GIVING IN AUSTRALIA Broken, flawed, or fantastic?

There's so much noise about philanthropy you'd be forgiven for believing it is a hot tech unicorn. Judy MacMahon goes on a quest to learn more

I can't recall ever being so exposed to what's happening in the world of Australian giving. Does this noise mean there's change, or more media coverage, or better marketing?

I was hearing few rosy stories but many different perspectives: "We need to get more people giving more", "Gifts are bigger than ever", "There is an imbalance of power and voice", "Mass market givers have lost connection with the for-purpose world", "The system is broken", "The system isn't broken it delivers what its designed to do: long-term entrenched dependency; it's actually flawed in its design".

I realised that I wanted to gain a deeper understanding of the philanthropic landscape and the psychology of donors, recipients, fundraisers and beneficiaries. From that process, talking to people in Australia and the US, I've come to believe we're approaching giving all wrong.

HOW WE'RE GIVING: THE UNDERCURRENTS OF CHANGE

The value of structured and unstructured giving in Australia sat at $15.2 billion in 2018-19. Structured giving represented $2.6 billion or 18% of the total (private ancillary funds, other charitable trusts and corporate cash contributing 4% each and bequests and public ancillary funds each accounting for 4%). Individual giving represented 50% of the total with corporate partnerships, sponsorships and donations (not cash) representing 32%. This data comes from excellent analysis from Social Ventures Australia in 2021 using the latest data available at the time.

On financial measures of generosity, Australia lags its peers according to analysis of 2021 ATO data by JBWere and Social Ventures Australia. In Australia, total giving as a proportion of GDP sits at around 0.8%, compared to 0.96% in the United Kingdom, 1% in Canada, 1.84% in New Zealand and 2.1% in the USA. Australia's bequest and individual (mass market) giving rates as a proportion of GDP are also below those of our international peers.

To better understand, I met with John McLeod of

JBWere and author of *The Support Report* (2018) and *The Corporate Support Report* (2022). “Gifts are larger and more visible, we’re giving more, and corporates are investing more in communities, but fewer individuals are giving,” John told me. “The power and concentration sits with fewer people. This power imbalance is dangerous.”

A closer look at his view of the undercurrents of change may help us understand the interests and values of those driving the trends and influencing the future of giving.

Mass market giving will continue to decline. The dollar figure may rise due to population increases and the increase in average gift size, but tax data reveals that participation in giving has been sliding since 2005 and is now at its lowest since the 1970s. *The Support Report* says mass market giving could go from 50% to 33% of total giving by 2036.

Giving by high-net-worth individuals and private ancillary funds will increase substantially. According to *The Financial Review Philanthropy 50* list, in financial year 2021, the top 50 philanthropists donated $942 million — that was coming off a record high of $964 million the year before. *The Support Report* notes there is significant growth expected from this area and that PAFs and other structured giving vehicles are set to grow to around 17% of all giving by 2036. That report also notes a worrying statistic from high income earners — only 54.7% with taxable income over $1 million are giving (compare that to the US where giving in that income bracket sits at 90%).

In 2021, Philanthropy Australia, developed a vision to double Australian structured giving to $5 billion by 2030, with measures such as reducing regulation, developing a research agenda to provide an evidence base, reporting on high-net-worth giving, support for the ultra-high-net-worth philanthropists to engage peers in giving and boosting place-based giving.

Gifts-in-wills will increase due to our ageing population and the high value of real estate (notwithstanding current inflationary pressures) increasing the value of estates. But the percentage of people giving through wills has not budged for years, currently sitting at around 7%. There is, however, an opportunity on the horizon. Australia is expecting an unprecedented $2.6 trillion to be transferred between generations from 2021 to 2040 — $1.1 trillion of which will be passed down over the next 10 years.

“The point is to understand where that wealth transfer will take place and to establish practices, policies and enticements to target communities so that people are thinking when they’re passing down the wealth, ‘What can I do in the philanthropic space?’” says Jack Heath, CEO of Philanthropy Australia.

Corporates represent a huge opportunity. Some $4.5 billion was given by corporate Australia in 2021 according to the *2022 Australian Financial Review Corporate Philanthropy 50* (although $1.25 billion of that came from the top 50 corporate supporters). The pandemic did not alter the rocketing trajectory of corporate giving and the overall figure is the tip of a very large iceberg — by 2036 corporate giving could overtake mass market giving. But with this potential comes a word of warning from *The Corporate Support Report*: “Corporate giving and community investment, alongside high-net-worth giving, is the fastest growing and least understood segment of social impact funding.

“Corporates are slow to understand giving and, further, not-for-profits have a lot to learn about selecting the best-fit corporate partner and need to be aware that they are expected to contribute for a partnership to be mutual,” says John.

Women givers are on the rise. More women are donating across age brackets, and they donate a larger proportion of taxable income. But here’s the catch — with lower salaries women donate less in aggregate than men.

In her 2021 report, *The Role and influence of Women in Australian Philanthropy*, Kimberley Downes expects giving by women to increase and become more visible. That said, there is much work to be done to tap into this generous cohort. To truly understand women donors, we must first understand the psychology behind women’s attitudes towards money and authority.

