



Submission – Productivity Commission Review of Philanthropy

May 2023



Jesuit
Social Services
Building a Just Society

Jesuit Social Services: Who we are and what we do

Jesuit Social Services has been working for over 45 years delivering support and advocating for improved policies, legislation and resources to achieve strong, cohesive and vibrant communities where every individual can play their role and flourish.

We are a social change organisation working with some of the most marginalised individuals, families and communities, often experiencing multiple and complex challenges. Jesuit Social Services works where the need is greatest and where we have the capacity, experience and skills to make the most difference. Our services span Victoria, New South Wales and the Northern Territory.

Our services and advocacy focus on these areas:

- **Place-based approaches and ecological justice** – advocacy and research around the systemic change needed to achieve a ‘just transition’ towards a sustainable future, and supporting community members to lead more sustainable lives through place-based approaches to social and ecological problems.
- **Justice and crime prevention** – people involved with the justice system.
- **Education, training and employment** – people with barriers to education and sustainable employment.
- **Mental health and wellbeing** – people with multiple and complex needs including mental illness, trauma, homelessness and bereavement.
- **Gender Justice** – leadership on the reduction of violence and other harmful behaviours prevalent among boys and men, and new approaches to improve their wellbeing and keep families and communities safe.
- **Settlement and community building** – recently arrived immigrants and refugees, and communities experiencing disadvantage.

Research, advocacy and policy are coordinated across all program and major interest areas of Jesuit Social Services. Our advocacy is grounded in the knowledge, expertise and experiences of program staff and participants, and academic research and evidence. We seek to influence policies, practices, legislation and budget investment to positively influence people’s lives and improve approaches to address long-term social challenges.

We do this by working collaboratively with governments, businesses, the community sector, and communities themselves to build coalitions and alliances around key issues, and building strong relationships with key decision-makers and the community.

Introduction

Jesuit Social Services' vision is to build a just society. We believe everyone must have access to the opportunities and resources they need to flourish. Our advocacy and actions keep this goal firmly in mind - in 2021/22 we provided direct support to 12,510 people received across Victoria, New South Wales and the Northern Territory, while many thousands more were reached indirectly and through our advocacy.

In carrying out our work, we depend heavily on government and philanthropic support. Our government funding comes from Federal, State and local governments, while our philanthropic support comes from trusts and foundations, businesses and passionate individuals. We also benefit from the significant involvement of volunteers.

Continued government and philanthropic support are vital to Jesuit Social Services and many other community sector organisations. We are pleased to make this submission to the Productivity Commission about the future of philanthropy in Australia.

Our Submission

1. The role of philanthropy in a robust civil society

Philanthropy plays a crucial role in supporting civil society in Australia. Donations of funding, expertise, and time help address social issues and drive positive change.

Philanthropy is particularly important in situations where government is unable or reluctant to support programs and services (for example where a program is controversial or exploratory), where there are gaps in addressing complex social challenges, and where community support is more suited to address disadvantage because of its particularly local nature. Philanthropy can be a catalyst for change, helping to drive innovation and creativity in tackling social issues. It should supplement but not replace government funding.

Greater acceptance of risk is an important part of philanthropic support. In the words of former Rockefeller Foundation President Judith Rodin, *"We [as philanthropists] can take the risks others cannot—unlike governments, we don't live or die by the polls or the next election. Unlike businesses, we don't measure success in quarterly earnings. ... I tell my board that if we succeed at everything we do, we're not taking enough risk, and if we're not taking enough risk, we're clearly not doing everything in our power to maximize impact for the poor or vulnerable."*¹

As well as supporting programs, philanthropic funding is frequently directed towards research, advocacy and facilitating policy change. While there have been calls for tax incentives to be withdrawn for causes seen as political in nature, and advocacy treads a careful line in this respect, we believe advocacy is an important part of the work of community organisations, who bring their expertise and the lived experience of the people they work with to inform evidence-based and effective changes in government

¹ <https://www.rockefellerfoundation.org/blog/philanthropy-go-partner-risk/>

policy or to change public attitudes and perceptions around social issues in a way that benefits the community as a whole and the individuals within it.

A further advantage of philanthropic funding is that it can often be directed to areas of need more quickly than state-funded support. Emergency relief in the case of natural and other disasters is often quickly supported by public fundraising campaigns, for example. Similarly, community organisations often depend on loyal donors to respond when an urgent funding need arises, where accessing government funding might involve lengthy tender compliance with no guaranteed positive outcome. While the formal processes of government rightly take time, philanthropic funding can fill the gap while waiting for the government processes to be completed and funding delivered.

