

Please do not use or  
reproduce without explicit  
permission from the author

**PRIVATE AND PUBLIC SUPPORT FOR  
COMMUNITY ORGANISATIONS.  
SOME COMPARATIVE DATA AND  
POLICY ISSUES  
TWO PAPERS**

**MARK LYONS**

**CACOM WORKING PAPER NO. 4  
JUNE 1991**

Mark Lyons is an Associate Professor in the School of Management at the University of Technology, Sydney. He is Director of the Centre for Australian Community Organisations and Management (CACOM).

Edited versions of these papers will appear in Impact, the monthly news magazine of the Australian Council of Social Service in June (Paper 2) and August (Paper 1).

ISSN: 1036-823X  
ISBN: 18365 029 6

## **CENTRE FOR AUSTRALIAN COMMUNITY ORGANISATIONS AND MANAGEMENT (CACOM)**

Community organisations are the product of group or community initiatives. They are formed to provide services to their members or to a wider public. Community organisations are particularly active in providing community services, health, housing, culture and recreation, education and training, finance, religion and in the organised representation of interests.

Community organisations are not run to make a profit for owners or shareholders and are not under the formal control of government. As a class they differ in important ways from both for-profit and government organisations. They differ in the ways they are governed, in the variety of their sources of income and in their frequent reliance on volunteers.

It is the mission of the Centre for Australian Community Organisations and Management (CACOM) to strengthen the Australian community sector and its management through research, management training and publication.

Among CACOM's objectives are:

- . to promote a better understanding of the Australian community sector by undertaking and publicising basic research on its size, its resources, its management practices, its history and its relations with government and other sectors of the economy; and,
- . to provide an information resource by collecting and disseminating research and other information vital to the community sector.

To this end CACOM sponsors a Working Paper Series.

Generally, CACOM Working Papers will publish research undertaken by CACOM members or encouraged by CACOM. The aim is to make the results of research widely available as quickly as possible to encourage discussion. In some cases, the research reported in a working paper will be further refined for refereed publication.

Working papers are distributed to academics, researchers, community sector managers, public servants and others who are interested in better understanding the Australian community sector.

If you wish to comment on this paper or seek further details of CACOM's activities and publications, write to:

The Director  
Centre for Australian Community  
Organisations and Management (CACOM),  
University of Technology, Sydney,  
Kuring-gai Campus, P O Box 222,  
LINDFIELD NSW 2070, AUSTRALIA

Phone: (02) 330 5311  
Fax: (02) 330 5583

## C O N T E N T S

	Page
PAPER I	
SOME INTERESTING FINDINGS ON AUSTRALIAN GIVING	
The Australian Data	1
Overseas Comparisons	4
References	9
Tables:	
Table 1(a) <i>Australia Giving by Donor Category</i>	1
Table 1(b) <i>Australia Giving by Destination of Donation</i>	2
Table 2 <i>Giving in Australia and the United States</i>	5
Table 3 <i>Volunteering in Australia and the United States</i>	7
PAPER II	
HOW GOVERNMENT SOCIAL EXPENDITURE CUTS WOULD AFFECT THE COMMUNITY SECTOR.	1
References	8

## SOME INTERESTING FINDINGS ON AUSTRALIAN GIVING

How generous Australian's are; how much they give to good causes; to their churches, to welfare organisations, to the arts, or to medical research, recently has been the subject of two major studies. They make interesting reading in themselves and enable some rough comparisons to be made with broadly comparable countries, particularly the United States. The simple message from these comparisons is that Australians are far less generous than their American cousins but that within the picture of miserliness, Australian business shines like a beacon. Business in Australia, particularly small to middle size business, contributes a far higher proportion of all private financial support for community organisations than does business in the United States.

### The Australian Data

In February this year, the Melbourne based Australian Association of Philanthropy (AAP) released the results of a major study it had commissioned into the pattern of philanthropic activity in Australia. Entitled Giving Australia, the study had been undertaken by Reark Research, a respected market research company. Reark collected data on individual giving by means of a sample survey of households; it collected data on business giving by interviewing a sample of the 350 companies employing over 1,000 people and by a telephone survey of a sample of businesses employing 10-19 people; it collected data on foundations via a mail questionnaire to all known foundations and developed an estimate of donations made via bequests. For each source, the destination of donations was also noted.

