

Vital support: building resilient charities to support Australia's wellbeing

Partners in Recovery series,
Social Ventures Australia and the Centre for Social Impact
May 2021



Social Ventures Australia and the Centre for Social Impact acknowledge Traditional Owners of Country throughout Australia. We pay our respects to Aboriginal and Torres Strait Islander Elders past, present, and emerging. We also accept the invitation in the Uluru Statement from the Heart to walk together with Aboriginal and Torres Strait Islander peoples in a movement of the Australian people for a better future.

About Social Ventures Australia

Social Ventures Australia (SVA) is a not-for-profit organisation that works with partners to alleviate disadvantage – towards an Australia where all people and communities thrive.

We influence systems to deliver better social outcomes for people by learning about what works in communities, helping organisations be more effective, sharing our perspectives and advocating for change.

About The Center for Social Impact

The Centre for Social Impact (CSI) is a national research and education centre dedicated to catalysing social change for a better world. CSI is built on the foundation of three of Australia's leading universities: UNSW Sydney, The University of Western Australia, and Swinburne University of Technology. Our research develops and brings together knowledge to understand current social challenges and opportunities; our postgraduate and undergraduate education develops social impact leaders; and we aim to catalyse change by drawing on these foundations and translating knowledge, creating leaders, developing usable resources, and reaching across traditional divides to facilitate collaborations.

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Executive Summary

Australia, along with the rest of the world, experienced a dramatic economic crash at the beginning of the pandemic. But due to successes in managing the spread of the virus, the economy as a whole has performed much better in the most recent phase of the recovery than expected. COVID-19 also had a major social impact. While there were many positive stories of different communities coming together to support each other, there is no doubt that the pandemic had negative impacts on many Australians.

Charities played a critical role in the crisis phase of the pandemic. They stepped up to assist people and communities hit hard by COVID-19, and resulting lockdowns and restrictions. This ranged from working directly with vulnerable communities that needed additional support, to providing emergency relief for individuals who were not eligible for government support programs, to being the ‘social glue’ for many people during social distancing restrictions.

Without a vibrant charity sector, many more people would have been left behind.

Some groups have bounced back quickly but many of those who were already vulnerable risk being left behind for good. And while the recovery work has barely begun, many charities will enter this next phase in a weaker and more vulnerable position.

Like many organisations across Australia and the world, the crisis also significantly affected the operations and sustainability of the charity sector. Charities faced disruptions to their service delivery, finances and workforce. The new analysis conducted for this report has found that more than half of charities faced some form of temporary closure, and more than 80% made some shift towards at least partial online service delivery. Almost half of all charities shifted part or all of their workforce to remote working, and more than half also made other changes to staffing. 77% reported that recent events had put strain on their financial operations, and 52% were worried they would not be able to provide their services in the current economic climate.

Financial support from the Commonwealth Government undoubtedly helped some charities through the initial phase of the crisis and the Commonwealth deserves great credit for the adjustments made to JobKeeper and other initiatives to ensure charities could also access these supports.

But our analysis shows that more than 40% of eligible charities reported that the stimulus represented a temporary fix only. With the recent end of JobKeeper, it is expected that some charities will need to retrench staff or otherwise shrink their operations. The scale of job losses is thankfully much smaller than projections made early in the pandemic, due to government stimulus measures and a faster-than-expected recovery from the economic and health crises. But the withdrawal of stimulus is coinciding with a number of other trends that will make it challenging for charities to thrive.

At the time of writing, many social services charities were expecting to see a spike in demand for their services. With JobKeeper, the JobSeeker Coronavirus Supplement and eviction moratoriums ceasing at the end of March, many people will experience decreased income and increased expenses, and charities will be expected to pick up the slack. Unlike commercial businesses, charity funding for services does not rise in parallel with demand. Charity revenue fell during the pandemic, and charities already had lean reserves going in. This leaves them in a precarious position now.

Charities can – and should – be part of Australia’s economic recovery. They employ more than one in ten employees in Australia – 1.3 million people. This employment is concentrated in sectors that are expected to add large numbers of jobs in the next five years, and that disproportionately employ

women, who have been hit hard by the crisis. They can help government achieve its goal of reducing unemployment rates back below 5%.

A thriving charity sector is vital for the future productivity and wellbeing of Australia. Charities provide services that people, communities and government rely on. They deliver vital services on behalf of Commonwealth and state governments and taxpayers, from disability services to early learning. We all benefit from their contributions to education, health care, sports and recreation, aged care, religion, arts and culture, animal protection, and environmental protection. As a community, we are especially reliant on charities during a crisis and to support a recovery, whether confronted by bushfires or financial turmoil. They are the social glue in our communities, and without them Australia's quality of life would be poorer on almost every dimension

But if we want a strong charity sector, we must provide them with appropriate support that recognises their unique needs and challenges.

As we emerge from the crisis phase of the COVID-19 pandemic, we are developing new insights on the structural challenges facing charities. The Paul Ramsay Foundation *Sustaining Our Partners Taskforce* worked closely with 80 social purpose organisations to ensure they remained financially viable, built their resilience, and, where possible, captured new opportunities. From this work, they identified six findings with broader relevance to the charity sector, which can inform future action:

- Funding source is a predictor of vulnerability
- Regular analysis helps to understand vulnerability
- Grant funding can create unique vulnerabilities
- Agility is a protective factor
- A crisis creates opportunities
- Organisational capability needs to be strengthened

Given the sector's importance, there is a clear case for government support for the resilience and productivity of the charity sector. Australian governments have long recognised their role in providing targeted support to industry sectors where there is a clear public benefit or market failure. Charities face unique constraints and barriers because of their structures and the environment in which they operate, including lack of access to capital and flexible funding, market dynamics that constrain innovation and productivity, and their very nature as organisations seeking to generate public benefit. Given the clear economic and social benefits we all derive from charities, targeted investment in the resilience of the sector is a win-win.

We have identified six actions for governments and others that would support charity resilience:

1. Continue to provide targeted support to charities facing long-run effects of the pandemic, including ensuring that business support is structured so charities can benefit on an equal footing
2. Appropriately fund government contracted services delivered by charities
3. Make fundraising and philanthropy simpler to encourage increased giving
4. Establish a Resilient Charities Fund to enable Charities to invest in capability building and organisational transformation
5. Support further research to better understand how to build back the charities sector so that they are funded for impact
6. Meaningfully increase the rate of JobSeeker payment to reduce poverty and financial stress

The final section of this paper presents a detailed proposal for a Resilient Charities Fund. We recommend government invest \$200-400 million in a one-off, time-limited fund to support charities to undertake strategic and operational transformation. This is a targeted initiative, focused on structural reform and collaboration. This would help them to develop more impactful and efficient ways to operate in a 'with-COVID' and 'post-COVID' environment, so they can continue to strengthen Australia's economy and society beyond the immediate recovery.

About this report

During the COVID-19 crisis, there has been great concern about the future of the Australian charity sector, and the people it supports, given the economic, health and social crises currently unfolding. Charities' capacity to respond to financial and operational shocks will vary drastically. It will be some time yet before there is sufficient data to be able to determine the full impact. However, decisions made now will strongly affect whether charities are COVID-19 casualties or partners in recovery, and those decisions need to be based on the best available information.

To support public and sector discussion as the sector seeks to transform in response to COVID-19, Social Ventures Australia and the Centre for Social Impact are undertaking the *Partners in Recovery* project.

This is the fourth publication from this project, following on from:

- *Will charities be COVID-19 casualties or partners in recovery? A financial health check*, published in June 2020. This report models how ACNC-registered charities are likely to be affected by the crisis; explores the implications of the sector experiencing greater financial vulnerability; assesses the impact of the first phase of JobKeeper; and sets out the extent of support needed to ensure a thriving, financially viable charities sector
- *Partners in recovery: Why charities need tailored support*, published in July 2020. This policy snapshot explores the different financial, legal and operational constraints to commercial businesses that charities face, and shows that charities need tailored support from government that recognises their unique situation if we are to preserve jobs and services
- *Taken for granted? Charities' role in our economic recovery*, published in August 2020. This report updates the modelling presented in the June 2020 report to explore the implications of the revised JobKeeper wage subsidy arrangements announced by the Commonwealth Government in July 2020. It also presents new analysis on the economic contribution of the charity sector.

More than a year on from the start of the crisis, this new report surveys the current landscape for charities, and presents new analysis of data from two projects: the CSI *Pulse of the For-Purpose Sector* survey, and the Paul Ramsay Foundation and Social Ventures Australia's work on the *Sustaining Our Partners Taskforce*.

1. The state of the charity sector

1.1. Charities supported Australia through crisis, but were hit hard themselves

The economic and social impact of COVID in Australia

Australia, along with the rest of the world, experienced a dramatic economic crash at the beginning of the pandemic. The activity restrictions introduced by governments to prevent the spread of the COVID-19 virus meant that millions of people lost jobs and work hours. The average number of hours worked per head of population was at its lowest level on record in May 2020.¹ In June 2020, 992,300 people were unemployed (7.4%) and 1,555,593 people were underemployed (11.7%).² That equates to more than 2.5 million people looking for or wanting more work, but competing in a market with only 129,000 job vacancies.³

Because of Australia's success in managing the spread of the virus, the economy has as a whole performed much better in the most recent phase of the recovery than expected. In May 2020, the Reserve Bank forecast a 6% drop in GDP growth for calendar year 2020.⁴ As of February 2021, it estimates only a 2% drop for the same period, and GDP growth of 3.5% over the next two years.⁵ The May 2020 forecast unemployment rate for 2020 was 9%, up from 5% pre-pandemic. The February 2021 forecast estimates a rate of 6.8% in the same period, with a fall to 6% by the end of 2021.

As the Reserve Bank noted in February:

*'The economy is now transitioning beyond the initial 'snapback' phase, which was underpinned by favourable health outcomes, the faster-than-expected lifting of activity restrictions and very substantial policy support. The nature and speed of the next phase of the domestic recovery remains uncertain and is expected to be uneven for some time yet. Beyond the risks associated with the virus, a key uncertainty is how Australian households and businesses respond and adapt to the tapering of some fiscal and other temporary support measures in coming quarters following the extraordinary boost to cash flows they received last year.'*⁶

It is also clear that the economic recovery is uneven, with some communities still feeling significant effects of international border closures. Industries such as tourism and higher education that are heavily reliant on international visitor revenue continue to struggle, as do cities and regions where these industries are major economic drivers. Some sectors of the labour market, such as young people, have also been hit harder than most.⁷

¹ SVA and CSI analysis based on ABS (2020) 6202.0 *Labour Force, Australia, June 2020*, Tables 1 & 19; and Cowgill, M. & Coates, B. (2020) 'The modest rise in unemployment hides a much grimmer picture' *Grattan Blog* 14 May 2020, Grattan Institute.

² ABS (2020) 6202.0 *Labour Force, Australia, June 2020*. Seasonally adjusted data.

³ ABS (2020) 6354.0 *Job Vacancies Australia, May 2020*. Seasonally adjusted data.

⁴ Reserve Bank of Australia (2020) Statement on monetary policy – May 2020.

⁵ Reserve Bank of Australia (2021) Statement on Monetary Policy – February 2021. The Bank notes significant uncertainty depending on health circumstances and global economic conditions

⁶ Reserve Bank of Australia (2021) Statement on Monetary Policy – February 2021

⁷ Borland, J. (2021) *Labour market snapshot #76* March 2021

In contrast, sectors have come out of the crisis strongly. Some prominent corporations have reported significant profits and paid large shareholder dividends for 2020, including some who received payments under the JobKeeper wage subsidy program. Some companies have pledged to repay the subsidy, but some have not.⁸

COVID-19 also had a major social impact. As the Brotherhood of St Laurence reported in its *Voices from the COVID-19 Frontline* report:

*'Many of the threads of our social fabric have been stretched and torn by this virus. Individuals, families and communities experiencing disadvantage have borne the heaviest burden of the COVID-19 (C19) pandemic and its accompanying isolation restrictions on any measure of social, health and economic impact.'*⁹

While there were many positive stories of the resilience of Australian communities coming together to support each other in crisis, there is no doubt that the pandemic had negative impacts on many Australians. While data is still emerging, many people experienced significant economic hardship¹⁰ and there are indications that rates of domestic violence,¹¹ mental ill-health¹² and school disengagement¹³ rose as a result of the economic and social dislocation. Even as the health crisis recedes, the long-term impact of these dynamics on affected individuals and communities will be substantial.

Impact of the crisis on charities

Like many types of organisations across Australia and the world, the crisis significantly affected the operations and sustainability of the charity sector. Although it is too soon to have a comprehensive picture of the full impact, we are beginning to see some trends emerging.

In mid-2020, the Centre for Social Impact launched the *Pulse of the For-Purpose Sector and the Building Back Better* initiative, including the first wave of data collection for a longitudinal dataset on the state of the for-purpose sector.¹⁴ Initial results from this survey were reported in December 2020.¹⁵ This section of this report presents new analysis of the first wave of data, focusing specifically on the circumstances of charities in 2020.¹⁶

Service disruptions

Organisations delivering on-the-ground services were often forced to change their approach – either due to government shutdown requirements or their own risk assessment. As Figure 1 shows, more than half of charities faced some form of temporary closure, and more than 80% made some shift

⁸ See for example, Powell, D. 'Not a good look': Push grows for JobKeeper payments to be returned as profits, dividends boom, Sydney Morning Herald, 2 March 2021.

⁹ Brotherhood of St Laurence (2020) *Voices from the COVID-19 Frontline*.

¹⁰ Cortis N. & Blaxland, M. (2021) *Meeting community needs in difficult times: experience of Australia's community sector*. ACOSS

¹¹ Australian Institute of Criminology (2020) *Statistical Bulletin 28, The prevalence of domestic violence among women during the COVID-19 pandemic*.

¹² Australian Institute of Health and Welfare (2021) *Mental Health Services in Australia*

¹³ Evidence for Learning (2020) *Insights Paper: Identifying and taking action for students at risk of disengagement from school during the phases of the COVID-19 response*.

