having a group of people overseeing the operation of the Church leads to accountability and watchfulness. Furthermore, the funding for each individual Church comes from people who are in the pew every Sunday. This further adds to accountability. Every congregation in the Presbyterian Church reports annually to both its members and to the denomination on its financial transactions for the year. These accounts are required to be audited. The category of Basic Religious Charity rightly establishes processes and requirements for small, local churches that are run by volunteers, which the Presbyterian Church upholds very carefully.

We are particularly concerned at the recommendation to remove the Basic Religious Charity Exception within the ACNC regime, with the result that the ACNC Commissioner would be able to suspend, appoint and remove the leaders of religious institutions.

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<sup>3</sup> See detail at <https://isa.edu.au/our-sector/funding/capital-funding/>

In this respect, the Presbyterian Church strongly supports the following statements by Dr Alex Deagon and Dr Mark Fowler in their submission to the Productivity Commission: “This is a significant imposition on religious freedom under international law and the Australian Constitution. In particular, international human rights bodies have strongly contended that government interference in the leadership of religious organisations will breach human rights norms. Commonwealth legislation enabling such interference may be beyond the powers granted to the Parliament under the Constitution. Even if the legislation is within power, it is likely to be invalid on the basis of breaching the freedom of religion provision of the Constitution which imposes limits on Commonwealth legislative power.”

### *Conclusion*

While supporting a number of the proposed initiatives outlined in the Productivity Commission’s Draft Report into Philanthropy, this paper outlines those areas of the Draft Report that we believe will significantly negatively impact people of faith broadly, and specifically those who serve and contribute personally to the social services and educational ministries of the Church. We ask the Productivity Commission to abandon its draft recommendations in respect of the matters that we have outlined in this paper.

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