In summary, the results are presented in tables (a) and (b)

**Table 1(a): Australian Giving by Donor Category**

DONOR CATEGORY	\$ MILLION	% OF TOTAL
Individuals	839	49.7
Business	471	27.9
Foundations	122	7.2
Bequests	256	15.2
TOTAL	1,687	100%

Table 1(b): Australia Giving by Destination of Donation

DESTINATIONS	\$MILLION	% OF TOTAL
Specialist Human Services	424	25.1
Health	398	23.6
Religion	384	22.8
Education	189	11.2
General Social Benefit (e.g., RSPCA, Nat Trust, ACF)	124	7.4
Arts/Culture	88	5.2
Unclassified	80	4.7
TOTAL	1,687	100%

The reliability of these figures varies. It is highly likely that giving by companies and by individuals is underestimated.

Fortunately, there are three alternate sources for checking data on giving by individuals. One is a study undertaken in mid-1989 by another market research company, AGB:McNair, for a group of fund raising consultants, O'Keefe, Panas and Partners. The full details of this study have not been published but that which has been made available largely confirms the findings of the AAP study. The O'Keefe Panas study was only of individual giving which it estimated at \$869 million, \$33 million higher than the AAP figure. The O'Keefe Panas study also provided details of destinations of individual donations. Some of its destination categories differed from the AAP study but where they were similar, such as for religion, education and arts/culture, their results were generally similar. One small difference is that religion was the destination of 31% of donations by individuals in the AAP study and of only 27% in the O'Keefe Panas report. One destination category which the O'Keefe Panas study identified was international aid which attracted a significant \$113 million (or 13% of the total)(O'Keefe, Panas and Partners, 1990 a & b). It is not clear where this destination is counted in the AAP study, though in the Giving USA reports on which the AAP study is modelled, international aid is placed in a quite large "Other Uses" category which the AAP did not use.

A third source of data on individual giving in Australia is the Australian Bureau of Statistics (ABS) Household Expenditure Survey. This survey, conducted every three or four years, is based on a diary of expenditure kept by a sample of households for 2 weeks. In 1988/89, the national average weekly donation by Australian households is recorded as \$3.61 (ABS, 1990). If this is extrapolated over a year by all households, it produces a figure of \$1,018 million. This is some 21% higher than the AAP figure. The authors of the AAP study argue that their's is probably a more accurate figure as it is based on specific questioning of respondents about their philanthropic activity, whilst the ABS methodology is likely to include items that should not be there. On the other hand, the AAP methodology, which requires people to remember back over a year, is likely to lead to understating as people may easily forget occasions of giving, even when prompted by an interviewer. One can be reasonably confident that the AAP figure is conservative.

A fourth data source offers further confirmation that the AAP estimate of individual giving is conservative. The Australian Tax Office in its Taxation Statistics 1987/88 publishes an aggregate figure for gifts claimed by individuals as tax deductions (\$367 million). As many community organisations are unable to give a deduction to their donors because of the narrow and inconsistent application of Section 78 of the Income Tax Assessment Act, this figure, on its own, is of little value. However, the AAP study found that only 45% of its respondents bothered to claim all or part of their giving as a tax deduction. If the \$367 million is divided by 0.45 it produces a figure of \$816 million. This is for a period two years earlier than the AAP figure. Adjusted for inflation it is \$100 m higher than the AAP figure. Unfortunately the ATO has omitted data on individual donations from its 1988/89 taxation statistics.

The AAP study is the first attempt to estimate business giving in Australia. Unfortunately, unlike the United States Inland Revenue Service (IRS), the ATO published no details of business donations. This is all the more disappointing, as, unlike individual donors, business donors report that the tax deductability of donations is an important spur to their giving. Cost constraints meant that the AAP study surveyed only a limited group of businesses. To their disappointment they found it impossible to

extrapolate from their two samples to the entirety of Australian business and so only the data they collected were included in their report. The two categories of business surveyed varied considerably in the destinations of their giving. Businesses employing 10-19 people more closely approximated the pattern of destinations of all giving than did big business. Of the former's \$295 million, 34% went to human services, 30% to health, 20% to religion and 6% to education and 4% to the arts. Of big business's \$176 million, 25% went to education, 21% to health, 19% to the arts and only 15% to human services.