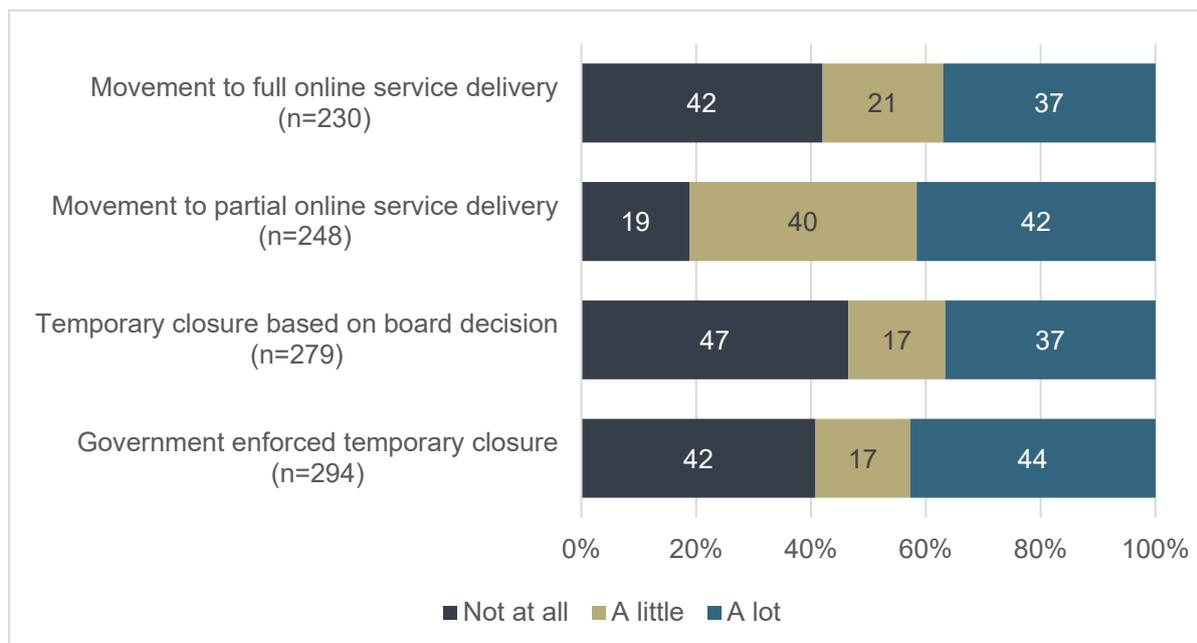
¹⁴ Muir, K., Carey, G., Weier, M., Barraket, J., & Flatau, P. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*. Centre for Social Impact, Sydney.

¹⁵ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*. The December 2020 report presents findings from 524 people who responded to Wave One of the *Pulse of the For-Purpose Sector* survey in August 2020. Of these people, 470 identified their organisation type: 53% represented community and social service organisations; 24% industry and social enterprise (training, social enterprise, business or sector supplier); 11% philanthropy and grant making (philanthropic/grants, intermediary); and 11% other.

¹⁶ In this report, data on charities is drawn from the 411 *Pulse* survey respondents who were Australian Charities and Not-for-profits Commission (ACNC) registered charities (78.6%). Not all respondents answered all questions, so the sample size for individual questions is generally lower than 411.

towards at least partial online service delivery.¹⁷ Of course, some operations could not be shifted online. Services that had to shut down entirely, at least in the initial phase of the crisis, ranged from the provision of direct care services, to a randomised controlled trial evaluating the effects of an intervention in schools having to scrap their data collection and start over, to several social enterprises that had their entire business disappear almost overnight when tourism stopped and cafes were closed.¹⁸

Figure 1: Service delivery changes in response to COVID-19 amongst Australian charities



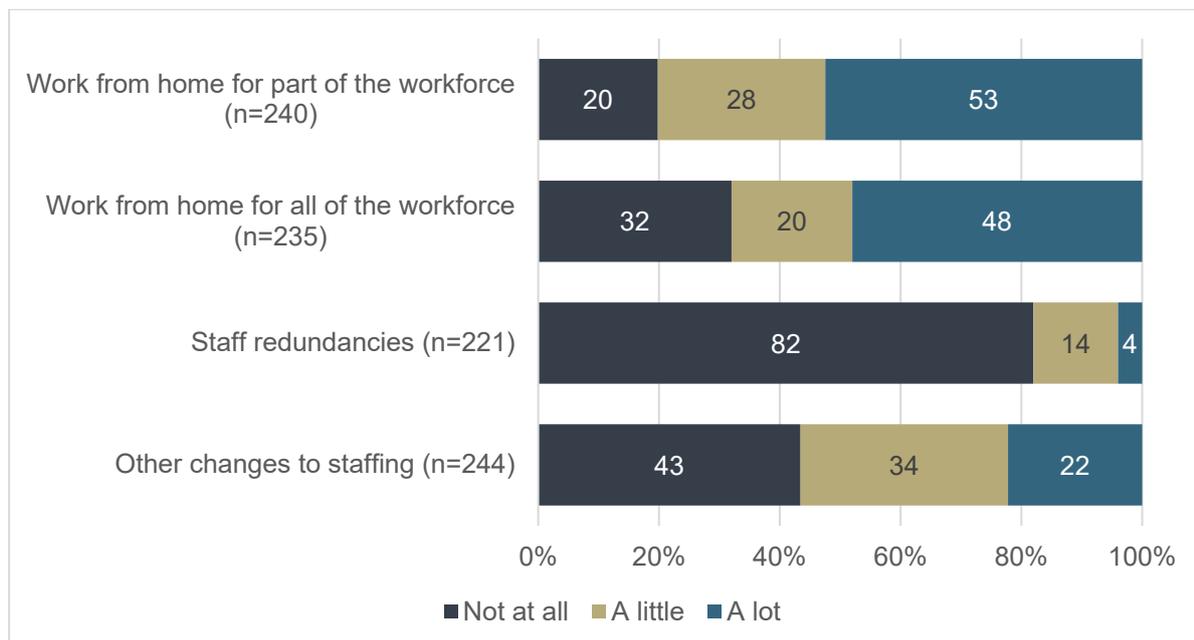
Workforce disruption

The charity workforce – both paid and volunteer – was also significantly disrupted by the crisis. As Figure 2 shows, almost half of all charities shifted part or all of their workforce to remote working, and more than half also made other changes to staffing. Fewer than a fifth of charities made staff redundant (although this figure may not capture casual staff who were offered fewer or no hours, or staff on fixed-term contracts which are common in parts of the sector).

¹⁷ Unless noted otherwise, all data in this section is previously unpublished analysis from the CSI *Pulse of the For-Purpose Sector Survey*. Surveyed in August 2020.

¹⁸ Thorp, S. (2021) *Vulnerability and resilience in the social sector: what we learnt through Covid-19*. SVA Quarterly, 31 March 2021

Figure 2: Workforce changes in response to COVID-19 amongst Australian charities



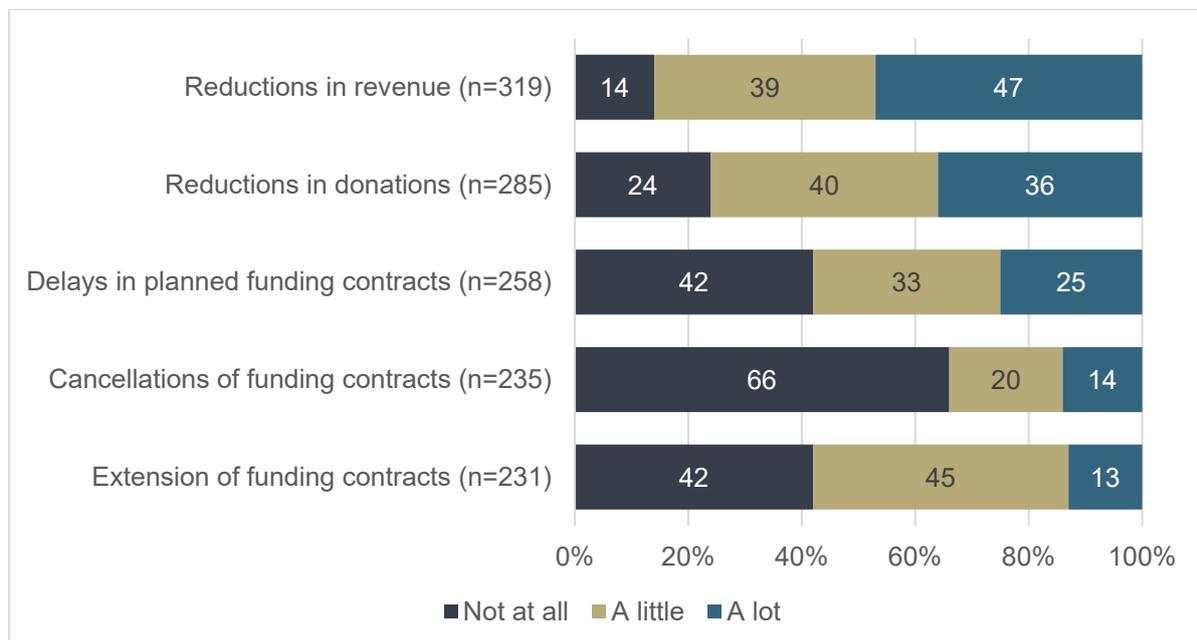
Financial disruption

The vast majority of charities faced financial disruption as a result of the crisis, as shown in Figure 3. 86% of surveyed charities reported a reduction in revenue, and almost half of those surveyed reported being impacted 'a lot' by those reductions in revenue. More than three quarters saw a reduction in donations. More than half reported delays in planned funding contracts, although only 14% reported a significant impact from the cancellation of funding contracts.

On top of this immediate disruption, many organisations faced significant uncertainty about their ability to find ongoing philanthropic support for their work (especially from new funders) or in the case of social enterprises, a market for their offering. 77% reported that recent events had put strain on their financial operations, and 52% were worried they would not be able to provide their services in the current economic climate.¹⁹

¹⁹ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

Figure 3: Financial changes in response to COVID-19 amongst Australian charities



Charities and their staff played a vital role in the crisis phase

Charities played a critical role in the crisis phase of the pandemic. While many were already stretched from their involvement in supporting their communities through bushfires, droughts and floods, they stepped up to assist people and communities hit hard by the health crisis and resulting lockdowns and restrictions.

Beyond their direct role in the health system, from hospitals to community health provision, some of the roles that charities undertook included:

- Working directly with vulnerable communities that needed additional support during the health crisis and shutdowns. This included stepping up to fill gaps where governments did not have the capacity or skills to meet specific community needs. For example, Settlement Services International worked closely with diverse communities in New South Wales to support community leaders to provide culturally appropriate information and services.²⁰
- Supporting self-determination within their communities. First Nations people were at the start of the crisis recognised as a highly vulnerable group, who in the past have experienced poorer health outcomes than the rest of the Australian population in pandemics.²¹ So far, the First Nations population has fared better than expected, with infection rates lower than the general population. Researchers have identified that ‘a key attribute of the success of the COVID-19 Indigenous response has been the extent of self-determination by Indigenous organisations’.²² Examples of ‘exemplary leadership’ include Land Councils establishing access restrictions to minimise risk to their communities,²³ and Aboriginal Community Controlled Health Organisations (ACCHOs)

²⁰ Settlement Services International (2020) *Multicultural leaders are taking steps to make sure their communities are COVID-19 safe*. Media release 7 August 2020

²¹ Crooks, K., Casey, D.; & Ward, J S (2020) *First Nations peoples leading the way in COVID-19 pandemic planning, response and management*. *Med J Aust* 2020; 213 (4): 151-152.e1

²² Moodie, N., Ward, J., Dudgeon, P., et al. (2021) *Roadmap to recovery: Reporting on a research taskforce supporting Indigenous responses to COVID-19 in Australia*. *Aust J Soc Issues*. 2021; 56: 4– 16

²³ Moodie, N., Ward, J., Dudgeon, P., et al. (2021) *Roadmap to recovery: Reporting on a research taskforce supporting Indigenous responses to COVID-19 in Australia*. *Aust J Soc Issues*. 2021; 56: 4– 16

developing local resources for their communities, as well as engaging closely with government to advocate for community needs.²⁴

- Providing emergency relief for individuals who were not eligible for government support programs, including international students and casual workers. This ranged from keeping foodbanks running amidst the challenges of social distancing and shrinking supply lines,²⁵ to providing crisis cash support for individuals who had lost income and did not have other means of support²⁶
- Advocating to government to ensure that the needs of groups facing high risk and vulnerability were met. For example, a number of disability organisations drew attention to the fact that the initial *Australian Health Sector Emergency Response Plan for Novel Coronavirus COVID-19* did not include the specific needs of people with disability,²⁷ and worked to put plans in place themselves
- Delivering vital services to people in need, across disability, aged care, employment services, child protection and other areas.²⁸ In many cases this required staff to step outside their usual roles and find new ways to work with clients. For example, the majority of staff at one social services charity reported that they spent extra time helping people to access the technology they needed for remote service delivery. The same charity also bought and supplied phones and data plans to keep young people connected²⁹
- Working together across the sector and with governments at all levels to mitigate the impact of the crisis on those experiencing housing stress. This collaboration is already being held up as an example of what co-ordinated policy action can achieve³⁰
- Providing the ‘social glue’ for many people during social distancing restrictions. Churches, sporting groups, and other grassroots charities worked to engage their communities and reduce social isolation by shifting their activity online, and then seeking ways to safely open up and reconnect people with their communities.

The crisis highlighted the strengths of community sector organisations in supporting their communities. A recent assessment of the Victorian social sector’s adaptations found that:

‘The crisis has highlighted the sector’s ability to listen and respond to the needs of service-users, and the value of their deep connections and knowledge of their communities [...] The period has been characterised by more efficient decision-making processes enabled by high-trust relationships, enhanced information sharing, and a reduction in red tape. This has resulted in faster, more effective responses to service-user needs.’³¹

Without a vibrant charity sector, many more people would have been left behind.

²⁴ Crooks, K., Casey, D; & Ward, J S (2020) *First Nations peoples leading the way in COVID-19 pandemic planning, response and management*. Med J Aust 2020; 213 (4): 151-152.e1

²⁵ See, for example, Schneiders B., & Millar, R. (2020) ‘Demand for emergency food skyrockets’ Sydney Morning Herald, 2 May 2020.

²⁶ See, for example, TNA (2020) ‘1000x1000: Crisis cash for artists’

²⁷ See, for example, People with Disability Australia (2020) *COVID-19 Preparation Must Include People With Disability*. Media release 11 March 2020.