Philanthropic funding can be more flexible in application than government support. While government funding may be closely aligned to a publicly announced policy or goal, philanthropic funding can pass greater control to the recipient, trusting the recipient to apply the funds most effectively and efficiently.

Not all philanthropic support is in the form of financial resources. Many individuals and businesses provide pro bono expertise and other supports that build the capacity of civil society organisations or address gaps in their in-house expertise. Such assistance helps these organisations to become more effective in delivering their services, but again should complement rather than replace government supports.

Recommendations and Key Points

- Philanthropy plays a critical role in supporting and strengthening civil society and is essential to an effective and nimble community sector.
- Philanthropy offers important advantages, especially flexibility, a greater tolerance of risk and the ability to address areas of need more quickly.
- Philanthropy that includes financial support as well as support-in-kind (pro bono expertise and volunteer time) should 'value add' to community services - but not substitute for appropriate infrastructure costs directed to the community sector through Government service contracts.
- Philanthropy that underwrites social research and advocacy in identifying and responding to the drivers of social and economic equality is a critical feature of building a just society.

2. The role of philanthropy in supporting the work of Jesuit Social Services

Philanthropic support plays an essential role in funding the work of Jesuit Social Services. Jesuit Social Services is grateful for the strong support from both philanthropic foundations and generous individuals who ensure we can continue to deliver our services and advocacy while also planning for the future.

In 2021/22 we received significant support from philanthropic organisations, which collectively donated \$1,191,998 towards a range of initiatives including The Men's Project, Artful Dodgers Studios, Jesuit Community College, the Centre for Just Places, Ignatius Learning Centre, and our work in Western Sydney and the Northern Territory.

Our well-respected research series on place-based disadvantage, *Dropping off the Edge*, has long been supported by the philanthropic sector, with the Gandel Foundation and Vincent Fairfax Family Foundation supporting the most recent report in 2021. That research in turn supports and informs the

work of numerous other non-profit organisations around the country, as well as being used by governments to tailor programs and services for better outcomes.

As noted above, philanthropic support is critical in supporting exploratory research, pilot studies and projects that, while important, may be too controversial or politically challenging to attract government support, at least in the early stages.

An example is the Stop It Now! service, the first of its kind in Australia, which aims to prevent child sexual abuse by working with people who are worried about their sexual thoughts and behaviours in relation to children, as well as partners or family members affected concerned about someone else's thoughts or behaviours. Jesuit Social Services is currently running a pilot of this program (see case study, below) with philanthropic support from the Westpac Foundation.

The pilot, as well as making initial progress in this challenging area and offering strategies to those at risk of offending, has played a crucial role in facilitating commitment from the federal government to scale-up a Stop it Now! style program as part of their National Strategy to Prevent and Respond to Child Sexual Abuse. This demonstrates how philanthropy and government funding can work together for positive community outcomes. Similarly, our Ignatius Learning Centre depended on philanthropic support during its establishment. The

“The [Dropping off the Edge] work and report is absolutely amazing and invaluable to us in the work we are currently doing, which is to develop a social advocacy agenda [for our city council]. We currently have no generalised crisis or short-term accommodation in the City and no local homelessness support services so this data [is] building our arguments for these services being a key priority for the area.”
LOCAL GOVERNMENT MANAGER

CASE STUDY: Stop It Now!

In August 2022, with the support of philanthropic funding, Jesuit Social Services launched a pilot of Stop It Now! The program's key feature is an anonymous phone helpline for people who are worried about their own or others' sexual thoughts and behaviours in relation to children. Stop It Now! operates successfully overseas, having been first established in 1992 by a victim-survivor of child sexual abuse in the US, and has significant police and community support in the UK. The pilot is breaking new ground in Australia, however, and philanthropic support was essential in getting it underway. Philanthropic funding has supported the engagement of specialist staff, the development of a website and collateral materials, the extensive work during the establishment phase to ensure the program was legally and practically sound, as well as ongoing evaluation work.

Centre is a specialist secondary school in Melbourne for boys aged 15-17 who are involved with the youth justice system. The school provides a safe, holistic and therapeutic learning environment, and promotes the development of the whole person – including intellectual, physical, social, emotional, cultural and spiritual elements. By providing an education that fosters responsibility and transformation, the Ignatius Learning Centre restores hope, offers a sense of belonging, and enables students to flourish and reach their potential. While the school will become financially sustainable as enrolments increase, thanks to State government funding attached to each student, Jesuit Social Service has carried the risk through the initial phase of establishing the school and working with a high-needs group, with support from the philanthropic sector.