If we were to be more adventurous than (properly) the AAP were prepared to be, then we would estimate total business giving in Australia at over \$1 billion, that is, marginally higher than individual giving.

The O'Keefe Panas study contains more information on such matters as interstate differences, reasons for giving and the characteristics of donors to different fields of activity. However, only part of the data has been publicly released. Volume I of the AAP report is available from the AAP (8 Floor, 20 Queen Street, Melbourne, 3000) for \$45. It contains an interesting discussion on the problems of measuring philanthropy but only a broad outline of their findings. Details are available in a volume of Appendices which will be available at a yet to be determined price. Both reports will pay further exploration. More importantly, both have indicated an intention to repeat these studies a year or two hence. It will be a modest but important start towards building a data base on part of the income side of the community sector of Australia, a resource which researchers and other interested parties have long enjoyed in the United States, and, to a lesser extent, more recently, in Great Britain.

#### **Overseas Comparisons**

In the United States, the American Association of Fund-Raising Council Trust for Philanthropy has been collecting and publishing an annual Giving USA for over 30 years. It was on this that the AAP report was modelled. More recently, the Independent Sector, a peak council representing peaks of all the major non-profit service sectors in the United States has published details not only of giving (relying partly on its own research) but also of volunteering, the size of the independent sector, its cost structures, and

its overall economic contribution (Hodgkinson and Weitzman, 1989).

The comparisons offered below are based on Giving USA for 1988 (AAFRC Trust for Philanthropy, 1989). This is a year earlier than the Giving Australia figures, but the differences are too startling to be merely the product of the year's difference in the data gathering, or of any difference in the purchasing power of the US and Australian dollars. They are presented in a Table 2.

**Table 2: Giving in Australia and the United States**

	AUST			USA			A\$ per capita as a % of US \$ per capita
	\$ Given (in\$MA.)	% of Total Given	\$A per Capita	\$ Given (in \$M US)	% of Total Given	\$US per Capita	
TOTAL GIVING	1687		99	104370		426	23
INDIVIDUAL GIVING	839	50	49	86700	83	354	14
BUSINESS GIVING	471	28	28	4750	5	19	147
BUSINESS AND FOUNDATION	593	35	35	10880	10	44	80
TOTAL GIVING WITH GIVING TO RELIGION EXCLUDED	1303	77	76	56160	54	229	33

The differences are startling. Overall, Australians appear to be, far, far less generous with their money than Americans. This is particularly true of individual giving. By contrast, Australian business is significantly more generous than business in the United States. This is still true when business and foundations are added together to counter the possibility that American businesses are more likely to channel funds through foundations than their Australian counterpart.

Giving to churches is the most important single source of donations in both countries. To counter the effect of high levels of church going in the



United States the sums donated to religion in both countries were removed from the estimations. It reduced the differences between the two countries, but not by much. It is possible that other factors can help explain the difference. Perhaps Australians give far more than Americans by way of buying tickets in raffles, making and selling cakes and jams at stalls, etc. - none of which would count, strictly, as philanthropy, but much which, in practice, amounts to the same thing. Even so, the distance between the two societies seems extraordinary. America is clearly out in front internationally. But Australia does seem a laggard. For 1988/89, the Charities Aid Foundation in England estimated the per capita level of giving of individuals in Britain to be 83 pounds per annum, over three times the Australian rate (Charities Aid Foundation, 1990 p.7).

Of course, giving clearly reflects the overall economic state of a country. Offering comparisons on dollar per capita basis does not reflect an individual's nor a business's ability to give. To adjust for this we can compare total giving as a percentage of GDP. There is data available for individual, corporate and foundation giving as a percentage of GDP for the United States, United Kingdom, and Canada. Unfortunately, the latest data is for 1985, some four years earlier than the Australian data. Giving as a percentage of GDP however, generally does not change much over a short period, so as a further rough estimate of Australia's place in the international philanthropic stakes, consider: US 1.90; Canada .72; UK .55; Australia .38. Australia, by this comparison, is only one fifth as generous as the United States, effectively the same result as given by the per capita comparison provided above (Hodgkinson and Weitzman, 1989 Table 4.34 and AAP, 1990).