²⁸ Future Social Service Institute & VCOSS (2021) *Stories into evidence: COVID-19 adaptations in the Victorian community services sector*

²⁹ Brotherhood of St Laurence (2020) *Voices from the COVID-19 Frontline*

³⁰ Mason, C., Moran, M. & Earles, A. (2020) *Policy coordination and housing outcomes during COVID-19*, AHURI Final Report No. 343

³¹ Future Social Service Institute & VCOSS (2021) *Stories into evidence: COVID-19 adaptations in the Victorian community services sector*

1.2. The challenges for charities are far from over

Charities and the end of JobKeeper

Financial support from the Commonwealth Government undoubtedly helped some charities through the initial phase of the crisis, and the Commonwealth deserves great credit for the adjustments made to JobKeeper and other initiatives to ensure charities could also access these supports. Almost half of the respondent charities in the *Pulse of the For-Purpose Sector Wave 1* survey were eligible for the government stimulus package. Over three-quarters of respondents who indicated they had paid employees were eligible.³²

As Figure 4 shows, almost two-thirds of charities who were eligible for stimulus reported that government stimulus measures (including JobKeeper and the Cash Flow Boost) had allowed their organisation to remain operational. 55% said that these measures had prevented layoffs. 29% reported that the stimulus had prevented the organisation from shutting down completely. These numbers are similar to those reported by the broader for-purpose sector.³³

Figure 4: Charities' reporting of the impact of Australian Government stimulus measures in response to COVID-19, eligible charities only

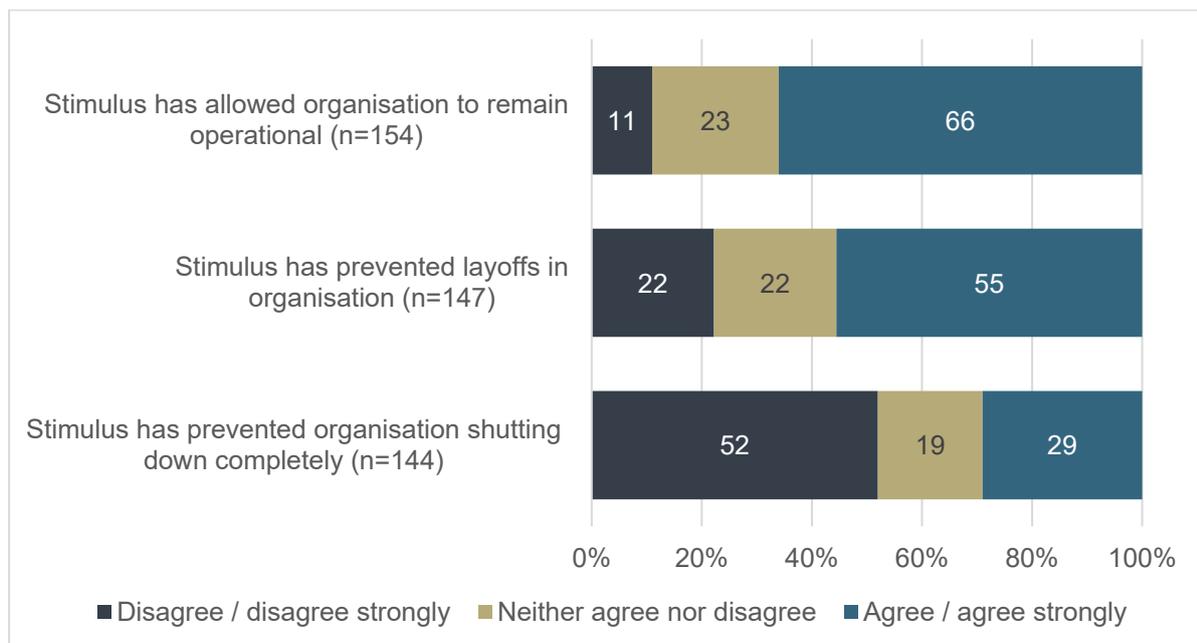
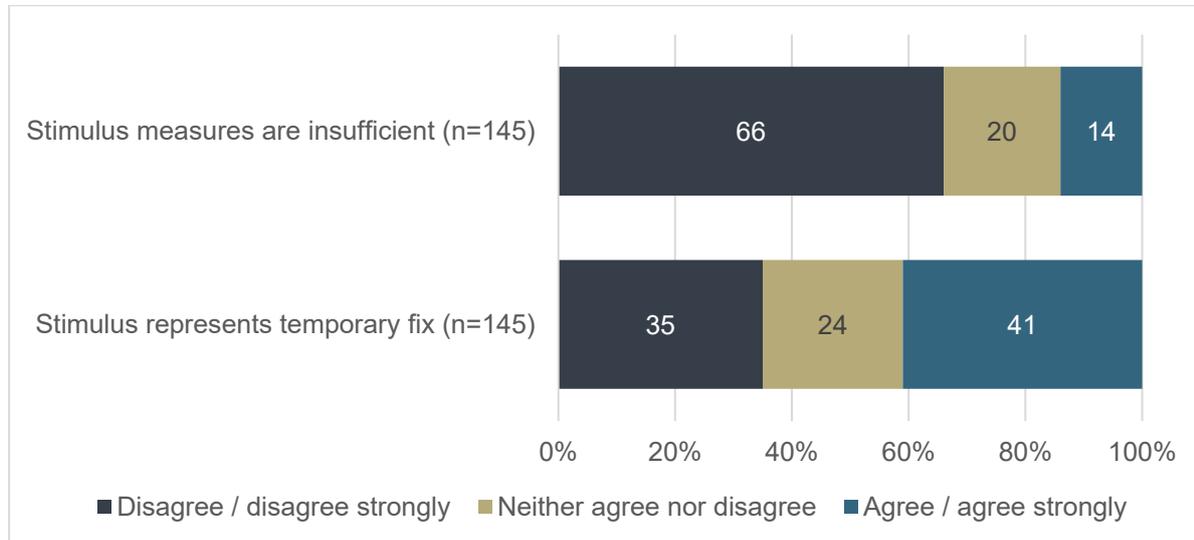


Figure 5 shows the views on the stimulus package of charities who reported being eligible to receive it. Only 14% of these charities felt that the stimulus measures were insufficient. However, more than 40% reported that the stimulus represented a temporary fix only.

³² Due to the structure of the survey, it is possible that some charities with paid employees did not indicate whether or not they did in fact have such employees

³³ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*

Figure 5: Opinion on stimulus measures amongst Australian charities, eligible charities only



At time of writing, it isn't known what the impact of the end of JobKeeper on charities will be. One media poll suggests that more than half of respondent charities were still receiving the subsidy in March 2021, and that 12% of respondents would need to retrench staff.³⁴ Commonwealth Treasury estimates suggest that around 1.1 million individuals were being supported by JobKeeper in the March quarter, and that up to 150,000 people could lose jobs when JobKeeper was removed.³⁵ Others are forecasting up to 250,000.³⁶ Given that charities employ more than one in ten of Australia's workforce – 1.3 million people – pro-rata job losses in the sector could see 15,000 – 25,000 jobs lost from charities. This is thankfully much smaller than projections made early in the pandemic, due to government stimulus measures and a faster-than-expected recovery from the economic and health crises. However, the withdrawal of stimulus is coinciding with a number of other trends that will make it challenging for charities to thrive.

Charities continue to face challenging dynamics

At the time of writing, many social services charities were expecting to see a spike in demand for their services.³⁷ With JobKeeper and the JobSeeker Coronavirus Supplements ceasing at the end of March, many people will experience a significant loss of income, and charities will be expected to pick up the slack.³⁸ The end of the rental eviction moratoriums is expected to cause an increase in housing instability and homelessness as deferred rents fall due.³⁹

Unlike commercial businesses, demand for critical services run by charities – not just emergency services but many different early intervention services and points of community connection – goes up when our community faces challenges. They are counter-cyclical. Not-for-profit organisations are already reporting increases in service demand, particularly those in social services (71% reporting

³⁴ Williams, W. (2021) 'JobKeeper was a lifeline': As payment ends some charities thrive while others face staff cuts, Pro Bono News, 25 March 2021

³⁵ Kennedy, S. (2021) Opening statement - Economics Legislation Committee 24 March 2021

³⁶ Borland, J. (2021) Labour market snapshot #76 March 2021

³⁷ Cortis N. & Blaxland, M. (2021) Meeting community needs in difficult times: experience of Australia's community sector. ACSS

³⁸ See Wright S. (2021) Charities call for more JobSeeker support amid pressure to 'pick up the slack' Sydney Morning Herald, 8 March 2021

³⁹ See Farhart, C. (2021) A wave of homelessness could be about to hit Australia as rules preventing evictions end SBS News, 26 March 2021; and Casey, S. & Ralston, L. (2021) At least 2.6 million people face poverty when COVID payments end and rental stress soars The Conversation, 24 March 2021

increased demand in the 12 months to August 2020), health (67%), and development and housing (64%).⁴⁰

Unlike commercial businesses, an increase in demand does not necessarily lead to an increase in revenue to meet that demand. Charity boards and staff will want to ‘lean in’ to meet increased demand, but they are left trying to do more with less, and will be trying to do that for some time. Experience shows that unemployment takes much longer to fall in recovery than it took to rise during a recession, so we may see higher than usual rates of joblessness for many years.⁴¹ Charities will face increased demand to support people over that time, at the same time that their revenues remain low.

Most charities are reported experiencing losses of income, and history tells us that charity revenues will not bounce back quickly.⁴² In late 2020, 47% of charities reported that reductions in revenues had hurt them ‘a lot’.⁴³ Charities that raise funds from ticketed events, such as the arts, sporting and fundraising charities, have seen major income drops as a result of social distancing restrictions.⁴⁴ For many of these charities, the continued closing of both state and international borders has cut the funds they would usually receive from tourism.

Although the sector as a whole was expecting at the start of the crisis that philanthropic support could fall by more than 15%,⁴⁵ this may not have been borne out. Recent data suggests that philanthropic donations from the top 50 philanthropists in Australia were 29% higher in 2019-20 than in 2018-19, and that corporate donations had also risen.⁴⁶ While this is a promising trend, we are yet to see how this plays out across the sector, given that most charities reported drops in donations over the same period.⁴⁷ And while philanthropy is an important income source for some charities, it contributes only 7% of total sector income, so a significant rise for some organisations may not make up for overall revenue falls.⁴⁸

Charities have also lost non-financial sources of support. Two out of every three volunteers stopped volunteering between February and April 2020 – an estimated 12.2 million hours lost per week. By February 2021, only 28% of volunteering organisations had returned to pre-pandemic levels of activity.⁴⁹

Charities rely on governments for a large proportion of their revenue – 47% of aggregate sector income comes from this source. If governments seek to reduce debt and rebalance budgets quickly, as they did following the Global Financial Crisis, charities are very likely to be affected. While the Commonwealth Government has committed to a gradual transition to fiscal consolidation,⁵⁰ some recent evidence of government interest in cost-cutting in social services is concerning.⁵¹

⁴⁰ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*. See also Cortis N. & Blaxland, M. (2021) *Meeting community needs in difficult times: experience of Australia’s community sector*. ACOSS

⁴¹ Daley, J., Wood, D., Coates, B., Duckett, S., Sonnemann, J., Terrill, M., Wood, T. & Griffiths, K. (2020). *The Recovery Book: What Australian governments should do now*. Grattan Institute.

⁴² See PriceWaterhouseCoopers, Fundraising Institute Australia & the Centre for Social Impact (2009) *Managing in a downturn: the impact of economic downturn on not-for-profit organisations*; and The Centre for Corporate Public Affairs (2009) *Impact of the economic downturn on corporate community investment*.

⁴³ Previously unpublished analysis from CSI *Pulse of the For-Purpose Sector Survey*. Surveyed August 2020.

⁴⁴ Our Community (2020) *COVID-19 Community Sector Impact Survey*. Survey conducted in late April 2020, with 366 respondents

⁴⁵ McLeod, J. (2020) *Where to from here? The outlook for philanthropy during COVID-19* JBWere.

⁴⁶ Analysis by J. McLeod of JBWere, published in Coates, P. *Donations of Australia’s 50 biggest givers double in five years* Australian Financial Review Magazine, 29 April 2021

⁴⁷ Previously unpublished analysis from CSI *Pulse of the For-Purpose Sector Survey*. Surveyed August 2020.

⁴⁸ See SVA and CSI (2020) *Will Australian charities be COVID-19 casualties or partners in recovery? A financial health check* for further analysis of charity funding sources. Around 70% of all registered charities rely on donations and bequests for at least some of their revenue. Smaller charities are more likely to rely on donations and bequests than larger charities - this source comprises one third of all income for smaller charities.

⁴⁹ Volunteering Australia (2021) *Re-engaging volunteers and COVID-19*

⁵⁰ Frydenberg, J. (2021) *Delivering more jobs and a stronger budget* Address to the Australian Chamber of Commerce and Industry, 29 April 2021.

⁵¹ See, for example, Henrique-Gomes, L. (2021) *NDIS cost-cutting taskforce told to reduce growth in participants and spending* The Guardian, 13 April 2021

Even before the crisis, charities were running on lean reserves. As our previous reports have showed, charities have been operating on increasingly thin margins.⁵² Their net income ratio fell to 6.3% in 2018 from 8.7% in 2017. On average, charities who employ people are even leaner – their 2018 aggregate net income ratio was only 4.9%.⁵³ We expect that even before COVID-19, the situation would have become even worse for many charities, as charitable giving was diverted to support people and communities affected by the 2019-20 summer bushfires.

Before COVID-19, these thin margins were already having a real impact on the services that charities could provide. In a survey of the community sector in October 2019, only 5% of staff said their service was completely able to meet demand, and one third of organisations had stopped delivering one of their services or programs due to financial constraints in the past year.⁵⁴ As noted above, many charities faced further unmet demand through 2020.

Many charities also have limited resources available to tide them over in a crisis. Our previous analysis showed that a 20% drop in income would lead one in six charities exhausting their liquid reserves within six months. While government support has mitigated this risk, it remains true that many will have used up much of their reserves managing the increased demand and decreased revenue experienced during 2020.

While we do not yet have comprehensive data on the current financial state of charities, the early indications are concerning. CSI's *Pulse* survey reported that 77% of responding not-for-profit organisations reported that the bushfires and COVID-19 had put a strain on their finances. As noted above, most experienced reductions in revenue. Overall, one in four responding organisations expected to make a loss in the current financial year, with the remaining three in four either expecting to break even (35%) or make a profit/surplus (38%).⁵⁵

Charities are not in this position because they have been mismanaged.⁵⁶ They have been pushed into 'running lean' by various forces for many years. They have limited flexibility to move funds around within the organisation to meet emerging priorities. They have funding arrangements that do not cover the full cost of service provision out of a misguided reluctance to fund 'overhead'. or-profit businesses will quickly stop producing a product or service that does not cover its costs. But because charities believe in, and exist for, the public good that they provide, they may seek to continue to deliver high-quality services to those in need, even when they are not funded to do so.

In short, charities have had to be flexible in meeting the many pressures they face with minimised margins – but this has left them vulnerable in the face of a crisis. If we want a thriving charity sector to support us through this and future challenges, we must provide them with appropriate support.

⁵² SVA & CSI (2020) *Partners in recovery: why charities need tailored support*.

⁵³ SVA & CSI (2020) *Will Australia's charities be casualties or partners in recovery after COVID-19? A financial health check*

⁵⁴ Cortis, N. & Blaxland, M (2020) *The profile and pulse of the sector: Findings from the 2019 Australian Community Sector Survey*. ACOSS.

⁵⁵ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

⁵⁶ These dynamics are explored further in Chapter 3.