Donor funding also provides a means to enhance programs where public funding is considered insufficient to achieve optimal outcomes. For example, Jesuit Social Services “topped up” government

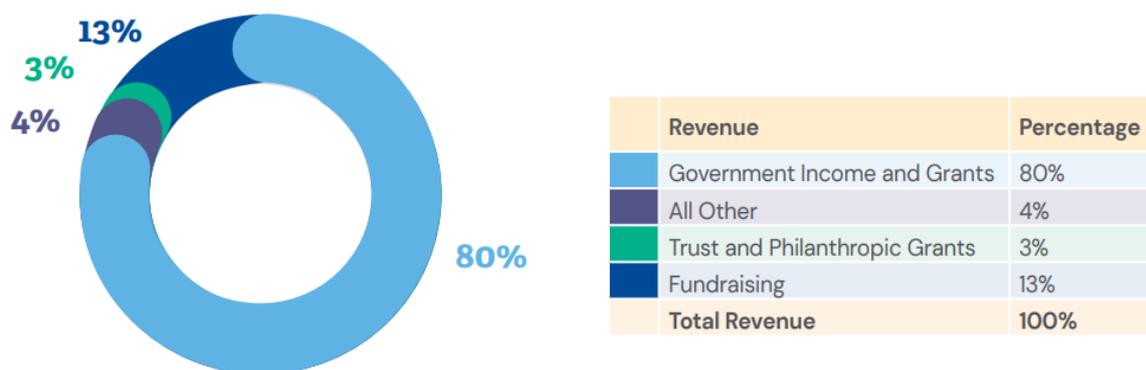
funding under the Work for the Dole program, drawing on philanthropic support to increase the investment in each participant by \$7,500. Subsequent evaluations indicated our outcomes were much better than other work for the dole programs, but we could not have achieved this without the supplemental donor funding.

Members of the public also generously support our work. One trend we have observed is that while individual giving is decreasing, major gifts and donations from philanthropic funds is increasing.

A number of our donors commit to a monthly contribution. This guaranteed source of income from those we call our Community Partners gives us the confidence to commit to new initiatives and stick with existing projects, knowing we have the resources to see our plans through.

Each year a portion of our donations come from generous bequests. Jesuit Social Services can use these funds to bring our programs to more people, to expand our work into new areas and to build the capacity of the organisation to continue its work.

Over the last four years, Government funding has accounted for between 70-80% of our funding, with much of the rest coming from philanthropic and individual donations.



Source: Jesuit Social Services Annual Report 2021-2022

Like many other community organisations, Jesuit Social Services also benefits from the provision of pro bono services, government and philanthropic grants, and the support of volunteers.

In 2021/22, notwithstanding the challenges presented by the pandemic, a total of 200 people contributed a combined 9,920 hours of their time to support of our organisation. Volunteers are a fundamental and highly valued part of what we do. These dedicated and spirited volunteers contributed to programs in areas spanning homework tutoring, policy research, online counselling, community gardening, resume writing workshops, op shop work, food distribution, mentoring, refugee rights advocacy, and more. Our volunteers tell us that they also benefit from their relationship with us and involvement in our work.

“Volunteering at Jesuit Social Services for me means belonging to a community of people who care about justice, people who work strategically, collaboratively and thoroughly. I am very glad to work for justice as part of this community.” FRAN, VOLUNTEER

Recommendations and Key Points

- Philanthropy can enable Community Sector Organisations to address new and emerging areas of need when Governments can be slow to respond
- The proper role of Philanthropy is to resource research, development and innovation to supplement Government resources in responding to communities and areas of social and economic disadvantage.
- Philanthropy can support the engagement of volunteers across the community service sector as a feature of building community connection and resilience.

3. The importance of government in supporting the community sector

Every year, organisations like Jesuit Social Services provide essential supports to some of the most vulnerable in our community. With decades of experience partnering with local communities and going where the need is greatest, we bring expertise and understanding to some of society’s most intractable challenges, However, we could not do what we do – and certainly could not have the extensive reach that we have – without government funding.

While the aim of doubling philanthropic giving by 2030 is laudable, it is essential this does not result in a shifting of responsibility from the public sector to the philanthropic sector, as is noticeable in some international jurisdictions including the United States.