Business giving is particularly puzzling. As noted above, the real figure for business giving in Australia is probably double that used by the AAP study. If we were to use that figure it would improve Australia's generosity a little (to 31% of America's) but would make business a larger source of donations than individuals, with about 50% of the total. This compares with a corporate contribution rate of a little under 5% in the United States and 7% in Canada. It is possible that the methodology of the Australian business survey, despite its flaws was superior to that used in other countries and picked up a lot of business giving not counted there.

The Giving America data is extrapolated by a complex process from corporate giving to higher education, but is checked by IRS data on corporate donations when that data becomes available two or three years later. One lesson from all this would seem to be that community organisations in Australia can do a good deal more to persuade the Australian general public to give. But this might be too simple a lesson. The detailed statistics on Australian giving contained in the second volume to the AAP report and only partly released by the O'Keefe Panas study deserve close scrutiny.

To conclude with two other relevant comparisons and another explanation for the difference.

Giving money to a community organisation is but one way of assisting its work; another is by giving time, or volunteering. Most organised volunteering is done for community organisations, though some is for government bodies (27% in the US; we don't know how much in Australia).

Data is available to enable rough comparisons of volunteering in Australia and the United States. They show fewer Australians volunteered than Americans and for only half as many hours.

Table 3: Volunteering in Australia and the United States

	AUSTRALIA	US
Total organised voluntary hours	436 million	14,890 million
% of Adult population volunteering	29	45
Average annual hours worked by volunteers	121	244

Sources: Australia. Department of Arts, Sports, the Environment, Tourism and Territories, The Economic Impact of Sport and Recreation - the Voluntary Sector, Technical Paper No. 3, AGPS, 1989. (Based on extrapolation from ABS surveys of volunteering in Victoria and Queensland conducted in 1982.)

US. Independent sector, Giving and Volunteering in the United States. Findings from a national survey, Independent Sector, Washington, 1988, Table 1.5

Another possible explanation for the differences between the levels of generosity in the United States and Australia is the level of government support for community organisations. It is possible that government support is higher in Australia than in the United States, thus reducing the need for private donations. Again, this is not borne out by the data. In 1986/7, non-profit organisations in the United States received some \$85 billion from governments (Hodgkinson and Weitzman, 1989, Table 2.1). This is \$350 for every American. In Australia, in 1986/7, government grants to non-profit organisations totalled \$3.4 billion or \$200 per capita (Lyons, 1990). By contrast, government support for voluntary organisations in Great Britain was only 2,587 million pounds which is a low 46 pounds per capita (Charities Aid Foundation, 1989).

Of course, it might be said that the one major difference between the United States and Australia is that the non-profit or community sector constitutes a larger part of American life than it does in Australia. Certainly, many major institutions such as universities, museums and teaching hospitals are counted in the United States as non-profit while in Australia they are seen as public, meaning government. (In practice, the differences in governance between these organisations in Australia and the US is not as great as might be thought.) A relatively smaller community sector is less likely to mobilise peoples' dollars and voluntary hours. Yet, many of these organisations, considered as government in Australia, such as universities, hospitals and large museums are just as likely as their private counterparts in the United States to try and attract donations and voluntary help. The differences in giving between the two countries are more deeply embedded in their different cultures and histories. It is there that attempts to understand the difference identified above should begin.

In conclusion, it must be stressed that international comparisons of the community or private, not-for-profit sector are in their infancy and are fraught with all the usual difficulties encountered by any attempts to measure and compare the characteristics of one country with another. Yet the differences displayed by some of these figures are too striking to be a statistical aberration. They give food for thought, and, hopefully, further research.

References

AAFRC Trust for Philanthropy (1989), Giving USA, New York, author.

ABS (1990), 1988-89 Household Expenditure Survey Australia. Detailed Expenditure Items. Canberra, (Cat No. 6535.0).

Australian Association of Philanthropy (1991), Giving Australia. A Quantitative Explanation of the Philanthropic Sector of the Australian Economy for the 1988-89 Financial Year, Volume 1, Melbourne, author.

Charities Aid Foundation (1989), Charity Trends. 12th Edition. Tonbridge, author.

Charities Aid Foundation (1990), Charity Household Survey 1988/89, Tonbridge, author.