Action to strengthen the sector

During the crisis, charities and their partners have been actively seeking to strengthen the sector's ability to support the Australian community. Some of these initiatives include:

- **Charities Crisis Cabinet:** The Charities Crisis Cabinet was convened at the onset of the pandemic, and draws on the leadership and experience of leaders from across the breadth of the charities sector. It seeks to enable charities to support their communities through the crisis, especially those most vulnerable to increased harm, and ensure as many charities as possible can effectively contribute to building flourishing communities after the crisis. It draws on the experience, knowledge and networks of leaders from across the diversity of the charities sector to highlight issues and consider responses.
- **Social Impact Leadership Australia (SILA)** is a new national capacity building and leadership program designed specifically for current leaders of Australian for-purpose organisations. This program will be delivered by the Centre for Social Impact. Designed by leaders in social impact education, and drawing upon hundreds of hours of interviews with CEOs, the program will be delivered annually for five years with a new cohort of leaders commencing each year.
- **Fix Fundraising:** Australia's charitable fundraising laws are outdated and overly complex, with charities required to be licenced in every state or territory they fundraise in. As fundraising shifted online during COVID-19, this became an acute problem. A coalition of sector organisations has stepped up a campaign to achieve a consistent national model, and governments have now placed law reform on the National Federation Reform Council's agenda.
- **Digital Transformation Hub:** Infxchange launched the Hub with philanthropic partners to help Australian not-for-profits build digital capability and resilience for a post COVID-19 world. It will bring together capacity building programs, access to technology solutions, web-based resources and tailored advice to help organisations have greater impact. It responds to research by Infxchange that only 30% of not-for-profits had the technology in place to easily adapt to staff working from home during COVID-19.
- **Philanthropy Australia's pledge:** The Australian philanthropic sector committed to acting with urgency and purpose to support the Australian community through COVID-19, with the release of the Australian Philanthropy's Pledge, from Philanthropy Australia and its members. It committed the sector to principles to better support their grantees.
- **Social Sector Transformation Fund:** The NSW Government's \$50 million fund provides grants and access to advisory services, to support charities and not-for-profits working in health and social service in NSW to modernise their operations — with a focus on capacity building, better digital service delivery, remote working capabilities and improving business strategies — so they can remain efficient, effective and viable.

1.3. Charities can boost jobs growth in the recovery

As Australia emerges from the COVID-19 crisis, getting people back into jobs remains a critical priority. Although employment rates have rebounded from the depths of the 2020 lockdown period, there has still been significant dislocation of workers from employers. Unemployment rates remain higher than they were pre-crisis – rates were 5.1% in February 2020, and remain at 5.6% in March 2021.⁵⁷ Some experts consider that the unemployment rate may rise to as high as 7% in coming months, due to the end of JobKeeper and changes to social security benefit conditions.⁵⁸ Some cohorts face much more challenging job market conditions – the youth unemployment rate was 11.8% in March 2021,⁵⁹ and there are indications that some young people may be facing long-term ‘scarring’ of their employment prospects.⁶⁰

In April 2021, the Federal Government committed to driving employment down to below 5%.⁶¹ It is not yet clear where additional jobs will come from, especially if government moves away from providing stimulus and towards fiscal consolidation as it has previously signalled it will do as the recovery continues.⁶²

Supporting charities to thrive has the potential to be a major driver of jobs growth. As previous *Partners in Recovery* reports have shown, the charity sector is a significant economic force in Australia. Charities’ total economic contribution is equivalent to 8.5% of Australia’s GDP, and they employ more than one in ten employees in Australia – 1.3 million people.⁶³ In aggregate, charities spend 55% of their expenses on employee expenses,⁶⁴ so support for charities translates very directly into money in the pockets of workers, which will be spent in a recovering economy.

Charities are major employers

While charities are dispersed throughout various industries, comparing the charities sector’s size to key industry categories gives an indication of its relative importance to our job market. As our previous report showed, the charity sector employs around the same share of people (10.3%) as our second-largest employing industry – retail trade (10.0% of people employed). It employs more people than the construction (9.2%), professional, scientific and technical services (8.6%) and manufacturing (7.2%) industries. Charities employ five times as many people as the mining (2%) industry.⁶⁵

Even looking at the largest employing industries shows the importance of charities as employers. Health care and social assistance is the largest industry in Australia by share of people employed (13.3%), and education and training is the fourth largest (8.1%).⁶⁶ Many of these employees will be employed by a charity.

⁵⁷ ABS (2021) *Labour Force, Australia*, March 2021. Seasonally adjusted data.

⁵⁸ See Wilkins, R. (2021) *Post-Jobkeeper, Unemployment Could Head North Of 7%: Here’s Why*. The Conversation, 26 April 2021.

⁵⁹ ABS (2021) *Labour Force, Australia*, March 2021. Seasonally adjusted data.

⁶⁰ Borland, J. (2021) *Labour market snapshot #76* March 2021

⁶¹ Frydenberg, J. (2021) *Delivering more jobs and a stronger budget* Address to the Australian Chamber of Commerce and Industry, 29 April 2021.

⁶² Frydenberg, J. (2021) *Delivering more jobs and a stronger budget* Address to the Australian Chamber of Commerce and Industry, 29 April 2021.

⁶³ See: SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*; ACNC (2020) *Australian Charities Report 2018*; ABS (2019) 5206.0 Australian National Accounts.

⁶⁴ ACNC (2020) *Australian Charities Report 2018*. While directly comparable figures are not available for other industry sectors, the ABS reports that the average labour income share of key market sector industries is 57%; of the largest industries, average labour income share of financial services at 33%, mining is 23% and construction is 70%. ABS (2018) 5260.0.55.002 - *Estimates of Industry Multifactor Productivity, 2016-17: Trends in the labour income share in Australia*.

⁶⁵ See SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*. Industry data is 4-quarter average ending February 2019, from Vandenbroek, P. (2019) Snapshot of employment by industry, 2019 *FlagPost Blog*, 10 April 2019, Parliamentary Library of Australia. Charity sector data is AIS 2018, from ACNC (2020) *Australian Charities Report 2018*.

⁶⁶ See SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*.

Charities disproportionately employ women

Women have been disproportionately affected by the current crisis across many dimensions, including employment. Analysis from the Grattan Institute suggests that targeted supports in response to the pandemic have not sufficiently focused on growth industries, and have also favoured male-dominated industries.⁶⁷ This impact could be even worse if charities are not supported to thrive in the economic recovery.

Looking at the ten largest employing industries in Australia pre-crisis (Table 1), the two that employ a much larger share of women are both sectors in which charities are large employers. 22.2% of all employed women work in health care and social assistance, compared to only 5.4% of employed men. Education and training employs 12.4% of all employed women, compared to 4.3% of all employed men. In contrast, the three sectors with a disproportionately large share of male workers – construction; manufacturing; and transport, postal and warehousing – do not have many charity sector employees.

Table 1: Australia's ten largest employing industries, by sex⁶⁸

Industry	% of all men employed	% of all women employed	% of all people employed
Health Care and Social Assistance	5.4	22.2	13.3
Retail Trade	8.4	11.9	10.0
Construction	15.3	2.3	9.2
Professional, Scientific and Technical Services	9.2	7.9	8.6
Education and Training	4.3	12.4	8.1
Manufacturing	9.8	4.3	7.2
Accommodation and Food Services	6.2	8.1	7.1
Public Administration and Safety	6.1	6.9	6.5
Transport, Postal and Warehousing	7.6	2.3	5.1
Other Services	4	3.8	3.9
Other industries not listed	23.7	17.9	21
Total	100	100	100

Key:	Industries that disproportionately employ men	Industries that disproportionately employ women
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Charity sector jobs are in growth industries

Charity sector jobs are in industries that are expected to see strong growth over the next five years to 2025. As Table 2 shows, health care and social assistance, and education and training, are expected to be two of the largest sources of new employment in the coming years, collectively projected to add more than 360,000 jobs. These far outstrip expected growth in industries which frequently benefit from industry support such as mining (21,700 more jobs) and manufacturing (5,900 fewer jobs).

⁶⁷ Wood, D., Griffiths, K & Crowley, T. (2021) *Women's work: The impact of the COVID crisis on Australian women*. Grattan Institute

⁶⁸ See SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*. Data is 4-quarter average ending February 2019, from Vandenbroek, P. (2019) Snapshot of employment by industry, 2019 *FlagPost Blog*, 10 April 2019, Parliamentary Library of Australia. Highlighted industries are those with a greater than 5 percentage point difference between their share of male employment and share of female employment.

Growing labour market demand in these sectors could be a major force for job creation for those who need it most, if charities are thriving. In New South Wales alone, the social sector will demand an extra 62,000 jobs by 2030, including 27,000 in regional NSW.⁶⁹ Researchers estimate that \$1 billion net investment in care industries (which include large numbers of charities) by governments could lift economic activity in NSW by \$10 billion per year through direct generation of jobs and freeing up informal carers to participate in the labour market.⁷⁰

Table 2: Industries projected to add the largest number of jobs by November 2025⁷¹

Industry	Projected % employment change (5 years from Nov 2020)	Projected total employment (Nov 2025) '000	Projected new employment (Nov 2025) '000
Health Care and Social Assistance	14.2	2003.1	249.5
Accommodation and Food Services	16.8	971.8	139.9
Professional, Scientific and Technical Services	11.0	1325.3	131.1
Education and Training	10.8	1213.0	118.6
Construction	6.8	1263.9	80.7
Retail Trade	4.1	1340.2	52.5
Transport, Postal and Warehousing	7.3	694.4	47.3
Administrative and Support Services	8.2	487.3	36.8
Public Administration and Safety	4.2	917.3	36.7
Financial and Insurance Services	5.9	518.8	28.8
Mining	8.3	283.6	21.7
Arts and Recreation Services	8.8	256.3	20.6
Rental, Hiring and Real Estate Services	6.5	222.7	13.5
Electricity, Gas, Water and Waste Services	7.6	164.7	11.7
Other Services	1.9	481.7	8.9
Agriculture, Forestry and Fishing	1.2	349.2	4.1
Wholesale Trade	0.8	375.5	2.9
Manufacturing	-0.7	842.2	-5.9
Information Media and Telecommunications	-3.9	188.0	-7.5

⁶⁹ Equity Economics (2021) *The social sector in NSW: capitalising on the potential for growth* Prepared for NCOSS

⁷⁰ Equity Economics (2021) *The social sector in NSW: capitalising on the potential for growth* Prepared for NCOSS

⁷¹ SVA & CSI analysis of Australian Government, National Skills Commission (2021) *Industry Employment Outlook: Five years to November 2025*.

2. What supports charities to thrive? A case study

As the pandemic hit, the Paul Ramsay Foundation (PRF), Australia's largest philanthropic foundation, quickly moved to support the portfolio of social purpose organisations they fund (referred to as partners by the Foundation). The *Sustaining Our Partners Taskforce* was charged with ensuring the 80 social purpose organisation partners remained financially viable and built their resilience, and, where possible, supported them to capture new opportunities for impact arising from the unprecedented context of the pandemic.

Early in the crisis, several challenges emerged within these social purpose organisations, consistent with what was being seen across the sector. These included workforce, financial and service delivery disruption (as outlined in the previous chapter). This period also saw new strategic opportunities emerging for some organisations. Throughout the project, the supports provided by the Foundation were partner-led, with each partner able to receive support to understand their risks and articulate what would help them to emerge stronger from the pandemic.⁷²

SVA was engaged to advise the Taskforce and individual partners to better understand the immediate impacts of COVID-19. The Taskforce conducted analysis of the financial position, operational situation and capabilities of each partner organisation. It also advised on how partners could take advantage of any new opportunities to increase their impact. In undertaking this work, the Taskforce and team developed a range of insights on the challenges and opportunities facing charities. This chapter summarises those findings and contextualises them with reference to research on a broader selection of not-for-profits. Although these 80 organisations are not fully representative of the broader charity sector, the project allowed a deeper dive into the challenges facing not-for-profit organisations than larger quantitative studies have allowed.⁷³

The Taskforce identified six findings across this cohort of organisations, under the broad themes of *organisational vulnerability* and *organisational resilience*:

1. Funding mix is a key predictor of vulnerability
2. Regular analysis helps to understand the vulnerabilities
3. Grant funding can create unique vulnerabilities
4. Agility is a protective factor
5. A crisis creates opportunities
6. Organisational capability needs to be strengthened

⁷² PRF signed Philanthropy Australia's pledge *Australian philanthropy's response to the COVID-19 crisis*, which they cite as a significant influence on their approach.

⁷³ The 80 social purpose organisations varied in size, operating model and sector. Annual turnover ranged from <\$1m through to \$500m+; models ranged from direct service delivery through to intermediaries, social enterprises and research institutes; actors were as varied as education, health, employment to domestic violence. Further information about the work of the Taskforce is available in Thorp, S. (2021) *Vulnerability and resilience in the social sector: what we learnt through COVID-19*. SVA Quarterly, 31 March 2021.

A note on resilience

The resilience of organisations in the non-profit sector, as with people, is affected by their ability to draw both on internal and external resources to overcome challenges.⁷⁴ The Taskforce's work focused on strengthening an organisation's internal resources to build resilience, and the findings in this chapter largely reflect that focus.

We note that organisations also need to draw on external resources, and that the organisations profiled here had the benefit of an external partner in the Paul Ramsay Foundation who were able to provide both funding and advisory support. It highlights the important role that funders and intermediaries can play in building resilience through external support.

2.1. Funding source is a key predictor of vulnerability

There is a remarkable diversity of organisations in the social sector, from small environmental advocacy charities to billion-dollar universities, encompassing a wide range of causes, approaches and business models.

On top of the existing financial challenges identified in earlier *Partners in Recovery* reports, the source of an organisation's funding was one of the key predictors of vulnerability in the early days of the pandemic.

There are three core sources of funding for social sector organisations: revenue from service delivery, grants from philanthropy, and direct government funding. Each funding source was affected differently by the pandemic:

- **Service delivery** revenue was highly variable – while some areas saw relatively little change (such as residential aged care), others were cut dramatically (such as social enterprise cafes or shops)
- **Philanthropy** was somewhat variable, with long-term funding commitments generally being honoured but new funding more difficult to acquire given the initial effect of the pandemic on global financial markets
- **Direct government funding** was relatively stable through the pandemic, especially for organisations that were part way through a multi-year funding agreement. However, some organisations faced significant challenges with delayed renewals or funding negotiations. There is also ongoing uncertainty about how this will play out over successive Federal and state government budgets as the pressure to reduce COVID-related debt increases.

An example of the importance of understanding funding sources is a public health program supported by the Taskforce. It was led by a social purpose organisation linked to a university, and initially appeared to be at risk as universities had significant drops to their service delivery funding during the pandemic. However, most of the organisation's funding came from a long-term government grant which meant that, overall, the effect of the pandemic on its funding was limited.

2.2. Regular analysis helps to understand vulnerabilities

It is rare in the social sector for organisations to deeply investigate or analyse their finances and operations to understand their own vulnerability, or for funders to do this with grantees – not least because they do not have the flexible resources to do so. One of the Taskforce's key insights from the

⁷⁴ Salignac, F., Marjolin, A., Reeve, R. & Muir, K. (2019) *Conceptualizing and Measuring Financial Resilience: A Multidimensional Framework*. Soc Indic Res 145, 17–38.

pandemic was that robust due diligence (a review of finances and operations) can be of great value to provide real insight into how vulnerable organisations are to a crisis.

Vulnerability is not just the likelihood of an organisation failing entirely and being forced to close. It is also the risk of the organisation having to substantially reduce its impact, by serving fewer people or providing fewer services, in response to a shock.

The Taskforce focused its due diligence with partners on understanding the impact of the pandemic on three elements of organisational performance: finances, operations, and capability.