“Women, want to see the big picture, relate to causes through stories, use conversations to get to know one another; they want details and may take a while to decide. Keep a woman informed, and you can count on her loyalty,” notes Kimberley.

She also points to the Lilly School of Philanthropy as a great source of research on women donors. Their ‘Engaging Women as Donors’ course emphasises that women give according to their generation. The Builder Generation (pre-1946) have a practical outlook, Baby Boomers are optimistic, Generation X are sceptical, and Millennials are hopeful.

“Young women will no longer settle for words instead of action. They do their research and demand the facts. It’s in their DNA,” says Kimberley.

The nature of volunteering is changing. While volunteering has been trending down because mature female volunteers who’ve historically been at its heart have been feeling more COVID-vulnerable, there are other promising trends appearing such as C-Suite senior executives volunteering and more young people volunteering, but in different ways.

DONORS COULD TRY TRUSTING RECIPIENTS — THEY’RE THE COMMUNITY EXPERTS AFTER ALL

When I met with Lisa Kingman, the CEO of Tanarra Philanthropic Advisors, she had just met with three NFPs in the arts, disability and mental health. “All agreed their primary problem was diversifying their income streams to become less reliant on government funding. They’re all seeking unrestricted funding and having difficulty securing it,” said Lisa.

Why is this so? Many donors can’t get past seeing trust-based giving as a risk — a risk to be avoided. This may explain

Making (good) change

Most change is brought about by those new to a sector with fresh eyes or the incumbent disrupter. Let's look at some examples.

Case study #1 Donors trusting recipients still too rare

Stephanie Exton, CEO of the Mornington Peninsula Foundation (MPF), worked with 15 donors to provide literacy program funding to pre-schools, primary and secondary schools in generationally disadvantaged areas on the Mornington Peninsula. "In some areas, 70% of students entering Year 7 are below expected literacy levels," she explains.

In preparation, Stephanie went to the schools numerous times, met the principals, and asked them to identify the problem, how they would approach it and what they needed to do that – from there the program was designed. "We workshopped it all together. It is their design!" she says.

I spent a day with Stephanie and three school principals – disrupters, collaborators, and superb leaders. I saw the programs working and spoke to students. "The trust that has been developed is so rare in donor-recipient relationships," says Tina Coumbe, a school principal who originally approached the MPF to collaborate.

"The way MPF funded the 'no-limits' program showed immediate trust in our abilities and knowledge. This, in turn, created ownership of the project for us which drove us to evolve and develop the program to reach the best outcome for the students, our school, and the donors. Four years in and I have to say that this has been an incredible experience. We feel blessed to work with the foundation and to meet the wonderful people behind the scenes."

Stephanie has some useful advice on how funders can work with grantees and recipients. "Allow the recipients to be rule breakers, give them the means to do something different, allow them to take risks. Also start small, get to know each other and how you can work together."

Case study #2 NFP helps corporates engage via collaboration and partnerships

I spent a day with fast-growing NFP, Re-Love, which has refurnished homes for more than 600 women and families impacted by domestic violence. They are a refreshing exemplar of how collaboration and corporate partnerships can be applied. Founders Ren Fernando and Ben Stammer explained that partnerships and collaboration deliver the leverage behind their growth. In the Re-Love model, corporate partners provide both goods (furniture) and volunteers (to enable the fit outs). The furniture is either 'new' (returned online purchases) or 'as new' (from renovated offices/hotels) that would otherwise be in landfill. Re-Love also collaborates with other NFPS and government agencies that provide the housing and added services.

why many donors and boards are so reluctant to change their approach to giving from project-based to unrestricted.

There's support for unrestricted longer-term funding in the recent *Paying what it takes* report from Philanthropy Australia, Social Ventures Australia and the Centre for Social Impact. The report found that not-for-profit indirect costs are not being covered by funders in Australia, leading to lower capability and effectiveness across the sector.

More donors are spreading such philanthropic risk by taking a portfolio approach to their philanthropic support, some riskier and others less so, notes David Werdiger, advisor to wealthy families on generational wealth transition and Director of Australian Jewish Funders in his *Familosophy* newsletter.

In all grant making, whether tied or not, trust and mutual respect are critical. Great grants thrive when both parties are equally invested in the outcomes, equally aware of the risks, committed to doing their best, alert to the unexpected, and are in open, honest communication.

"Donors need to show empathy as much as grant partners need to show capacity to manage the grant to best effect," says Stephanie Exton, CEO of the Mornington Peninsula Foundation. Many donors are still behaving as if their beneficiaries need to be saved, to which Stephanie says: "They don't need to be saved; they need to be listened to."

"There is a need for more people to be willing to have that uncomfortable conversation — willing to call-things out," says Cindy Mitchell, Non-Executive Director at Social Ventures Australia. She also echoes Stephanie's views: "Too many donors still act as if they're Mother Teresa. How do we change that attitude?"