Hodgkinson, Virginia A. and Weitzman (1989), Murray S. Dimensions of the Independent Sector. A Statistical Profile. Third Edition. Washington, Independent Sector.

Lyons, Mark (1990), Government and the Nonprofit Sector in Australia: An Overview. CACOM Working Paper No. 1, Lindfield, Centre for Australian Community Organisation and Management (CACOM).

O'Keefe, Panas and Partners (1990a), Who Gives to What in Australia. Brisbane, author.

O'Keefe, Panas and Partners (1990b), National Research on Giving, Brisbane, author.



## HOW GOVERNMENT SOCIAL EXPENDITURE CUTS WOULD AFFECT THE COMMUNITY SECTOR

Late last year, the Centre for Independent Studies (CIS), a Sydney-based right-wing think-tank published a small monograph proposing for a greater role for private charities in the provision of welfare services, including income support (Goodman and Nicholas, 1990). At about the same time, Dr. John Hewson, the Leader of the Federal Opposition floated similar proposals.

The CIS booklet was based on an American monograph written by John C. Goodman the President of the National Center for Policy Analysis, a "free enterprise research organisation" based in Dallas, Texas. It had been "Australianised" by Alistair Nicholas, who had been a policy analyst with the CIS, but in 1989 joined the staff of Charles Blunt, then Leader of the National Party. When Blunt lost his seat in the 1990 election, Nicholas joined the staff of Alexander Downer, another shadow minister.

The proposals advocated by Goodman and Nicholas and toyed with by Hewson should be seen as something of an ambit claim and unlikely to be given serious consideration. Underlying them however are two assumptions which have a wider acceptance. One concerns the relationship between income support programmes and dependency. The other concerns the relationship between governments and community or voluntary organisations. It is an assumption that might well be seriously proposed by the opposition and indeed might even be toyed with by certain bureaucratic advisors to the current Federal Labour government. This assumption was used to justify the assault on public welfare provision by the Reagan administration in the United States during the 1980s. There is now solid research evidence which documents the falsity of such an assumption and the failure of the policy that was based upon it.

The CIS proposal, briefly is this:

- (i) Government income security programmes encourage dependency. This is because they are administered bureaucratically, providing entitlements to people meet certain criteria, such as old age, or being without a job and looking forward, or being a supporting parent, and so on. They identify a claimant's

problem as lack of income and aim to respond by providing income.

- (ii) Welfare services provided by charitable or voluntary welfare organisations are paid according to need and desert. They are provided only after assessment of each individual case. They see the problem as residing in an individual's attitudes and behaviour and aim to change these attitudes and that behaviour. They therefore reduce dependency.
- (iii) As a consequence, private welfare will reduce poverty and should be encouraged. Unfortunately, the growth of public expenditure on social security and welfare has stifled or "crowded out" private giving to voluntary organisations. A more radical method of encouraging the growth of voluntary welfare is required.
- (iv) One way of encouraging the growth of private welfare provision and reducing the scope of public welfare would be to allow individual taxpayers to allocate a set portion of their income tax to the charity of their choice and reducing government welfare expenditure accordingly. That percentage might be 10% of personal income tax (which would be equivalent to 20% of social security expenditure); or 50% of personal income tax which would remove the need for government income security at all. It might even be a higher percentage to allow voluntary organisations to replace government provided health services as well.

Leaving aside the question of whether private welfare works in the way described, a moments thought should make clear the fundamental silliness of the proposal.

The social security system is a large bureaucracy for two good reasons. One is equity. The system is bureaucratic or rule bound because that is the best way of ensuring that like cases are treated alike. The second reason is efficiency. The system is organised bureaucratically to keep administrative costs to a minimum. Over 2 million individual and family

units receive regular support from the Department of Social Security at any one time. Voluntary welfare agencies could not and would not want to take on that immense task. And even if they did, competing for taxpayers dollars and providing case work to every individual seeking support would make their administrative costs vastly higher than those of the Department of Social Security.

The cost of a casework approach should not be underestimated. With programmes such as JET and NEWSTART, the Federal government is tackling the issue of dependency through providing training and support allocated on individual basis via a case by case approach. These programmes are targeted at a very small percentage of social security recipients, but the effectiveness of even this very modest application of a case work approach is vitiated by the government's inability to allocate sufficient trained staff.