- **Finances:** what is the risk that the organisation will become insolvent and be unable to pay its debts? For example, is the organisation projecting it would run out of cash within months due to a fall in revenue? To answer these questions, the financial analysis examined how an organisation's income and expenses had been affected by the crisis. This gave insight into what levers were available to improve the situation, and what the organisation's financial health might look like over the next few months or years
- **Operations and capability:** have the organisation's operations been negatively affected by the crisis? Has its ability to create impact been reduced, either due to the response to the crisis, or due to other actions management are taking to remain financially healthy? For example, was the organisation forced to stop delivering services or make staff redundant?

An organisation's ability to weather a significant disruption is partly determined by its financial position, but just as important is the way it reacts to the crisis. This includes the flexibility it has to make changes, the operational adjustments it actually makes, and the skills and capability of its staff to do this. This requires an organisation to understand its operations and capability across multiple domains, including leadership, commercial agility, financial modelling, technology, and ability to change the way it delivers impact.

One social enterprise working in healthcare and tourism was hit hard by the pandemic, with operations halted entirely at the start of the crisis and sales returning only very gradually. This, combined with an already lean balance sheet, meant that financial analysis raised serious flags about its viability and the Taskforce stepped in with financial support. The operational review by contrast, revealed that leadership capability was strong and the organisation had acted quickly to reduce costs where possible and find opportunities in the pandemic.

2.3. Grant funding can create unique vulnerabilities

Whilst having a significant proportion of funding secured with grants can be a real strength, managing the grant and the funder relationship presents a number of challenges for organisations in terms of ongoing financial sustainability. These challenges were exacerbated by the COVID-19 pandemic.

The Taskforce identified some key considerations for funders and organisations receiving grants:

- **Funding flexibility:** Giving grantees the ability to rephrase or repurpose funding to meet emerging priorities or unexpected shocks funding more flexibly can increase social purpose organisations' ability to react adaptively and take advantage of new opportunities. Giving grantees 'not only money, but also power'⁷⁵ is a growing trend that makes the funding relationship less prescriptive and more holistic.
- **Funding of core costs:** the ability of an organisation to properly fund its indirect costs and invest in back-office support is especially important in times of crisis, as it contributes to the operational and capability factors referred to above. Chapter 1 also noted the challenges that many charities continue to face in accessing funding that covers the full cost of delivery. A coalition of organisations, including both CSI and SVA, will be working together in 2021 on a research project

⁷⁵ Behrens, T. & Martin, T. (2020) 'Alternatives to strategic philanthropy are emerging', Pro Bono News, 20 February 2020

to better understand the full costs to operate a charity and then identify actions to assist charities to communicate their costs as well as actions to influence philanthropic and government funders to 'pay what it takes'.

- **Transparency and asymmetry of power:** The inherent power imbalance between funder and funded organisation should be front-of-mind for funders, as fundees may be more inclined to say certain things or act in certain ways because they believe their funder will approve. This could include being reluctant to be fully transparent about the challenges they are facing.

2.4. Agility is a protective factor

In the pandemic, one of the common elements separating the Foundation's partner organisations that thrived from those that didn't was their agility and the ability of their leadership to act decisively. Being able to respond quickly protected organisations from the worst of the effects of COVID-19 by allowing them to swiftly reduce costs, shift focus, or search for additional funding. It also made them more likely to take advantage of opportunities that presented themselves.

The ability of organisations to shift their operations rapidly is critical in a crisis. Organisations who were agile quickly adapted to new ways of working, moved in-person delivery to digital or other means, and instituted changes to staffing or resourcing. While an organisation's ability to make these changes will be at least partly dependent on their access to resources and capability, as well as their service delivery model, agility appears to be a noteworthy protective factor in its own right.

An agile organisation necessarily requires strong and decisive leadership. The pandemic was a crucible for leaders who were forced to make swift decisions to protect their teams and their impact.

Many leaders had to make tough choices about retaining staff, continuing to provide services, or investing into digital delivery. Organisations with leaders that were able to mitigate the effects of the crisis quickly, and shift thinking into how they could actively seek out opportunities from the pandemic were more likely to thrive.

One organisation working in mental health saw a significant increase in demand at the same time as they were predicting a 30% drop in fundraising revenue. Strong management actions resulted in prudent cost reductions. They were also able to leverage the COVID-19 context by investing in their digital strategy and offerings. Agility allowed them to adapt to the changed circumstances and continue to support those with mental health challenges.

2.5. A crisis creates opportunities

The pandemic upended society and led to dramatic changes in the Australian social and political landscape. While this has led to many trials for the social sector, it also presents opportunities for organisations with the resources and/or will and expertise to grasp them.

When working with partners, the Taskforce explicitly prompted them to think about opportunities, rather than just supporting existing work. This helped some organisations emerge from the pandemic stronger and more resilient. However other organisations were not able to identify opportunities – either because they were not available, or because their circumstances meant that they were unable to move fast enough to benefit from them.

Two key types of opportunity have presented themselves to date:

- **Political influence:** changes to the way governments engaged through the pandemic has allowed some organisations to have unprecedented access and opportunities for influence. One organisation was able to capitalise on its existing expertise and respect within the early childhood sector to advocate to government more effectively than before and make significant inroads into its policy agenda

- **New or changed markets:** Many industries were changed by the pandemic, and it took fast thinking by organisations to identify and pursue new opportunities that enabled them to survive or even supported growth. Digital opportunities were identified but often as a stopgap to replace in-person services, while changing attitudes to cleanliness, transport, health and exercise created more subtle chances for increased impact. Social enterprises were most likely to take advantage of these opportunities, with one creating an entirely new brand to take up the additional demand for services.

One social enterprise was faced with the near-complete loss of revenue in its main market in tourism. It quickly spun up a new venture that built on the existing staff and expertise while addressing a new market that had been far less affected by the pandemic.

Of course, not all charities were able to pursue all potential opportunities. Even with flexibility in funding and an agile mindset, challenges still existed. For example, the ability to shift to digital service delivery was constrained for many both because of their own IT capability,⁷⁶ as well as the digital exclusion of those in the community they provide services to.⁷⁷ Organisations also had to balance enabling their operational survival with their commitment to pursuing their overarching purpose – a particular challenge for leadership.

2.6. Organisational capability needs to be strengthened

The vulnerabilities identified by the Taskforce prompted investigation of ways to build capability in the sector as a protective measure. Through engagement with PRF partners and research into the social sector more broadly, there are some critical capability needs of social sector organisations which have been exacerbated by COVID-19. While organisations can make headway in addressing some of these needs on their own, it is evident they will need targeted support – both financial and advisory – to strengthen their capabilities.

The Taskforce specifically identified the importance of funders supporting capability building. One member of the Taskforce and the PRF Board has commented that:

‘Just as COVID-19 has revealed systemic inequities in its uneven impacts and effects, so it has highlighted existing strengths and gaps in organisational capability for our partners and for the Foundation.

‘For our partners, capability gaps often relate to systemic funding issues. In the absence of full cost funding and/or funding for capability building, organisations can struggle to invest in critical areas of organisational effectiveness including financial modelling and digital capability.’⁷⁸

It is likely that these challenges will be more acute for organisations that do not have the support of a funder that shares PRF’s understanding of the importance of investing in capability building.

Some of the capability needs identified by the Taskforce include:

- **Strengthening leadership capabilities:** investment in leadership development, both adaptive change (such as meeting purpose, mission and system performance, and adaptive challenges) and technical skills (such as change management, technological capability, advocacy, and stakeholder management)

⁷⁶ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*

⁷⁷ Thomas, J., Barraket, J., Wilson, C.K., Holcombe-James, I., Kennedy, J., Rennie, E., Ewing, S. & MacDonald, T. (2020) *Measuring Australia’s Digital Divide: The Australian Digital Inclusion Index 2020*, RMIT and Swinburne University of Technology, Melbourne, for Telstra.

⁷⁸ Thorp, S. (2021) *Vulnerability and resilience in the social sector: what we learnt through COVID-19*. SVA Quarterly, 31 March 2021.

- **Improving business model sustainability:** with 40% of organisations carrying less than six months of operating reserves⁷⁹ and organisations experiencing greater operational and financial constraints than before the pandemic,⁸⁰ there is an increasing need to clarify strategic priorities, explore diverse financing options, build internal capabilities and consider partnerships, collaborations and mergers
- **Shifting to online service delivery:** with 80% of organisations fully or partially moving to online service delivery during COVID-19,⁸¹ and the expectation that some will be continued online even after the crisis, building digital and remote service delivery capability is critical
- **Supporting workforce wellbeing:** the mental health and wellbeing of staff and volunteers has been critically impacted, making it more important that organisations can train, engage, and retain staff effectively
- **Better enabling collaboration and partnerships:** organisations need support to build community partnerships in order to sustain and increase impact, and there is a need for better collaboration with partners inside and outside of the charities sector.

⁷⁹ The Xfactor Collective (2020), *RESET 2020 National Impact+Need Research Study 2020 - Phase 2*. September 2020 survey results

⁸⁰ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

⁸¹ Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

3. The case for government support for charities

Previous reports in the *Partners in Recovery* series have shown that a thriving charity sector is vital for the future productivity and wellbeing of Australia. This is especially the case as we recover from the economic and social impact of the COVID-19 crisis.

Given the sector's importance, there is a clear case for government support for the resilience and productivity of the charity sector. Australian governments have long recognised their role in providing targeted support to industry sectors where there is a clear public benefit or market failure. Charities face unique constraints and barriers because of their structures and the environment in which they operate, including lack of access to capital and flexible funding, market dynamics that constrain innovation and productivity, and their very nature as organisations seeking to generate public benefit. Given the clear economic and social benefits that both governments and the Australian community derive from charities, targeted investment in the resilience of the sector is a win-win.

3.1. Targeted industry support can generate public benefit

Australian governments have long recognised their role in supporting sectors who face barriers to productivity and development, where there is a clear public benefit. Examples include support for research commercialisation; advice for entrepreneurs and small to medium sized enterprises (SMEs), export market development grants; building digital capability in businesses, and providing targeted support when industries are in crisis or transition.⁸²

Industry supports are often provided on the basis that they address a market failure. For instance, SMEs and entrepreneurs face barriers to scale including difficulty accessing risk capital, reliable advice and networks. The Australian Government's \$400 million Entrepreneurs Programme seeks to address that market failure by pairing organisations with expert business advisors, providing matched grants of up to \$1 million, and access to networks.⁸³ Recent analyses have found these kinds of industry supports to be effective, demonstrating that organisations that received support outperformed non-recipients.⁸⁴ The support is also justified on the presumption that it will enable applicants (or an industry) to overcome a one-off hurdle, and then return benefits to the community such as generating jobs, further investment and tax revenue. For this reason, governments often target industries with promising employment growth, or through the pandemic have endeavoured to focus on industries hardest hit.

Through the pandemic, commercial industries who benefit from these targeted supports have also benefited from a range of COVID-specific policy supports – such as accelerated depreciation and other tax relief – recognising the challenging circumstances. However, these supports have not

⁸² See, for example, [programs run by the Australian Government's Department of Industry, Science, Energy & Resources](#) or similar programs run by state governments in [New South Wales](#) and [Victoria](#).

⁸³ See the Australian Government's [Entrepreneurs Programme](#) and its [Accelerating Commercialisation](#) component.

⁸⁴ See analyses of the predecessors to the Entrepreneurs Programme: Bruno, A. (2020) *Business performance of Enterprise Connect participants* Research Paper 1/19, Department of Industry, Innovation & Science: Office of the Chief Economist; and Bakhtiari, S. & Bruno, A. (2020) *Impact of Commercialisation Australia on business performance* Research Paper 4/19, Department of Industry, Innovation & Science: Office of the Chief Economist

benefited charities given their structure as they do not pay company tax. Customised, targeted supports would be required to address charities unique circumstances.

3.2. Charities face unique constraints and barriers

Charities face unique constraints and barriers by nature of their operating environment.⁸⁵ These constraints arise from a combination of financial, regulatory and cultural factors, and present genuine market failures that have been exacerbated by COVID, including (1) a lack of access to capital and flexible funding, and (2) constraints on innovation and productivity. The Productivity Commission recognised these constraints in their landmark report on the non-profit sector, which informed their recommendation to extend some industry supports to the charity sector.⁸⁶ Charities also face the added challenge of being in (3) the business of public benefit. That is, they operate not to respond to the demand of paying customers, but to public need, and funding does not always follow that need. These constraints, and the national benefits of a resilient charities sector, present a strong rationale for the government providing tailored support for charities.⁸⁷

Lack of access to capital and flexible funding

Charities have some fundamental differences in financial and legal structures compared to other organisations. These restrict their access to capital and flexible funding that would enable them to invest in capacity building and organisational transformation to prepare themselves for the post-crisis world.

As noted in Chapter 1, charities have been operating on increasingly thin margins. Their net income ratio fell to 6.3% in 2018 from 8.7% in 2017.⁸⁸ Coming into the COVID-19 crisis, 45% of charities carried less than six months of operating reserves.⁸⁹ We expect that the situation would have become worse for many charities in 2020 and 2021, who may have used cash reserves supporting communities through bushfires and floods as well as the pandemic.⁹⁰

Charities also have limited resources available to tide them over in a crisis. Our previous research has shown that they have limited liquid reserves, and concerningly low current asset ratios.⁹¹ The charities in our previous analysis had an aggregate current asset ratio of 1.2, which is generally consistent with the most recent data showing an aggregate current asset ratio for all charities of 1.3.⁹² For reference, a current ratio of 1.5 or above is considered a good benchmark for a financially healthy organisation.⁹³ 59% of the charities in our analysis had net current assets on hand to cover less than six months of expenses.⁹⁴

⁸⁵ This section summarises findings explored in more detail in our previous report: SVA & CSI (2020) *Partners in recovery: why charities need tailored support*.

⁸⁶ Productivity Commission (2010), *Contribution of the Non-for-Profit Sector*

⁸⁷ Productivity Commission (2010), *Contribution of the Non-for-Profit Sector*, Chapter 9 'Promoting productivity and social innovation'. Amongst other things, the report recommended an entrepreneurs' support program (Enterprise Connect, now the 'Entrepreneurs Programme') be extended to social enterprises.

⁸⁸ SVA & CSI (2020) *Will Australia's charities be casualties or partners in recovery after COVID-19? A financial health check*.

⁸⁹ SVA & CSI (2020) *Partners in recovery: why charities need tailored support*. Data is from 2018.

⁹⁰ See Muir, K., et. al. (2020) *Pulse of the For Purpose Sector Final Report: Wave One*.

⁹¹ SVA & CSI (2020) *Partners in recovery: why charities need tailored support*. Data is from 2018. Current asset ratio is a charity's short-term assets (such as cash, accounts receivable, and inventory on hand, for the next 12 months) divided by their short term liabilities (such as accounts payable, loans payable, employee entitlements and tax payable, for the next 12 months).

⁹² ACNC (2019) *Australian Charities Report 2017*.

⁹³ Azoor Hughes, D. (2014) *Financial Fundamentals for Directors*, AICD, p14. This is a general benchmark, not specific to not-for-profit organisations or charities.

⁹⁴ See: SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*. This is broadly consistent with analysis of previous years, although differences in methodology make this figure not precisely comparable with figures previously published.