One unknown in working towards doubling the amount of philanthropic giving in Australia is how this will alter financial support for different sectors. There is no guarantee that increased giving would direct the same proportion to the community (and other) sectors. Individuals, corporate donors and philanthropic funds each have their own motivations as to how they direct gifts. For example, research suggests individuals are particularly influenced by personal connection to a cause². Motivations range from something being considered “a good cause” (which can be influenced by personal connection/experience) to cultural influences or being able to see the impact of the donation³. Corporations may be influenced by how gifts are perceived by their workforce or other stakeholders. Philanthropic organisations are often bound by their founding documents as to how they can direct giving. These complex and varied motivations mean the spread of philanthropic donations is unlikely to mirror how government funds might have been distributed. The impact of any efforts to promote additional philanthropic giving should be carefully monitored to ensure the community sector does not suffer from changes in funding patterns.

Even where philanthropic giving rises with a proportionate benefit to the community sector, governments must also continue to invest in the work of community sector organisations. Elsewhere in this submission we highlight a number of initiatives where government has either co-funded a project (alongside the philanthropic sector) or has worked in tandem with private donors to take a project from an exploratory phase (philanthropically funded) to a scaled-up program (supported through public money). In many circumstances, government support is more appropriate than philanthropic funding. Governments play an important role in committing to longer-term funding, providing greater certainty and stability for organisations so that they can invest fully in initiatives with the opportunity to refine and improve programs over time.

² <https://good2give.ngo/wp-content/uploads/2019/03/CAF-Australia-Giving-Report-2019.pdf>

³ <https://www.volunteeringaustralia.org/research/giving-australia-2016/>

Stability from government funding also allows community organisations to establish core initiatives, from which they can then trial ways to address more complex issues using philanthropic support. For example, Jesuit Social Services' The Men's Project has already established a range of programs that can be adopted in schools and other settings and which would benefit from longer-term government support. This would free up other funding (provided by donors and currently put towards core operations) for exploratory initiatives to address some of the extremely complex areas The Men's Project works in, including family violence and child sexual abuse, as well as to expand already proven initiatives.

An area that requires consideration is how the competitive tender process for government funding can undermine sector collaboration. There is particular risk of wasted resources and loss of knowledge where funding switches to another provider following a retender process. Procurement policies and practices within Government need to be more flexible, not rigidly adhering to competitive tendering as the only model of allocating public funding for community services. This is particularly true in small communities where shared funding across multiple local providers, requiring a high degree of co-operation may be preferable.

In addition to financial support, governments have an impact on the success of community organisations through developing policies and frameworks that support their work. For example, policies that encourage social enterprise, support volunteering or promote philanthropy help build the necessary resources for community organisations to carry out their work. Government policy also influences how efficiently and effectively community organisations can operate, for example through streamlined reporting requirements or tax concessions.

Governments can also play a role in promoting collaboration and partnership between philanthropic organisations and other stakeholders, such as government agencies, community organisations, and academic institutions. By working together, these stakeholders can share knowledge and resources, and ensure that philanthropic activities are aligned with broader public policy goals and priorities.

Governments at all levels should continue to prioritise support for the community sector as a key component of Australia's civil society ecosystem.

Recommendations and Key Points

- A doubling in philanthropy should not come at the cost of decreased government support.
- Government funding and policies enable community organisations to carry out their work.
- Government funding is particularly important in providing certainty and stability for longer-term projects, especially those with high start-up costs.
- Models of procurement need to be revised to enable more flexible approaches to funding core business within community sector services from Government – thus obtaining better value from philanthropic donations in advancing research and innovation.

4. The importance of transparency and accountability

Because philanthropy often attracts tax concessions and other support from governments, public money is at stake and therefore it is essential to ensure these resources are directed and used appropriately. Transparency and accountability are therefore critical.

Transparency ensures trust in the philanthropic sector – that philanthropic organisations are directing funds for appropriate purposes and are in turn ensuring rigour from the recipients of their donations. Given public money is involved (through the favourable tax provisions) organisations have a responsibility to ensure that the resources they pass to the community sector are used effectively and efficiently. This includes ensuring that the programs and initiatives they support are delivering measurable outcomes, and that these outcomes are aligned with the broader public interest.

To ensure that philanthropic money is being directed and used appropriately, governments can play a role in setting clear expectations around transparency and accountability. This should include disclosing sources of funding and any conflicts of interest.

