Myth Busting the NFP Sector

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Objectives:

1) Research leading to practical & implementable outcomes
2) Build sector engagement to identify and prioritise focus areas
3) Inform policy and practice
However…

NFPs are complex beasts:

a) There are about 600,000 NFPs operating in Australia we think…

b) About 56,000 of these are charities…
The current conversation...

1) Inefficiency
2) Governance Immaturity
3) Lacks Sustainability
4) Replace-ability
5) Non-economic & a drain on society
6) Needs to be fixed
7) Poorly led
Changing the Conversation:

1) Australia’s Love Affair with the word “Market”
2) What we have forgotten
3) Efficient Prices
4) Consumption
5) Investment
Australia’s love affair with the word “market”...

• We mis-label everything as a market
• We forget the conditions under which the market mechanism operates
• We show unwarranted faith in the effect of that mechanism
• The propensity for everything to be economics
What we have forgotten...

• The Welfare State
• The Charitable and Not-for-profit Sector
• The reality of public sector service provision – public goods versus private goods
• The purpose of “economics” and “economic management” – Security, Equity and Preservation of Freedom (J. S. Mill)
The idea of efficient prices…

• We have forgotten what economic efficiency means
• It exists in a market not a monopsony
• The purchaser MUST be purchasing discretionary goods
National Scale & Economic Impact

- Mining: $217Bn, 190,000 Employees
- Agriculture: $75Bn, 500,000 Employees
- Car Industry: $5Bn, 50,000 Employees
- Charities: $100Bn, 919,000 Employees

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Additional stats:

• 2 million volunteers

• Economic contribution:
  – Approximately 53% of income from own sources
  – Approximately 41% of income from government
  – Approximately 7% of income from philanthropy*

*ACNC - Australian Charities 2014 Report
The extent of income concentration

- 80% of charities
- 4% of Annual Total Sales

- $79bn
- 79%

- 10% of charities
- 10% of Annual Total Sales

- 5% of charities
- 6% of Annual Total Sales

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Percent of charities Percent of Annual Total Sales

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Diversity of charities

• Activities
  • Religion (25%)
  • Education (6%)
  • Grant making (5%)
  • Aged care, emergency relief, culture and the arts, economic, social and community development (3%)

• Extraordinary range of beneficiaries and services.
• Implication for policy, e.g. Reporting burden.
Essential for delivery of government services

Total funding c.$28bn
- Health
- Disability services
- Aged care
- Education
- Emergency services
- Culture and arts

e.g. Commonwealth spending

- Social security
- Health
- Other purposes
- Education
- General public
- Defence/safety
- Industry/economic
- Community

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Investment

The sector has **decades of experience** that is not easily nor readily replaced.

The sector has **infrastructure** that is not easily nor readily replaced.

Nor is there necessarily a rationale for displacing it.

Charities have a unique capacity to quickly harness **goodwill** and respond to need.
Back to First Principles?

- Policy versus Method
- Mixed Economy requires Higher Engagement and Deeper Conversations
- The economy is not an end in itself
- The NFP sector is an extremely important and potent economic sector
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