Charities are not in this situation because they have been mismanaged, but because they have been pushed into ‘running lean’ by various forces for many years.⁹⁵ For example, it is generally understood that payments for at least some government-funded services, especially those delivered by competitive tender processes and similar market structures, do not fully cover the cost of delivering such services at the quality needed to achieve desired outcomes.. Some philanthropists also resist fully funding expenses perceived as ‘overhead’, even when it is clear that such spending is necessary for charities to have the impact that donors seek.⁹⁶ In an extensive survey conducted in 2020, for-purpose organisations reported that only 39% of government grants, 34% of philanthropy grants and 35% of corporate grants covered the full direct and indirect costs allowing them to break even or allow for some surplus.⁹⁷ Government funding processes which prioritise low prices over sector viability further erode margins, as does a lack of funding indexation. This makes it difficult for them to put away reserves to manage future crises.

While many commercial organisations have also experienced falls in revenue, two factors make charities less able to manage this challenge. Firstly, community expectations and funder requirements impose constraints on charities’ spending. A significant proportion of charity revenue is ‘tied’ to particular programs, and cannot be re-allocated to meet emerging priorities – such as the increased demand that occurs during and after a crisis, or investment in the organisation’s future resilience. During the pandemic, declines in untied revenue, such as revenue from social enterprises (an average drop of 51%), have been especially large.⁹⁸ This is concerning as flexible funding is what gives charities the capacity to meet existing needs and respond to crises.

Moreover, charities cannot easily access capital funds. Unlike commercial organisations, they cannot raise equity from shareholders. They also have limited ability to take out loans, because their constrained revenue streams are not attractive to lenders. Charity boards may also be understandably reluctant to take on the risk of debt due to the uncertainty of future revenue sources and the organisational risks and personal liabilities they may face. This further limits the ability of charities to invest in their own future productivity, even when there are clear benefits to them and to the community.

Government recognises that the nature of some industry sectors means that they have challenges accessing appropriate capital, and steps in to support businesses to overcome this market failure. The challenges facing charities are just as acute – perhaps more so – and should also be addressed

Market dynamics constrain innovation and productivity

Charities’ natural drive to take innovative approaches to address social challenges and improve productivity is being restricted by funding constraints, risk averse funders and boards, and structural disincentives to collaboration. While some charities have bucked these constraints and been extraordinarily innovative – the pressures facing charities through the recovery will make this more difficult.

Because charities lack access to capital and flexible funding, they have less ability to balance short- and long-term needs. As a result, they have little flexibility to invest in areas likely to drive innovation and efficiency – such as capability building, organisational and staff development, or investments in technology. This can lead to a chronic underinvestment in organisational infrastructure resulting in staff burnout, low capacity to conduct activities, limited outcomes, and low efficiency – a phenomenon known as the ‘Starvation Cycle’.⁹⁹

⁹⁵ See Cortis, N., Lee, I., Powell, A., Simnett, R. and Reeve, R. (2015) *Australian Charities Report 2014*. Centre for Social Impact and Social Policy Research Centre, UNSW.

⁹⁶ See Gregory A.G. & Howard D. (2009) ‘The Non-profit Starvation Cycle’. *Stanford Social Innovation Review* and Eckhart-Queenan, J., Etzel, M and Prasad, S. (2016) ‘Pay-what-it-takes Philanthropy’. *Stanford Social Innovation Review*.

⁹⁷ Muir, K., et. al. (2020). *Pulse of the For Purpose Sector Final Report: Wave One*.

⁹⁸ Previously unpublished analysis from CSI *Pulse of the For-Purpose Sector Survey*. Surveyed August 2020.

⁹⁹ Gregory A.G. & Howard D. (2009) ‘The Non-profit Starvation Cycle’. *Stanford Social Innovation Review*

Further, incentives and pressure to innovate and improve productivity often comes from boards, which are under pressure from funders to demonstrate value for money and low overheads. Boards, however, may get little reward for improving productivity¹⁰⁰ — particularly under contractual arrangements that return any surplus to government, even if adequate funds are provided to cover costs in the first place (as noted above, they often are not). Funders are also sensitive to reputation risk, and it can be difficult to admit that programs they funded failed, particularly if they were outside of public norms. Thus, funders can be reluctant to invest in innovative initiatives.

Collaboration is also widely identified as a driver of innovation, but competitive government contracting presents a disincentive to taking it on. The benefits of collaboration are well established, particularly in tackling ‘wicked’ social challenges.¹⁰¹ It can also lead to productivity improvements through shared overhead costs, shared processes, learnings and research, and increased reach or broader service offerings for end beneficiaries.¹⁰² Over a period of 10 years, Productivity Commission and Royal Commission inquiries have repeatedly emphasised the need for great system integration and joined-up working between government and service providers. Inquiry recommendations also support competition and contestability as a driver of efficiency and innovation, and that government should act as ‘system stewards’ to facilitate this process.¹⁰³ However, competitive government contracting presents a barrier to charities collaborating. Some charities fear that sharing intellectual property could enable former partners to undercut them in bids. Collaboration is also a notoriously difficult task to achieve, costly, and requires skilled practitioners to achieve it, who are in limited supply.¹⁰⁴

The challenges to collaboration have also been exacerbated by COVID-19. A recent study of not-for-profit organisations identified that mergers, restructures and closures had slowed during the crisis, but were expected to increase during 2021 and potentially peak in 2022-23.¹⁰⁵ When surveyed in July 2020, just 3% of charities surveyed were currently undertaking a merger (down from 8% in 2016), and 21% were discussing mergers (down from 35% in 2016). This is likely because such collaborations take significant work from senior people within organisations, as well as financial and intellectual capital. While there is evidence of greater informal collaboration in some sectors – such as the effort that went into reducing homelessness at the peak of the pandemic – it is not clear that such efforts are sustainable.

Without changes to these dynamics – many of which are within the power of governments to influence – charities will continue to face difficulties in being as resilient and productive as they could be.

The business of public benefit

Charities do not operate in a normal market, selling products and allocating supply based on customer demand and willingness to pay. Rather, charities are in the business of public benefit. They look to provide material positive impact to society in response to public need – but for the most part, charities are at the whim of third-party funders, not customers, to pay for it. This puts charities in the precarious position of needing to respond to surging public demand, without responsive funding. This can lead to an inefficient allocation of resources – exacerbated through COVID-19 with spiked demand for charity services. We know that need for services went up during the COVID-19 pandemic, and is expected to continue to do so with JobKeeper finishing and JobSeeker payments reducing. For instance, three-quarters of surveyed not-for-profits reported increasing complexity of need amongst beneficiaries and

¹⁰⁰ Productivity Commission (2010) *Contribution of the Non-for-Profit Sector*

¹⁰¹ Australian Public Service Commission (2007), *Tackling wicked problems, a public policy perspective*

¹⁰² Carey, G., Weier, M., Barnes, E., & Muir, K. (2020). *Moving the conversation forward: A decade of reform recommendations for the community services sector*. Centre for Social Impact UNSW: Sydney

¹⁰³ See for example Carey, G. et. al. (2020). *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

¹⁰⁴ Productivity Commission (2010) *Contribution of the Non-for-Profit Sector*, Chapter 13.

¹⁰⁵ Australian Institute of Company Directors (2020) *Not-for-Profit Governance and Performance Study 2020: The COVID-19 edition*

61% of workers reported an overall increase in demand compared to pre-COVID levels.¹⁰⁶ Even in areas where service delivery is more market-driven, such as in human services (NDIS, aged care, and childcare), there isn't always a viable market (e.g. thin markets) but there is still a public need.¹⁰⁷

3.3. The benefits of targeted investment in charities

Australian governments and the community at large derive significant benefits from the charity sector. Charities provide services that people, communities and government rely on. They deliver vital services on behalf of Federal and state governments and taxpayers, from disability services to early learning. We all benefit from their contributions to education, health care, sports and recreation, aged care, religion, arts and culture, animal protection, and environmental protection. As a community, we are especially reliant on charities during a crisis and to support a recovery, whether confronted by bushfires or financial turmoil. They are the social glue in our communities, and without them Australia's quality of life would be poorer on almost every dimension

As outlined in Chapter 1, charities' total economic contribution is equivalent to 8.5% of Australia's GDP, and they employ more than one in ten employees in Australia - 1.3 million people.¹⁰⁸ What's more, charity sector jobs are in industries that are expected to see strong growth over the next five years to 2025, including healthcare and social assistance, which has the greatest growth of any industry (14.2%), and education and training (10.8%).¹⁰⁹ These far outstrip expected growth in industries which frequently benefit from industry support such as mining (8.3%) and manufacturing (-0.7%). Indeed, analysis from the Grattan Institute suggests that targeted supports in response to the pandemic have not sufficiently focused on growth industries, and have also favoured male-dominated industries.¹¹⁰ An investment in charities will support employment and productivity gains in these growth sectors, and are likely to disproportionately benefit women, hardest hit by the pandemic.¹¹¹

Investing in charities is consistent with government's role of supporting the Australian community. It is also cost effective. On average, charities receive 47% of their funding from government, so ensuring this money is well spent and impactful is common sense.¹¹² Further, government relies on charities to deliver services efficiently and effectively on its behalf, across sectors including emergency relief, employment, education, health, disability services, and disaster preparedness. The effective delivery of these services will be all the more important as pandemic-related government supports unwind and demand for these services increase. There are also potential savings for government in productivity and innovation improvements in the charities that government contracts.

Emerging evidence also suggests that strong social networks and community organisations are critical factors in the recovery of communities from crises.¹¹³ This indicates a major role for charities in maintaining and improving Australia's resilience. As a sector, non-government organisations are seen as more often responding to the public interest,¹¹⁴ so they have high potential as organisations supporting community cohesion and resilience.

A strategic investment in the charity sector is consistent with the role government has long played in supporting industries who face specific barriers to productivity and success. Such investments are

¹⁰⁶ Cortis, N. & Blaxland, M. (2020) *Australia's community sector and COVID-19: Supporting communities through the crisis* ACOSS

¹⁰⁷ Carey, G. (2019) *Rethinking 'thin markets' in the NDIS: introducing the market capacity framework*, The Mandarin, 9 December 2019

¹⁰⁸ See: SVA & CSI (2020) *Taken for granted? Charities role in our economic recovery*; ACNC (2020) *Australian Charities Report 2018*; ABS (2019) 5206.0 *Australian National Accounts*.

¹⁰⁹ Australian Government, National Skills Commission (2021) *Industry Employment Outlook: Five years to November 2025*.

¹¹⁰ Wood, D. et. al. (2021) *Women's work: The impact of the COVID crisis on Australian women*. Grattan Institute

¹¹¹ Wood, D. et. al. (2021) *Women's work: The impact of the COVID crisis on Australian women*.

¹¹² ACNC (2020) *Australian Charities Report 2018*.

¹¹³ See, for example, Commonwealth of Australia (2020) *Report of the Royal Commission into National Natural Disaster Arrangements*

¹¹⁴ See Next25 (2021) *Next25 Navigator social research report 2021*. 40% of respondents believe that NGOs act in the public interest. While this is not high, it compares to 22% for politicians, 27% for the public service and 32% for business.

often justified on the premise that they help an industry overcome a market failure or through a period of transition but return great benefits to the Australian economy. Here we show those conditions exist in the charity sector, and that governments should invest strategically to aid the recovery, save and create jobs, and to ensure communities have the social capital to survive the next challenge.

4. What can government do to support charity resilience?

The response of governments across Australia to the COVID-19 pandemic has reinforced the critical role that government plays in building resilience for individuals, organisations and communities. Charities too, can play a role, but are vulnerable. Our previous reports identified six recommendations, under three themes, for how government can support charity resilience through the recovery. A year after the COVID-19 crisis began, we have revisited these recommendations to consider what we think governments need to do next.

Ensure financial viability of charities so they can continue their contribution

1. We called for a ‘ramp not a cliff’ for employment support in our first report, and were pleased that the Federal Government listened and extended JobKeeper until March 2021. However, as this report shows, many charities are still experiencing challenging circumstances arising from the COVID-19 crisis, and will continue to do so. **We call on government to continue to provide targeted support to charities facing long-run effects of the pandemic**, such as those in vulnerable sectors and geographies. These sectors continue to face higher costs and lower revenues, and jobs remain at risk. This should include ensuring that any supports provided to businesses are designed so that charities can benefit on an equal footing.
2. We reiterate our recommendation that **government maintain and, where needed, increase funding for government contracted services delivered by charities**. Service funding for charities should reflect the true cost of delivering services for impact and meeting increased service demand, particularly given the sensitivity of the sector to changes in government funding. Funding should take into account changes to charity cost structures, including compliance, regulation and Fair Work decisions on wage entitlements that affect service delivery charities. It should be sufficiently flexible to enable charities to respond to changing community needs without being constrained by arbitrary funding restrictions. SVA and CSI are working with partners in 2021 to better understand the problems charities are experiencing in this area.
3. We need governments to **make fundraising and philanthropy simpler to encourage increased giving**, and were encouraged to see long-overdue action on harmonising fundraising regulation agreed by the Council on Federal Financial Relations in December 2020.¹¹⁵ Ongoing attention by federal, state and territory governments will be needed to ensure this commitment is realised. Creating nationally consistent fundraising regulations will reduce the red tape burden on charities seeking to fundraise in a changed environment. There are also opportunities to provide better incentives for philanthropy to support the charity sector.

Build capability to improve impact

4. As this report shows, the future success of charities depends on their ability to invest in capability building and organisational transformation. **Setting up a one-off, time limited, Resilient Charities Fund** could help aid this transition without requiring ongoing government outlays. A more detailed proposal for such a fund is in the next section of this report.

¹¹⁵ Frydenberg, J; Seselja, Z (2020), *Easing the regulatory burden on charities*, Media release 15 December 2020

5. There is an ongoing need **for further research to better understand how to build back the charities sector so that they are funded for impact**. Understanding the financial viability and business models of charities and how this might be reshaped in the future to ensure charities don't just survive but are able to deliver the public good for which they exist. There is also an opportunity to invest in systems to enable charities to measure outcomes more effectively, which will help governments, philanthropists and charities prioritise more impactful approaches. Sector organisations have begun to undertake this research, but are limited by data and funding availability.

Decrease demand for charity crisis services

6. In our previous work we called on government to retain JobSeeker and other payments at a higher level (not revert to previous Newstart amounts) to mitigate the increase in service demand on charities, while also stimulating the broader economy. In setting only a small permanent increase, the government has missed a significant opportunity. We call on government to **make a meaningful increase to the permanent rate of JobSeeker**. The end to the supplement will increase demand for charity services – immediate financial support has been identified as the most pressing need for individuals approaching charities. The current permanent rate represents a real drop in incomes for the many Australians who are still unemployed, and is inadequate to meet basic living costs. A relatively small rise in social security spending would lift many people out of poverty and financial stress.¹¹⁶ It would also reduce long-term costs for both government and charities, given the far greater value for money provided by spending on preventing rather than solving significant social challenges.¹¹⁷

¹¹⁶ Phillips, B., & Narayanan, V (2021); *Financial Stress and Social Security Settings in Australia*; ANU Centre for Social Research and Methods, for Social Ventures Australia and the Brotherhood of St Laurence.

