

***Re-engaging the sector
Maximising the Contribution of Non
Profit Endeavour***

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Commissioner
Productivity Commission
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Economic contribution of the sector

- 600 000 NFPs in 2007, *up from 520 000 in 1996*
- 59 000 'economically active' in 2006-2007
 - Contributed \$43 billion to GDP, 4.1% of GDP *up from \$21 billion in 2000*
 - Gross value added has grown in real terms by 7.7% per year from 2000 to 2007
 - Employ 890 000 staff, *up from 604 000 in 2000*
 - Total income was \$76.6 billion
 - Only 34% directly from government

Contribution by volunteers with NFPs

- 4.6 million volunteers contributed 623 million hours to NFPs, worth \$15 billion in 2007
Up from a total of 3.2 million volunteers in 1995
- Proportion of adults volunteering has grown from 24% to 35% since 1995
- Median hours volunteered has fallen (74 hours in 1995 to 56 hours in 2006)
- Share of young people volunteering has risen (17% in 1995 to 32% in 2006)
- Proportion volunteering in community services, and total hours volunteered, have fallen (181 million hours in 2000 to 135 million in 2006)

Key issues

- Sector is complex-
 - *most have little involvement with government or business yet some highly dependent*
- Greater pressure to demonstrate impacts
- Regulatory environment is fragmented with high compliance costs
- Taxation arrangements are out of date
- Workforce constraints are growing
- Capital constraints are impacting
- Tension in government funding and contracting – transactional rather than relational

Opportunities

Yet

- Government and business want to engage
- Social innovation and social enterprise are strongly supported
- Sector growing in economic and social significance

Need for an enabling environment in which

- the sector remains responsible for its own destiny
- meaningful engagements can be forged and sustained.

A way forward

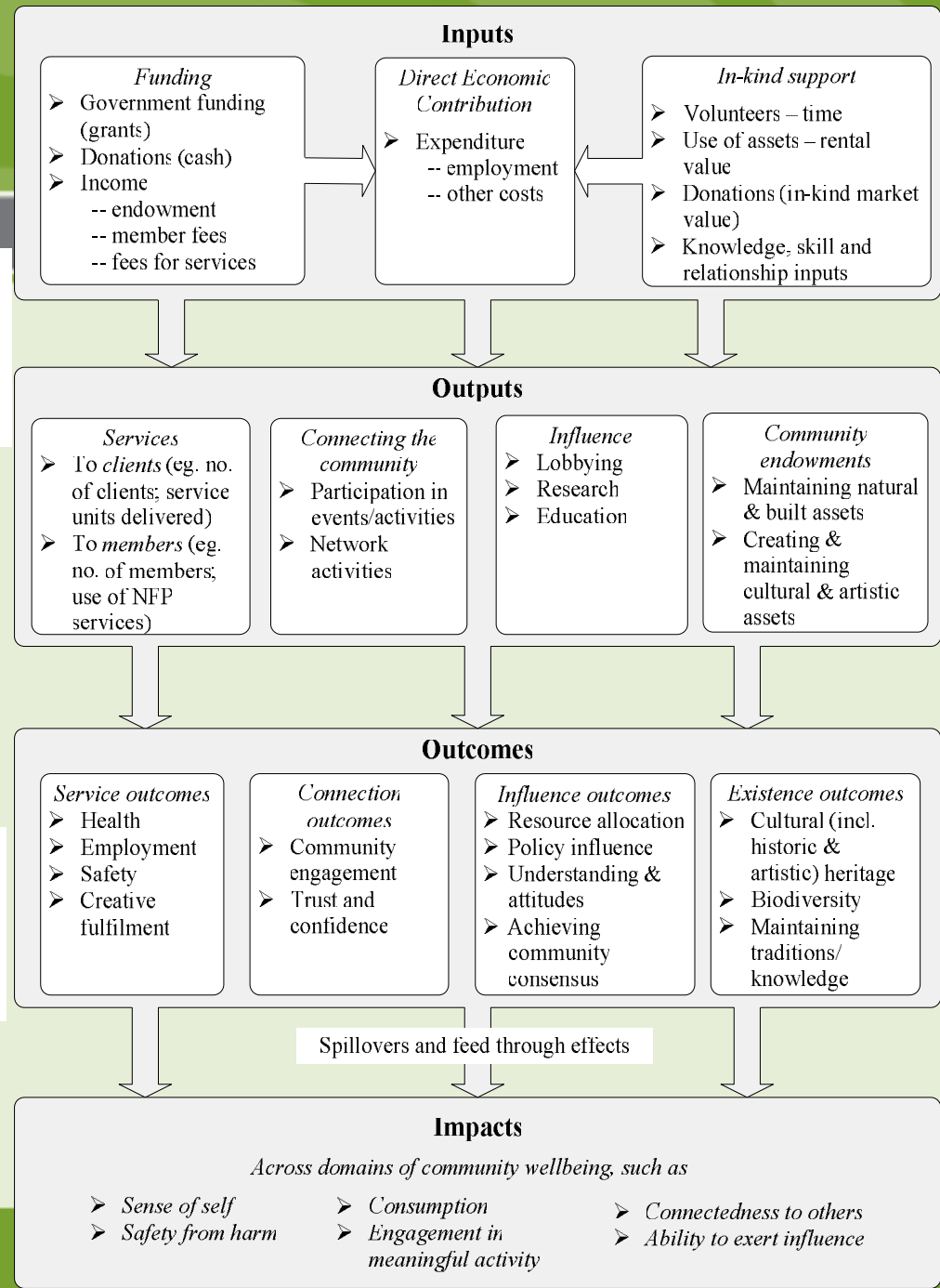
Five foundations for not-for-profit reform:

- Developing better **knowledge** systems
- Streamlining the **regulatory** framework
- Building sector **capacity** - skills in governance, promoting workforce sustainability and access to capital
- Stimulating social **innovation**
- Building **relationships** for collaboration and effective engagement
 - *Especially the delivery of government funded services*

A framework for measuring the contribution of the sector

More comprehensive data available (and attribution more straightforward)

Less comprehensive data available (and attribution more difficult)



Building the knowledge base

- A common framework for measuring NFP contribution beyond just the economic
- ABS: Information Development Plan
- Centre for Community Service Effectiveness - a culture of evaluation and knowledge

Smarter Regulation

- One Stop Shop Regulator for Commonwealth incorporation, tax endorsement and reporting
- Enhancing and reforming legal options
- Reducing regulatory and reporting compliance costs through greater harmonisation across jurisdictions eg fundraising, standard charts of account, compliance requirements

More effective sector development

- Access to capital
 - options include support for intermediaries to build NFP business
 - allow lending from philanthropic fund 'corpus' to endorsed charities
- Workforce development
 - market wages to be used in full cost funding in community services
 - issues go well beyond the NFP sector providers in human services
 - reduce 'mandatory checks' compliance burdens

Taxation Benefits

- 2007 \$1.8 billion deductible gifts claimed by 4.2 million Australians *up from \$863 million in 2001*
 - 26,123 DGR organisations in 2009 (926 named)
 - 775 PPFs with \$1.3 billion assets in 2009
- Total tax concessions, including on income, well over \$4 billion
 - FBT exemptions approx. \$900m in 2009
 - Payroll tax exemptions approx. \$600m
 - Concessional tax rates on poker machines approx. \$700m in 2009

Encouraging giving

- Taxation treatment does affect giving
 - options to reform the tax system need to take the effects into account
- Options to promote planned giving, including payroll giving
- DGR status should be progressively expanded to all endorsed charities

Stimulating social innovation

- Explore scope to expand existing programs
 - Cooperative Research Centre program - for research and the roll out of solutions to 'wicked problems'
 - Commonwealth Enterprise Connect –a specialist centre for social enterprises
- Social Innovation Funds at program/agency level - leveraging

Strengthening relationships: government funded services

- Governments should choose the model of engagement with NFPs that best suits the characteristics and circumstances of the service being delivered
 - *Client directed*
 - *Purchase of Service – competitive or negotiated*
 - *Joint Venture– short or extended life*
 - *Grants*
- Much better risk assessment and management
- Relationship management not just contract management

Strengthening relationships: government funding

- Clarity about the extent of funding of a service
 - with full funding for services that the government would otherwise deliver*
 - where only contributory, identify level of contribution*
- assess value for money on a full value basis that includes spill overs
- longer contract terms, consolidated reporting

Building effective relationships

- Ensure compacts have robust mechanisms for implementation, monitoring and evaluation
- Recognise the value of evolving relationships with business
- Establish an Office for NFP Sector Engagement to:
 - *drive the regulatory reform agenda and development of the knowledge base*
 - *work with government agencies to enact reforms in government funded service engagement*
 - *encourage social innovation funding*
 - *provide high level leadership for sector and business engagement*
 - *implement and monitor the national compact*
 - *not primarily sector development*

Key themes for Organisations

- Leveraging - knowledge, resources
- Intermediaries – service delivery and service support
- Integrated Service Delivery
- Risk assessment and management
- Relationships and engagement