Donors and philanthropic organisations should be open about their goals, strategies, and activities. This includes providing information on how funds are allocated, what types of programs and initiatives are supported, and the impact of these activities. Transparency can also help to build public support for philanthropy.

To ensure that the broader community is benefiting from philanthropic activities, governments should encourage the use of impact measurement and evaluation. Such analysis contributes to greater understanding of why some projects are more successful than others in achieving intended outcomes, as well as providing comfort that funds are being used appropriately. At the same time, it is important not to unnecessarily burden organisations with complex reporting that diverts resources away from “doing good” to “proving good”. The appropriate level of evaluation and reporting will vary on a case by case basis, depending on the nature of the project, the identity of the funded organisation and the source of the philanthropic funds.

Recommendations and Key Points

- Philanthropic funds that have generated a tax benefit must be publicly accountable for that expenditure.
- Reporting, at the very least, should be able to identify how public benefit has been gained.

5. Government incentives to encourage philanthropy

In addition to direct financial assistance, the Australian government provides important support to community organisations through the tax system. In particular, granting Deductible Gift Recipient (DGR) status to an organisation can play a significant role in encouraging philanthropy by allowing donations to be tax deductible, encouraging a culture of giving and community compassion.

However, the DGR framework, the rules for gaining DGR status, and the administration of the system have become increasingly complex over time. For example, some charities can apply to have part of their activities receive DGR status while others have to apply for the whole organisation. This complexity results in some smaller charities missing out on the benefits of tax deductible donations and access to philanthropic funding only available to organisations with DGR status. It also creates an ongoing compliance cost to ensure they continue to meet the requirements of their particular DGR category. Further, organisations covering a range of social issues (e.g. preventing poverty) may be unable to gain DGR status because they do not fit into one category. The 52 DGR endorsement sub-categories also lack

a clear concept of the public good, which can result in inconsistent treatment. And eligibility for DGR status is administered by a range of agencies, depending on the category.

Jesuit Social Services agrees that the DGR framework is difficult for many charities, especially smaller ones, to navigate, and that currently some worthy organisations are not recognised within the DGR framework. This sometimes results in complicated auspice arrangements where a larger organisation such as Jesuit Social Services will support a smaller organisation to obtain a grant or other funding. While such arrangements can have benefits for both organisations, including encouraging collaboration on areas of mutual interest, in general we do not believe this is an efficient way to channel funding/benefits to where they may be best used. On the other hand, it is essential to ensure that only organisations who are genuinely contributing to the public good and are doing so in an effective and efficient way, receive favourable tax treatment to support their work.

A possible solution to this complexity is to extend DGR endorsement to all charities registered with the ACNC, provided they do not use tax deductible funds for purposes explicitly specified as not related to their charitable work. This would shift the requirement of NFPs from having to detail their use of funds to showing the funds had not been used for the specified purposes. Jesuit Social Services welcomes the public consultations announced by Assistant Charities Minister Andrew Leigh earlier this year to determine how best to simplify the process of receiving tax deductibility status.

One unintended consequence of the current tax concessions available to NFPs is that they may benefit some individuals and organisations more than others. This can create an uneven distribution of philanthropic resources, with certain causes or organisations receiving more support than others. The Fringe Benefit Tax (FBT) concessions available to NFPs are an example of this problem. Research by Joe Zabar and Benjamin Jefferson at the ANU's Tax and Transfer Policy Institute identified that FBT concessions available for some people working in Public Benevolent Institutions (PBIs) were not being fully utilised.⁴ Graduates with a HECS-HELP debt do not gain the full benefit of the FBT concession because their repayment is calculated on their total taxable income plus gross fringe benefits. The complexity of the system, a lack of understanding of how the FBT concession work, or just a lack of awareness of the existence of the concession may also work to limit take up. Additionally, on the philanthropic side, some donors may prioritise tax benefits over the impact of their donations, which can lead to less effective philanthropic activities.