¹¹⁷ See for example, Teager, W., Fox, S. & Stafford, N. (2019) *How Australia can invest early and return more: A new look at the \$15b cost and opportunity*. Early Intervention Foundation, The Front Project and CoLab at the Telethon Kids Institute.

5. A Resilient Charities Fund

Charities are critical to Australia's economic and social recovery. Yet they face a unique set of challenges and constraints when compared to for-profit businesses, which have led them to their current position and will be barriers to their successful recovery. For charities to best support Australia's recovery, they need tailored support that recognises the needs and challenges they face, as well as the opportunities they present. A Resilient Charities Fund, focused on structural reform and collaboration, is a targeted initiative that would support Australia's society and economy.

The fund would drive charity sector reform by providing incentives and support for charities to develop more impactful and efficient ways to operate in a 'with-COVID' and 'post-COVID' environment.

Government should invest \$200-400 million in a one-off, time-limited fund to support charities to undertake strategic and operational transformation so they can continue to strengthen Australia's economy and society through and beyond the COVID-19 crisis. If structured appropriately, the Fund could potentially attract matching investment from philanthropy.

5.1. Priority areas for transformation

The Fund would be open to a range of types of transformation and industry restructuring that the charity sector may need to undertake. Based on the findings presented in this report, and other research and consultation across the sector, these could include combinations of:

Business sustainability and operating model adaption

- With 40% of organisations carrying less than six months of operating reserves, and organisations experiencing greater operational and financial constraints than before the pandemic, there is an increasing need to explore diverse financing options and improve financial management capability.¹¹⁸ Indeed, in late 2020, 47% of charities reported that reductions in revenues had hurt them 'a lot'¹¹⁹
- Further, many charities are identifying that their operational models are no longer sustainable. More than half of surveyed not-for-profits reported that significant changes were required to their service models as a result of COVID-19.¹²⁰ This pressure is exacerbated by other forces, such as increased requirements for client-centric service delivery, and increasingly complex needs of clients. Three-quarters of surveyed not-for-profits reported increasing complexity of need amongst beneficiaries and 61% of workers reported an overall increase in demand compared to pre-COVID levels¹²¹
- While most charities are efficient, operating on small margins, some could benefit from business process and system improvements. Resource constrained organisations often do not have time or resources to reflect on whether such improvements could enhance productivity and effectiveness, or to implement these improvements if they have up-front costs. Case studies show that changes in this area, if resourced appropriately, can improve the effectiveness of charities in pursuing their values and purposes¹²²

¹¹⁸ The Xfactor Collective (2020), *RESET 2020 National Impact+Need Research Study 2020 - Phase 2*. September 2020 survey

¹¹⁹ Previously unpublished analysis from *CSI Pulse of the For-Purpose Sector Survey*. Surveyed August 2020

¹²⁰ Infoboxchange (2020) *Digital Technology In The Not-For-Profit Sector*.

¹²¹ Cortis, N. & Blaxland, M. (2020) *Australia's community sector and COVID-19: Supporting communities through the crisis* ACOSS

¹²² Turnbull, G. (2016) *Process efficiencies help non-profits achieve more impact*. SVA Quarterly, 27 October 2016

- Addressing these challenges takes time and capacity that charities may struggle to access. Support from the Fund will help charities to do so, and thereby serve their community more effectively and sustainably.

Governance, collaboration and partnerships

- Some charities will need to review their overall approach to pursuing their charitable purpose in the wake of the crisis. This may require governance and leadership training for social impact,¹²³ and/or structural change to their legal and governance arrangements, including mergers and other consolidation options where appropriate, as well as opportunities for collaboration
- Collaboration is considered essential to shift the dial on some of our most pressing and complex social challenges, and can also lead to increased efficiencies, shared overhead costs, increased reach or broader service offerings, shared learnings and research¹²⁴
- The Fund could support exploration of opportunities right across the collaborative spectrum, from coordination, joint ventures and partnerships through to collective impact and mergers. Such changes may require considerable up-front investment, and tailored advice that the Fund could support.

Leadership development and workforce capability

- Leadership and workforce capability has a direct impact on organisational performance, outcomes and impact. The mental health and wellbeing of staff and volunteers has also been critically impacted by the pandemic, making it more important that organisations can train, engage, and retain staff effectively. Yet, despite a growing body of evidence highlighting its importance, there is significant underinvestment in not-for-profit capacity building and the professional development of not-for-profit staff, compared to the for-profit sector¹²⁵
- Research into not-for-profit leadership in Australia has highlighted that resource constraints – both time and financial – are the main barrier to not-for-profits investing in their people, even though building leadership capacity is a highly leveraged investment because it impacts the whole organisation¹²⁶
- This research has also identified the need for a range of capacity building supports and evidence supporting their effectiveness, including executive coaching, peer-based support networks, retreats, and tailored sabbaticals. Reviews or audits of organisations overall workforce and leadership capabilities could also be beneficial
- In addition to many existing programs, such as those facilitated by the Australian Scholarships Foundation,¹²⁷ the social sector has recognised these challenges with the recent launch of *Social Impact Leadership Australia* (SILA).¹²⁸ However, these program cannot address the scale of the challenge alone, and there is further need for support of mid-career professionals and other executives.¹²⁹ There is also a recognised need for training to address specific skills, such as in supporting those working with people with complex needs¹³⁰, and the pandemic is known to have

¹²³ Dass, S., Muir, S. & Rangan, V. K. *Nonprofit Boards: It Is Time to Lift Your Gaze and See the System* Harvard Business School Working Paper, No. 21-058, November 2020.

¹²⁴ See for example, Justice Connect (2018) *Working with other organisations*; and Australian Institute of Family Studies (2017) *Collective Impact, Evidence and Implications for Practice*

¹²⁵ See Muir, K., McKee, L., Moore, N., Walker, A., Wenzel, R., & Pinzone, F. (2019), *Leadership for Purpose: Investing in NFP Leadership & Capacity Development in Australia*, Report for Ian Potter Foundation, Sidney Myer Fund, The Myer Foundation, The Vincent Fairfax Family Foundation and The Paul Ramsey Foundation, Centre for Social Impact; and Carey, G. et. al (2020). *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

¹²⁶ Muir, K., et. al (2019) *Leadership for Purpose: Investing in NFP Leadership & Capacity Development in Australia*

¹²⁷ The [Australian Scholarships Foundation](#) funds and facilitates scholarships for Australian not-for-profit (NFP) directors and staff to undertake education, training and mentoring programs that improve their ability to lead and manage their organisations.

¹²⁸ See [Social Impact Leadership Program](#) for further details

¹²⁹ Carey, G., et. al. (2020) *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

¹³⁰ Carey, G., et. al. (2020) *Moving the conversation forward: A decade of reform recommendations for the community services sector*.

increased the number of clients presenting with such needs.¹³¹ Support from the Fund would complement SILA in enabling boards, executive leaders and staff to be prepared to undertake the kinds of transformational change outlined above, as well as develop the workforce capability needed for future service provision.

Technology and cyber security

- Technology provides a particularly striking example of an investment that would support charity efficiency and effectiveness, but which charities do not have the up-front resources to undertake. The pandemic has revealed a significant digital divide both across the charities sector, and amongst the communities that charities serve.¹³²
- For example, as of late 2020 only 46% of surveyed not-for-profits were using cloud-based systems, which posed major barriers to shifting to remote work during the crisis. Less than a third of not-for-profits had the systems and software needed for staff to work from home. Further, 49% of not-for-profits reported that funding and costs are the major barriers to making better use of technology.¹³³
- The pandemic also presents an opportunity for charities. Many have now been forced to digitise rapidly, with 85% reporting they needed to make changes to their IT.¹³⁴ This has presented opportunities to better engage with those in remote and regional Australia or with disabilities. We could now leverage that investment for greater changes still.
- In recognition of the opportunity, a philanthropically funded *Digital Transformation Hub* has recently launched,¹³⁵ but will not be able to service the extent of need in the sector. The Fund could leverage this initiative, supporting charities to transform their use of technology to make them more efficient and effective in supporting our communities and delivering services on behalf of government. It would also help them manage security risks, better balance service demand and capacity, and support digital inclusion.

Outcomes measurement and data analytics capability

- There is interest from government, philanthropy, and the social sector in improving the way that we measure outcomes and impact from social programs. A barrier to progress in this area is limited capability and resources for data collection and analysis, as well as the lack of comprehensive outcomes frameworks
- Only 44% of surveyed not-for-profits have systems that enable them to understand their impact.¹³⁶ Improving this capacity would provide an ongoing benefit to funders, including government, as well as service providers who would be able to better understand the impact of their work, and direct resources towards 'what works'.

¹³¹ Cortis, N. & Blaxland, M. (2020) *Australia's community sector and COVID-19: Supporting communities through the crisis* ACOSS

¹³² Charities Crisis Cabinet (2021) *Momentum needed to improve digital inclusion and digital transformation* Open letter to Prime Minister Scott Morrison, 4 March 2021

¹³³ Infoxchange (2020) *Digital technology in the not-for-profit sector*

¹³⁴ Infoxchange (2020) *Digital technology in the not-for-profit sector*

¹³⁵ Infoxchange (2021) *New technology hub to support not-for-profit digital transformation journey*, Media release 18 February 2021

¹³⁶ Infoxchange (2020) *Digital technology in the not-for-profit sector*.

Select case studies on funds to support not-for-profit innovation, productivity and resilience

A selection of case studies are outlined below of government and philanthropic funds which support innovation in the not-for-profit sector, in Australia and abroad. These include funds established in response to COVID-19, and others established in different contexts. They illustrate a history of governments domestically and abroad providing targeted, time-limited support to the charity sector to promote innovation, productivity and resilience, both in COVID and non-COVID contexts, using a combination of financial support and tailored advice. Further information on these and other funds is detailed in the Appendix.

New Zealand – Capability Investment Resource Funding (2012-15): NZ\$32 million fund to support a stronger, more adaptable and collaborative social sector to improve social outcomes. Support was provided across a multi-stage process, first ascertaining the needs of the organisations through an organisational capability assessment, then implementing a capability development plan.

International – Global Innovation Fund (ongoing): US\$200 million fund, convened by an alliance of international governments (including Australia), corporations and philanthropic organisations in 2014, to address major development challenges by investing in innovations with the potential for transformative and sustainable social impact in developing countries. Support goes 'beyond capital' by appointing advisors and consultants to address specific strategic issues. A 2019 evaluation found the Fund to be effective in supporting its fundees achieve their intended outcomes.

Ireland – Support Package For Community And Voluntary Organisations, Charities (2020): €50 million for two funds to support initiatives which will benefit the most disadvantaged groups in society, in response to COVID-19. Included a 'COVID-19 Stability Fund' providing cash relief to not-for-profits with reduced trading and/or fundraising income, and a 'Innovate Together Philanthropy Fund', with contributions from philanthropy, to support not-for-profits and social enterprises who increased, adapted or created a new innovative product or service in response to COVID-19.

Victorian Government - Boost Your Business Social Enterprise Capability Voucher Stream (2018-19): Vouchers of up to \$25,000, were provided on a co-contribution basis, with successful applicants contributing a minimum value of 20% towards the project value. Supported social enterprises access skills to maintain viability, sustainability and growth, with support from a panel of specialist professional advisors.

New South Wales Government – Social Sector Transformation Fund (2021): \$50 million fund providing grants of between \$20,000- \$200,000. Supports charities and not-for-profits working in health and social service to modernise their operations — with a focus on capacity building, better digital service delivery, remote working capabilities and improving business strategies — so they can remain efficient, effective and viable.

5.2. Delivering support effectively

Nature of support

The Charities Resilience Fund would offer an integrated package of support to charities who can demonstrate a need for organisational transformation. Support would be provided as a combination of:

- **Capability support:** the Fund would use a voucher model to enable charities to access professional support aligned to the transformation need of the charity.¹³⁷ This support will enable them to generate the maximum possible value from the funds provided
 - vouchers could be redeemed from an approved panel of suppliers
 - the approved panel of suppliers should be composed of entities with specialist knowledge of supporting charities that are transitioning; priority should go to organisations oriented towards community benefit (e.g. charities, not-for-profit organisations, social enterprises, B-Corporations). For-profit service providers with demonstrated sector expertise could be

¹³⁷ See, for example, two existing voucher schemes featured in the Appendix, the [Victorian Government - Boost Your Business Social Enterprise Capability Voucher Stream](#), and the [Impact Investing Australia - Impact Investment Ready Growth Grant](#)

- considered for participation, especially if they are willing to provide support on a pro bono or low bono basis
- in many cases, those best-positioned to provide tailored support to a charity will be sector advisory organisations, many of which are charities themselves. These organisations should be prioritised for inclusion in the supplier panel. This will support building sector-wide capability
 - **Cash:** direct grants to implement the change identified via the capability support. This might be required for investments in technology (including technology that can be shared by multiple charities) and other capital expenditure; for enabling staff time and capacity to implement reform; or to cover the up-front costs of change in governance or operational approaches.

Support from the Fund would not be intended to provide working capital or cashflow support, or to subsidise day-to-day operations. Instead, it recognises the legal and operational constraints that charities face in being able to invest their usual funding streams into capability development.

The Fund would complement, rather than duplicate, other government support for charities. Current Federal Government support to date has been focused on maintaining cashflow (Cashflow Boost), employment (JobKeeper wage subsidy), and managing immediate COVID-related demand increases (additional funding for emergency relief and mental health services). Much of this assistance has now ceased, as governments and charities alike focus on recovery.

There are currently only very limited incentives for charities to genuinely collaborate to drive structural change across the sector, as current funding arrangements often place them in direct competition. This means that even when charities pursue transformative approaches, they may do so in ‘silos’. To mitigate this challenge, charities would be encouraged to make joint bids for funding to maximise collaboration, reduce duplication and generate transformational change across sub-sectors.

Additionally, those administering the Fund could be resourced to provide ‘match-making’ services and facilitate other forms of collaboration between charities and other organisations (not-for-profit, business and philanthropy). They could also provide early-stage support to help charities identify the kinds of transformation most suited to their circumstances, so funding is well-targeted.¹³⁸ This could generate additional efficiencies across the sector, and improve sector-wide capability and capacity.

Leveraging additional sources of funds

There is considerable interest from philanthropists and the business community in supporting the structural transformation of charities and not-for-profits. A government investment has the potential to leverage significant additional support from such sources, whether as a co-investment in the Fund, pro bono provision of advisory and other services, options for matched support, or parallel funding structures that streamline the process for charities and not-for-profits. There is precedent for such cross-sector collaborations.¹³⁹ The Fund should be established in a way that ensures these co-contributions can be easily facilitated to ensure maximum leverage of government funds.