The full blown CIS proposal is a nonsense. But two of the assumptions on which it relies have a wider acceptance. Research evidence however, points to their fundamental flaws.

One assumption is that government income support encourages dependency. This assumption is the topic of considerable debate in the United States and elsewhere. If it means no more than that the interaction of targeted income support together with the tax system creates work disincentives or poverty traps, then there would be little argument. If it is taken to mean (and this is the CIS view) that social security programmes persuade people to forgo work to live on government support, the weight of solid research evidence points to the contrary (Ellwood and Summers, 1986). Significantly, the U.S. debate centres on the behaviour of black teenagers, a uniquely American problem. Interestingly, none of the studies cited by the CIS monograph to support this version of "dependency" have been published in refereed publications. That is, despite claims that they are "classic" studies, they have not been subject to even the most rudimentary critical scrutiny.

Another assumption that underpins the CIS proposals is that the growth of social expenditure has "crowded out" individual donations to private welfare organisations. This is a stronger claim.



Some support can be found from the changing levels of private giving in the United States (this is mainly giving by individuals but includes gifts from corporations and foundations as well). Expressed as a percentage of national income, giving declined from a high 2.64% in 1963 to 2.07% in 1978 and 1979 and then climbed to 2.7% in 1976. Real per capita giving increased by 30% in the 1960s, stayed steady in the 1970s and increased by 37% in the 1980s (Hodgkinson and Weitzman, 1989:7).

The CIS study cites an 1984 paper (in the refereed National Tax Journal) by Abrams and Schmitz. This paper reports a correlation between increases in state and local welfare expenditure and a decline in donations to non-profit social service agencies as a percentage of individual disposable income. They claim that for every dollar increase in state and local and social expenditure, donations fell by 30 cents (Abrams and Schmitz, 1984). Other studies have failed to find that degree of change. Some find it as low as 1/2 or one cent. A recent review of 9 studies concluded that there is probably a small "crowding out" effect but one that is likely to be far less than 30 cents in the dollar (Steinberg, 1989).

All of these studies examined the effect on donations of increased government expenditure. Steinberg concludes that a reduction in government expenditure should produce some increase in donations but that picture would be complicated if the cuts were in Federal expenditure and State governments increased their expenditure to compensate. There can be no simple assumption that cuts in social expenditure by one level of government will lead to compensating increases in private donations.

But such a simple assumption underpinned the Reagan government's social policy during the 1980s.

Excepting the two major Federal health programmes of Medicare and Medicaid, the Reagan administration made massive cuts in social expenditure including government grants to nonprofit agencies. It presumed that private donations to these agencies would increase so as to enable them to increase their services sufficient to compensate for the entire reduction in government expenditure. Between 1981 and 1984, Federal government social expenditure declined by \$42 billion. This included cuts of \$12 billion in direct support for non-profit agencies (Abrahamson and Salamon, 1986: 84-6).

Over the same period, private donations increased, but only sufficient to replace 25% of the revenue lost by nonprofits. This was only 7% of the overall social expenditure cuts (ibid).

The effect of the cuts on non-profit organisations was considerable. Organisation providing what we would call community services experienced cuts in government grants of an average of 36%, grants to organisations in the housing and community development field were cut by 35% and arts organisations experienced cuts of 41% (Salamon, 1990: 235).

Yet nonprofit organisations, on average, managed marginally to increase their income. As noted, increases in private donations accounted for only 25% of this increase. Over 70% of the short fall in Federal revenue was made up by increased fees and charges. Those organisations working in very poorest neighbourhoods found it hardest to survive; many organisations were forced to shift the locus of their work to target those who could afford to pay the new or higher fees they were forced to impose (ibid: 237).

A study of nonprofit organisations in Chicago in the early 1980s found similar results. Nonprofits which provided services in low income areas were significantly dependent on government subsidies . If those subsidies were withdrawn, they had to reduce their work in those neighbourhoods. (Gronbjerg, 1990).