More generally, the relationship between Australian charities and the tax code is often seen in terms of exemption or relief from taxes. DGR and other concessions available to the NFP sector are often expressed as tax expenditures – a cost to government revenue. However, this overstates the true cost because it does not take into account offsetting benefits,⁵ such as the leveraging the community resources and community building through the informal networks developed by not-for-profits. At least some of the services provided by NFPs would otherwise need to be provided by government. In addition, the extent of tax concessions is directly related to the extent of the philanthropy they generate – the greater the philanthropic giving, the greater the benefit from the philanthropic work it supports. And

⁴ Joe Zabar and Benjamin Jefferson 'Improving the utilisation of the fringe benefits tax concession by Public Benevolent Institutions' Tax and Transfer Policy Institute Working Paper 13/2022 (November 2022) https://taxpolicy.crawford.anu.edu.au/sites/default/files/publication/taxstudies_crawford_anu_edu_au/2022-11/complete_wp_zabar_jefferson_nov_2022.pdf

⁵ Community Council for Australia *Submission to the Treasury - Tax Deductible Gift Recipient (DGR) Registers Reform* <https://communitycouncil.com.au/2023/02/17/submission-to-the-treasury-tax-deductible-gift-recipient-dgr-registers-reform/>

treating tax concessions to the community sector simply as a cost ignores the important positive externalities the sector generates by increasing community involvement and strengthening civil society.

Another option to promote philanthropy is through increased awareness and education campaigns. The government could work with philanthropic organisations and community groups to raise awareness about the importance of giving and the impact of philanthropic activities. This could include public campaigns, educational materials, and events that showcase the work of charitable organisations and the impact of donations.

Recommendations and Key Points

- The DGR framework is difficult for many charities, especially smaller ones, to navigate, but is important to ensure that only organisations who are genuinely contributing to the public good receive favourable tax treatment.
- A possible solution to this complexity is to extend DGR endorsement to all charities registered with the ACNC, provided they do not use tax deductible funds for purposes explicitly specified as not related to their charitable work.
- Some tax concessions benefit certain individuals and organisations more than others, which can create an uneven distribution of philanthropic resources.
- Treating tax concessions to the community sector simply as a cost ignores the important positive externalities the sector generates by increasing community involvement and strengthening civil society.

6. The role of faith-based organisations in contributing to the fabric of community

Faith-based organisations have a long history of contributing to the fabric of communities. Such organisations are often motivated by a mission to serve those in need and promote the common good.

Australia has become increasingly secular over the last few decades. In addition, the conservative social outlook of many religions as well as instances of sexual abuse within the religious context have contributed to a level of antipathy by some towards faith-based groups. While there was a time when religion was central to the fabric of Australian communities, that is less true today.

However, this growing secularism should not undermine the important contribution of faith-based organisations towards the public good. Jesuit Social Services is well-recognised for the important work it does with a range of vulnerable people and those facing hardship, including people who have intersected with the criminal justice system, the long-term unemployed and refugees and new arrivals. Our focus on addressing systemic issues and empowering individuals aligns with the Jesuit principles of social justice and solidarity. A range of other faith-based organisations also make a significant difference to improving the lives of the most disadvantaged in our community.

Despite their significant contributions, some argue that faith-based organisations should be restricted from accessing tax incentives and DGR status due to their religious affiliation. However, it is essential to recognise that these organisations operate in a secular context and provide critical services to all members of the community, regardless of their religious affiliation. Restricting access to tax incentives and DGR status based on religious affiliation would disadvantage faith-based organisations and limit their ability to serve the community effectively. It would also undermine the principle of religious freedom and equality. Rather than focusing on religious affiliation, the government should prioritise the

public benefit delivered by organisations and their contribution to the common good. Tax advantages should support organisations with the primary purpose of delivering public benefit (eg addressing social issues), regardless of their religious affiliation.

Recommendations and Key Points

- Faith-based organisations play a significant role in contributing to the fabric of communities, including providing a variety of social supports and working with those facing disadvantage. Such supports are typically provided regardless of any religious beliefs of the recipients of the support and care.
- Favourable tax treatment and concessions should be available for organisations whose primary purpose is for the public benefit, and this should apply equally to faith-based and non-faith-based organisations.

Conclusions

Philanthropy plays a crucial role in shaping civil society in Australia. Donations of funding, expertise, and time help address social issues and drive positive change. Social change organisations like Jesuit Social Services rely on philanthropic funding to supplement government supports, ensuring there is sufficient stability and certainty of funding to deliver regular programs as well as exploring innovative solutions to some of society's more intractable problems. While efforts to increase levels of philanthropy could direct additional funding to worthy causes, this will only be true if government funding does not correspondingly decrease. A robust society depends on government, philanthropists and the community sector working together to achieve positive change.

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We acknowledge the Traditional Custodians of all the lands on which Jesuit Social Services operates and pay respect to their Elders past and present. We express our gratitude for First Nations people's love and care of people, community, land and all life.