Operations and governance

All charities registered with the Australian Charities and Not-for-profits Commission (ACNC) or Office of the Registrar of Indigenous Corporations (ORIC) would be eligible to apply for support for the Fund.¹⁴⁰ Government should not attempt to differentiate between charities by sector or category, as

¹³⁸ For example, the New Zealand Government’s *Capability Investment Resource* funding, which aimed to increase sector collaboration to improve social outcomes, used a multi-stage funding process to identify where support was most needed, to maximise the value of investment. So too did the Ford Foundation’s *BUILD* initiative. See Appendix for case studies.

¹³⁹ For example, the *Global Innovation Fund* which supports scalable social innovations, attracts investment from numerous governments including Australia, and philanthropists including the Omidyar network. Ireland also established a *co-contribution innovation fund* for charities in the wake of COVID. See Appendix for case studies.

¹⁴⁰ Note that some Aboriginal Community Controlled Organisations which are charities may be registered with ORIC but not yet with the ACNC. The Fund should be available to these charities.

they have all qualified as charities on the basis of their charitable purpose in line with current legislation.

Assessment criteria would be established, and include recognition of different needs of charities of different types, sizes and sophistication. Charities would need to demonstrate that they are seeking support for strategic change in their organisation, not subsidising business-as-usual operations.

The Fund would be best administered at arms-length to government to ensure its independence, and to tap into relevant expertise across the philanthropic, business, and not-for-profit sectors. There are a number of potential models that could be considered, including the establishment of a new entity or the outsourcing of administration to an appropriate external body.¹⁴¹ Preliminary soundings indicate that a substantial level of independence would be required to leverage philanthropic and other external support for the Fund.

In recognition of the importance of self-determination for Aboriginal and Torres Strait Islander communities, and the importance of supporting Aboriginal Community Controlled Organisations (ACCOs), a portion of the Fund should be dedicated to specifically supporting Aboriginal and Torres Strait Islander charities. The arrangements for these funds should be co-designed with relevant communities.

Costings

A Fund of \$200 - \$400m could support 4,000-8,000 charities to transform their operations. This is a quarter of all charities that employ people in Australia. Depending on the size and scope of the charity, they could receive between \$10,000 and \$250,000 in cash and capability support. Contributions from corporate or philanthropic sources to the Fund could further increase the size and reach of the Fund's impact. Phasing of the funding could be flexible depending on budget constraints and fund size but would be time-limited.

Indicative scale of support for charity transformation from a fund of \$280m

Charity size	Support range	Average support value	Number of charities
Large	\$150-\$250K	\$200,000	500
Medium	\$50-\$100K	\$75,000	1,000
Small	\$10-\$50K	\$30,000	3,500
Total		\$56,000	5,000

To maximise overall value for money achieved by the grants, a further \$15-\$30 million would be required for operational costs to provide co-design support for applicants; facilitate collaboration between charities; and monitor and evaluate impact.

¹⁴¹ For example, Impact Investing Australia currently administers the *Impact Investing Sector Readiness Fund* on behalf of the Australian Government Department of Social Services. Grant decisions are made by independent panels of experts.

Appendix: Case studies of NFP support funds

Case studies on funds to support not-for-profit innovation, productivity, and resilience

A selection of case studies are outlined below of government and philanthropic funds which support innovation in the not-for-profit sector, in Australia and abroad. These include funds established in response to COVID-19, and others established in different contexts. The case studies highlight:

- There is a history of government and philanthropic support funds promoting innovation, productivity and resilience in the not-for-profit sector, both in COVID and non-COVID contexts
- These funds have broad objectives and priorities. Common themes include change management, financial management planning, operating model adaptation, and collaboration
- Both financial and non-financial supports are offered to grantees. Financial grants are generally tied to specific goals of the programs. Further, in Australia, both the Federal and Victorian Governments have supported organisations access specialist supports such as consultancies, as has New Zealand’s Capability and Adaptation Funds and the Trillium Foundation’s fund
- Some grants are offered with access to complementary advisory and specialist supports and networks. In some cases, this supports organisations diagnose their support needs (New Zealand’s Capability Investment Resource and the Ford Foundations BUILD Fund)
- Intermediaries are often engaged by government to run such funds
- There are some examples of government and philanthropy working together to establish and fund these initiatives, including Ireland’s Innovate Together Fund, and the Global Innovation Fund (UK).

Name of Fund	Outline
<i>COVID-related innovation funds from government for not-for-profits</i>	
<p>Capability Fund and Adaptation Fund 2020</p> <p><i>New Zealand</i></p>	<ul style="list-style-type: none"> • Objective: Two funds to support arts-sector organisations innovate in response to the challenges and opportunities presented by COVID-19 <ul style="list-style-type: none"> ○ Capability Fund (CF): To support organisations to address immediate organisational needs and to help stabilise and increase the sustainability of their businesses in response to the impacts of the COVID-19 environment ○ Adaptation Fund (AF): Support transformation or significant development of the business model and/or artistic practice of organisations to encourage new ways of working in response to the opportunities presented by COVID-19 • Funding: Grants up to NZD\$30,000 for the Capability Fund, and no specified limit for the Adaptation fund. Funded by an NZD\$25M package for Creative New Zealand. • Eligibility and priority areas: Grantees of the Arts Council of New Zealand. CF priorities include supporting staff well-being, risk management, scenario planning, business continuity, audience or community engagement, and financial planning. AF priorities include increasing digital literacy, the use of digital technologies, and the transformation of organisational models.

	<ul style="list-style-type: none"> • Nature of support: Funding for consultancy fees, training costs, short term contracts or research costs. • Impact: Program only recently concluded – no public evaluations available.
<p><u>Support Package For Community And Voluntary Organisations, Charities</u></p> <p>Ireland</p>	<ul style="list-style-type: none"> • Objective: Two funds to support initiatives which will benefit the most disadvantaged groups in society, in response to COVID-19 <ul style="list-style-type: none"> ○ €5 million towards a 'Innovate Together Philanthropy Fund', with further contributions from philanthropy (€0.6m), to support not-for-profits and social enterprises who increased, adapted or created a new innovative product or service in response to COVID ○ €45 million 'COVID-19 Stability Fund' providing cash relief to not-for-profits with reduced trading and/or fundraising income • Funding: The Innovate Together Fund provided grants up to €200,000 and was also administered by an intermediary. The Stability Fund provided cash grants with no specified limit and was administered by an intermediary. • Eligibility: Irish charities and social enterprises supporting those experiencing disadvantage. • Nature of support: Funding • Impact: Program only recently concluded – no public evaluations available.
<p><u>Social Sector Transformation Fund</u></p> <p>New South Wales, Australia</p>	<ul style="list-style-type: none"> • Objective: Support charities and not-for-profits working in health and social service to modernise their operations — with a focus on capacity building, better digital service delivery, remote working capabilities and improving business strategies — so they can remain efficient, effective and viable. • Funding: \$50M fund providing grants and advisory services through a combination of: <ul style="list-style-type: none"> ○ Direct grant payments of between \$20,000 - \$40,000 – paid directly to all eligible service providers with ongoing contracts with Department of Communities and Justice, or NSW Health ○ Open Grants application – competitive funding round for \$20,000- \$200,000 ○ Consulting and advisory services – eligible organisations can also access consultancy or advisory services at no cost, from a panel of providers • Eligibility: For direct grants, organisations must have ongoing contracts to the departments outlined above. For open grants, organisations must be registered with the ACNC, have revenue <\$5M p.a., and provide services in NSW. • Nature of support: Funding and advisory services. • Impact: Program is soon to be launched.
<p><i>COVID-related innovation funds from philanthropic organisations for not-for-profits</i></p>	
<p><u>Trillium Foundation Resilient Communities Fund</u></p> <p>Ontario, Canada</p>	<ul style="list-style-type: none"> • Objective: Support non-profit sector to <i>recover and rebuild from impacts</i> emerging from COVID-19 so that they can effectively meet the needs of communities in the medium to longer term • Funding: Unknown fund size, grants: CAD\$5,000-150,000 (1-year terms) • Eligibility and priority areas: Any Ontario based not-for-profit, whose operations were disrupted by COVID-19. Grant can be put towards <ul style="list-style-type: none"> ○ Upskilling workforce and readiness for change

	<ul style="list-style-type: none"> ○ Innovative financing ○ New/adapted service delivery ○ New equipment or spaces, and ○ Non-profit collaboration <ul style="list-style-type: none"> ● Nature of support: Only financial support. Grantees can use the funding to pay for external support services to help them innovate, such as consultants, contractors, or SMEs. Funds can also be put towards capital equipment related to the innovation project, such as repairs or renovations ● Impact: Program is ongoing.
<p><u>McConnell Foundation Social Innovation Fund — Organizational Rebuilding</u></p> <p>Canada</p>	<ul style="list-style-type: none"> ● Objective: To help charities and non-profits <i>prepare for or implement significant organisational change</i> so that they can better serve their communities during and following the pandemic. This fund was created alongside an Emergency Response Fund to assist with immediate needs and is an additional granting stream in McConnell's existing Social Innovation Fund (SIF). ● Funding: Unknown fund size, grants: unspecified (2-3-year terms, for SIF) ● Eligibility and priority areas: Existing grantees only. Grant can be put towards planning or implementing organisational change. The scope of grants is very broad, but could cover digital service delivery, governance and mergers and acquisitions, new business models, risk management, staff upskilling, or data capability improvement ● Nature of support: Financial and non-financial support. Grantees can use the funding to pay for external support or capital equipment required for organisational change. Grantees may also be given access to technical and peer support through the larger Social Innovation Fund, including access to Innoweave and the Social Innovation Learning Program (SILP) <ul style="list-style-type: none"> ○ Innoweave provides access to information resources and a network of coaches who can support organisations in implementing social innovation approaches ○ SILP is an 18-month program that invites organisational leaders who are developing or scaling social innovation approaches to regular group retreats to provide knowledge, share learnings, and foster partnerships and collaboration ● Impact: Program recently concluded – no public evaluations available.
<p><i>Other innovation funds from philanthropic organisations and/or government, for purpose-driven organisations</i></p>	
<p><u>Global Innovation Fund</u></p> <p>International - UK-based</p>	<ul style="list-style-type: none"> ● Objective: Funded by an alliance of international governments (including Australia), corporations and philanthropic organisations in 2014, to address major development challenges by investing in <i>innovations with the potential for transformative and sustainable social impact</i> in developing countries. ● Funding: USD\$200m fund, capital sizes: USD\$50k - \$15m (funding provided in many forms, including grants, equity, debt, hybrid capital etc.). Types of support included capital as well as specialist advisory support ● Eligibility and priority areas: Open to any organisation (including for-profits) with a social innovation that benefits people living on \$5 per day or less, is grounded in evidence and has a clear pathway to scale ● Nature of support: Support goes 'beyond capital' by engaging closely with the portfolio companies and organisations directly or where needed, appointing advisors and consultants to address specific strategic issues including the use of data and knowledge

	<p>products, evidence generation, impact measurement and beneficiary/customer feedback and analytics</p> <ul style="list-style-type: none"> ● Impact: A 2019 evaluation found the Fund was bold, innovative and unique, and that its investments were progressing towards the achievement of their intended outcomes.¹⁴²
<p>Ford Foundation Building Institutions and Networks (BUILD) <i>International - US-based</i></p>	<ul style="list-style-type: none"> ● Objective: To strengthen social justice organisations by building their long-term capacity and sustainability ● Funding: \$1B USD fund for up to 300 social justice organisations globally, 5-year length ● Eligibility and priority areas: Existing grantees only, which cover a spectrum of critical functions and capabilities — from grassroots mobilising to policy analysis to strategic litigation. All of them stand to benefit from sustained efforts to strengthen their organisational core ● Nature of support: Flexible funding to innovate, learn, take risks, and develop their work for the long term. All recipients first undergo two kinds of assessment: a facilitated organisational assessment called the Organizational Mapping Tool, and an in-depth analysis of their finances. Both help organisations better understand and prioritise their needs in key areas like strategy, leadership, finances, and systems. Each organisation then receives additional funding to develop and implement an institutional strengthening plan ● Impact: A 2018 evaluation found BUILD’s combination of flexible funding and technical assistance showed great promise as a transformative approach. The emphasis on institutional strengthening was found to enable grantees to work more intentionally and strategically.¹⁴³
<p>Impact Investing Australia - Impact Investment Ready Growth Grant <i>Australia</i></p>	<ul style="list-style-type: none"> ● Partnership: Administered by Impact Investing Australia. Seed funded by the National Australia Bank, then funded by the Australian Government’s Social Services Sector Readiness Fund ● Objective: Provides support to for-purpose businesses looking to secure new social impact investments, to expand their impact ● Funding: The government backed version of the fund launched in 2018 was \$7M over three years, providing grants of up to \$140,000 ● Eligibility and priority areas: Impact businesses and mission-driven organisations with grants for business, financial, legal and other capacity building support ● Nature of support: Grantees use the funding to pay for external support services ● Impact: Program is ongoing.
<p>Boost Your Business Social Enterprise Capability Voucher Stream <i>Victoria, Australia</i></p>	<ul style="list-style-type: none"> ● Objective: Support social enterprises access skills to maintain viability, sustainability and growth ● Funding: Vouchers of up to \$25,000, provided on a co-contribution basis, with successful applicants contributing a minimum value of 20% towards the project value. Recipients are eligible for up to two vouchers, for different projects. ● Eligibility and priority areas: Victorian social enterprises. Grants can be put towards: <ul style="list-style-type: none"> ○ Business process and systems improvements ○ Business transformation ○ Financial management planning

¹⁴² IPE Triple Line (2019) *Independent evaluation of the Global Innovation Fund: Final evaluation report*

¹⁴³ NIRAS (2019) *Initial trend analysis report: BUILD developmental evaluation*

	<ul style="list-style-type: none"> ○ Industry standards implementation & certification ○ Tender guidance ● Nature of support: Vouchers must be used in exchange for services, advice or expertise provided by Registered Service Providers, deemed by the Victorian Government. Grantees use the funding to pay for external support services to achieve the organisation's long-term goals. Funding cannot be for 'business as usual' activities ● Impact: Not published.
<p><u>Capability Investment Resource Funding</u> <i>New Zealand (2012-15)</i></p>	<ul style="list-style-type: none"> ● Objective: Support a stronger, more adaptable and more collaborative social sector to improve social outcomes. It was expected that the resource would support more 'collective impact and collaborations in recognition that large-scale social development will come from improving cross-sector coordination and sharing a collective vision, rather than isolated interventions from individual organisations' ● Funding: NZ\$32M over four years ● Eligibility and priority areas: Not-for-profit organisations funded by the government. Collectives or collaborations were encouraged to apply ● Nature of support: Support was provided across a multi-stage stage funding process to maximise the value of investment, by first ascertaining the needs of the organisations. Phases included: (1) Organisational Capability Self-Assessment and Organisational Capability Development Plan, (2) Organisational Capability Development Plan, and (3) Implementation of a Capability Development Plan ● Impact: Not published.

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Social Ventures Australia
Brisbane | Darwin | Melbourne | Perth | Sydney | ABN 94 100 487 572 | AFSL 428 865
info@socialventures.com.au | socialventures.com.au | @Social_Ventures