Lester Salamon, who has conducted the most comprehensive study of the effects of the Reagan years on America's nonprofit sector draws a simple conclusion. The Reagan administration's simple assumption that cuts in Federal government expenditure (and tax cuts) would create an outpouring of individual generosity were quite wrong. They were wrong because they totally misunderstood the relationship between government and the nonprofit (or community) sector. They assumed that the two sectors were in competition and that increased government social expenditure has suppressed the nonprofit sector. In fact the two sectors had for many years worked in partnership. Increased social expenditure included increased government support for (and dependence on) the nonprofit sector. Decreased government expenditure forced the nonprofit sector to reduce the level of services it provided to poorest Americans, and to increase its services to those

Americans who could afford to pay. This in turn brought it more into competition with for-profit organisations (Salamon, 1990).

The only Australian data which allows comparisons between non-profit organisations in the United States and Australia is drawn from a survey of non-government welfare organisations conducted by the Social Welfare Research Centre (SWRC) at the University of New South Wales in 1981. It covers only some non-profit organisations. This is a smaller range of organisations than what is called the independent sector in the United States, but is roughly equivalent to what is now called the community sector in Australia. The closest United States equivalent is the social and legal services sub-sector of the independent sector. This is a more narrowly defined category than the SWRC study but the two are sufficiently aligned to allow some comparison.

In Australia, in 1981, 37% of the income of the community sector came from governments, 28% from private donations and 22% from fees, dues and charges (Milligan et al, 1984, Table 5.12). In the United States, in 1982, organisations providing social and legal services derived 48% of their income from government grants, 33% from private donations and only 15% from dues, fees and charges (Hodgkinson and Weitzman, 1989, Table 8.2). That was early in the period of the Reagan cuts. By 1987, for organisations in that sub-sector, government grants had fallen to 41% of income, private donations had increased to 39% and income from fees, dues and charges to 14% (ibid). More recent Australian data is not available. It seems clear that the community sector in Australia is marginally less reliant on government grants than its United States equivalent and is already more reliant on dues, fees and charges. By contrast, the Australian community sector relies less on private donations, reflecting the significantly lower levels of generosity prevailing in Australia.

It seems clear that any attempt in Australia to cut Commonwealth social expenditure in the expectation that the community sector, via increased private donations, can pick up the difference would not only fail, but would have a disastrous effect. This judgement applies whether the attempt comes from a Liberal/National Party government or from a Labor government seeking to "rationalise" Commonwealth/State relations. If such cuts were made the community sector would initially cut back its activities. Many

small organisations would cease to function. As a whole, the sector would eventually make up the loss by charging for more of its services and by focussing its activities increasingly on those sections of the population that can afford to pay. Low income Australians would be the big losers.

References

- Abrams, Burton A. and Schmitz, Mark D., (1984) "The Crowding-out Effect of Governmental Transfers on Private Charitable Contributions: cross-section evidence", National Tax Journal, 37 (4) 563-568.
- Abrahamson, Allan J. and Salamon, Lester M. (1986), The Nonprofit Sector and the New Federal Budget. Washington, Urban Institute Press.
- Ellwood, David T. and Summers, Laurence H. (1984), "Poverty in America: Is Welfare the Answer or the Problem?", Sheldon H. Danziger and Daniel H. Weinberg (eds), Fighting Poverty. What Works and What Doesn't. Cambridge Ma., Harvard U.P.
- Goodman, John C. and Nicholas, Alistair J. (1990), Voluntary Welfare. A Greater Role for Private Charities. St. Leonards, Centre for Independent Studies.
- Gronbjerg, Kirsten A. (1990) "Profit and Nonprofit Organisational Behaviour", Social Service Review, 64 (2), 208-243.
- Hodgkinson, Virginia A. and Weitzman, Murray S. (1989), Dimensions of the Independent Sector. A Statistical Profile. 3rd ed. Washington, Independent Sector.
- Milligan, V. et al, Non-Government Welfare Organisations in Australia: A National Classification. SWRC R & P No. 51, Sydney: Social Welfare Research Centres, 1984.
- Salamon, Lester M. (1990), "The Nonprofit Sector and Government: American Experience in Theory and Practice", Helmut K. Anheier and Wolfgang Seibel (eds), The Third Sector: Comparative Studies of Nonprofit Organisations. Berlin, Walter de Gruyter.
- Steinberg, Richard (1989), "The Theory of Crowding-out: Donations, Local Government Spending and the 'New Federalism'", Richard Magat (ed), Philanthropic Giving. Studies in Varieties and Goals. New York, Oxford University Press.

mltapel2.3  
kaypro