RECIPIENTS COULD TRY TREATING DONORS AS HUMANS — THEY'RE NOT A COMMODITY

"We're all humans — don't put donors in categories, don't put us into silos! I want to be seen as and treated as a human, not a commodity — I want to contribute more than money!" says Lisa Greer, an LA-based author of *Philanthropy Revolution — Saving Philanthropy* and the *Philosophy 451* newsletter.

Lisa first became a substantial donor when her partner's tech company went public. Her book is both memoir and practical tips. She thinks that the attitudinal issues between the donor and the recipient/fundraiser in the USA are no different to those in Australia.

She advises recipients to do proper research before meeting donors, to be genuine about building relationships and "if you're going to 'hit me up' for money, do it early — don't pretend it's a social event." The entire book is in that vein — refreshing and helpful for those ready to hear. "Our sector was already vulnerable [before COVID]. Its arcane methods were starting to fail, especially with next-gen donors. So, let's use this moment to shore ourselves up: to adapt, innovate, and ultimately transform our organisations for success and stability in the long term," she says.

A sobering example of arcane ways came when Lisa spoke with her Rabbi to donate $1 million to her synagogue. Only minutes later the Rabbi called back to talk to Lisa's partner to check if he approved of this donation — and that she wasn't living in fantasy land.

The new generation of major givers also require a different approach. "A full 68% of [US] wealth is currently earned rather than inherited. And these first-generation wealth creators feel that the 'wealthy' label represents a set of values they simply don't adhere to," advises Esther Choy, President and Chief Story Facilitator at Leadership Story Lab and the author of the study *Transforming partnerships with major donors: Aligning the key values of first-generation wealth creators and fundraisers in the age of "Winner Takes All".*

Dr Cassandra Chapman, a researcher from The University of Queensland who specialises in donor psychology and fundraising, has good advice: "People want to give. Make sure the donors are having the conversation they want to have to make a difference. When that happens, they'll be more generous [*and*] optimistic about humanity… Right conversations with the right people, at the right time!"

HOW DO WE MOVE FORWARD?

If the objective of the donor is to withdraw from their funding role, satisfied they're no longer needed — the needs of the beneficiary are met or that the recipient is now self-sufficient — how do we achieve this? How can we stop creating dependency and focus on 'teaching the man to fish'? I believe we need to focus on three things: financial resources; talent; and changed attitudes and courage.

1 **Financial resources** The big challenge is to direct funding at systems change, effectiveness and efficiency. Recipients require donors to invest and work with them to become sustainable (sufficient multi-year funding), so that the donors can eventually retire from that role. This is an enormous mindset change; let's not underestimate it. Applause is due to the major work being undertaken by Philanthropy Australia and CEO Jack Heath to 'double giving' and Daniel Petrie with the Australian 1% Giving Pledge, together with others trying to increase Australian giving. However, a peak body, no matter how powerful, cannot bring about such change by itself. It needs to create awareness, inspire, and influence other players such as government, corporates, influential people and the mass market. "A major national conversation and a National Giving Campaign to inspire Australians and provide them with simple, practical ways to give could make a huge difference," says Jack. "It could help reverse declining rates of giving and unleash the generosity and 'fair go' ethos that is an essential part of the Australian identity."

Of course, we must remember that money alone is not the solution to creating a more effective and efficient sector.

2 **Talent** We're seeing more tertiary educated entrants to the sector, and more commercially experienced recipients and donors, including those whose wealth is created rather than inherited. Nonprofits are increasingly accessing valuable talent through collaboration and partnerships with corporates, pro bono and low bono professional services, mentoring, and volunteers. This is good news, but the challenge of attracting the best talent — to ensure the giving world is populated by 'hearts and minds', not hearts alone — will continue. A fundamental structural challenge is compensation. The 'scarcity' mindset of relying on volunteering and paying below commercial market remuneration does not attract the best talent to nonprofit organisations. But that's a topic for another day.

3 **Changed attitudes and courage** How do we encourage more people to change their approach and to 'call it out'? Firstly, we fund courageous leaders who are already calling it out, those who are bumping up against flawed systems, yet every day they're on the ground making a positive impact. We support their courage. We concentrate on building authentic interdependent relationships by developing nuanced strategy, then by asking the right questions and recognising that the issues and interests of each donor and each recipient requires bespoke treatment. As Cassandra Chapman says: "Mentality needs to shift." Sharing success stories will encourage this shift and encourage others to be courageous.

APPLAUSE AND UNDERCURRENTS

As long as we live in a world with huge and growing disparity between wealth and disadvantage, philanthropy will be needed. We need smart, generous, strategic and impactful giving in Australia. And in times of great change and challenges, leadership becomes even more important. Let's loudly applaud our courageous leaders and actively search for more. And finally, we all need to pay attention to undercurrents. In the Australian 2022 election we saw what happens if you ignore and don't show respect to your constituency — you do so at your peril.

Coming from funds management, Judy MacMahon is now a philanthropic strategist, working between the two sectors. She is building a collaborative network to help create 'collaborative circles' of corporates, NFPs and donors. She is the founder, publisher and editor of MyFrenchLife.org, a leading magazine and global community of francophiles.