



THE
GIVING
BUSINESS

Creating successful payroll giving programs

IF JUST 10% OF WORKING AUSTRALIANS DONATED \$5 PER WEEK THROUGH THEIR PAY, AN ADDITIONAL \$260M WOULD BE GENERATED EACH YEAR FOR THE COMMUNITY

②

Research partners



The not-for-profit sector supported by community-minded individuals, groups and companies plays a vital role in the well-being of Australia, especially in tough times.

Payroll giving to the not-for-profit sector represents a key opportunity to provide significant, ongoing funding for the community. If just 10% of working Australians donated \$5 per week through their pay, an additional \$260M would be generated each year for the community. Overall, payroll giving in Australia has grown steadily since the Australian government permitted donations made in this way to be deducted from pre-tax income, but remains far below the levels of the US or Canada. To date, there has been no major research into it in Australia.

The aim of this research is to stimulate debate on the level of giving in Australia, and to encourage greater participation by business in establishing and promoting payroll giving programs by illuminating key success factors and business benefits.

Since the research began last year, the economic environment has significantly altered. In Australia and around the world the need for philanthropic support and donations is growing. Demand for not-for-profit services has increased just as donations are likely to fall.

By making payroll giving available to their employees, businesses can really make a difference. We strongly encourage you to consider the results of this research, including the business benefits, to explore how your organisation might better support the community via payroll giving.



Mark Johnson
CEO
PricewaterhouseCoopers

March 2009

Payroll giving is a winner for employees, a winner for employers and a winner for charities. It is the best model of making a donation to charities in Australia which we'd like to see embraced throughout Australian companies as it has been overseas.

Payroll giving means low fundraising costs so more of the donation goes where it matters. Charities get a consistent donation stream to aid sensible long term planning. **It is a chance for employers to help their staff do something they really care about,** it creates true corporate citizenship and it fosters a partnership between businesses and their employees, aiding long term staff retention. Most organisations with payroll giving in place are surprised how easy it is to run.

So please, get behind payroll giving and back a proven winner.



Toby Hall
CEO
Mission Australia



**PAYROLL GIVING IS THE BEST
MODEL OF MAKING A DONATION
TO CHARITIES IN AUSTRALIA**

Payroll giving (often referred to as workplace giving) enables employees to make regular donations from their pay to charities and other non-profit organisations.

Australia's three payroll giving providers The Australian Charities Fund, United Way and Charities Aid Foundation, with PricewaterhouseCoopers and the Centre for Social Impact, conducted this research to:

UNDERSTAND THE STATE OF PLAY IN AUSTRALIAN PAYROLL GIVING

IDENTIFY KEY FACTORS IN A SUCCESSFUL PAYROLL GIVING PROGRAM

IDENTIFY BARRIERS TO EXPANDING EXISTING PAYROLL GIVING PROGRAMS

IDENTIFY BARRIERS TO STARTING PAYROLL GIVING PROGRAMS

Businesses known to have payroll giving programs were surveyed by online questionnaire, completed by the manager responsible for the program. In addition 150 companies drawn randomly from a list of the 2500 largest employers were surveyed. Brief telephone interviews were conducted with the person responsible for managing community or corporate social responsibility programs within the company.

Some Australian businesses have had payroll giving programs since the late 1940s. In 2002 the Australian Government provided an inducement for this method of giving by allowing gifts to be made from pre-tax income. Pre-tax payroll giving results in an immediate tax deduction for employees, without the need to get receipts and claim them with their annual tax return. Since then there has been a steady increase in companies introducing payroll giving programs.

Although accurate figures are hard to come by, one 2004 survey suggested less than one per cent of Australian employees participated in payroll giving and about \$18M was raised. Although employer participation in payroll giving has more than doubled since the tax changes in 2002, its powerful potential has not been fully tapped, as this research confirms.

Among the businesses without payroll giving programs, nearly two-thirds had never heard of payroll giving before being contacted about this survey. Yet if Australians were to participate in payroll giving at the level Canadians do (5.6 per cent of the population, \$228 per person a year), \$200M or more per year could be available to support Australian charities.

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BENEFITS OF PAYROLL GIVING

The research found that companies with payroll giving programs were very positive about their benefits. Among the most commonly reported benefits:

71%

Enables employees to engage with the community and make a difference

Of the companies with payroll giving programs we surveyed, the largest proportion (35 per cent) estimated their employee donations through payroll giving were less than \$20,000 in the preceding 12 months. Slightly less than one-third (32 per cent) raised more than \$50,000 over the previous year. In a small proportion of businesses, donations exceeded \$400,000. A review of sector and survey data suggests the average annual donation per employee in 2004 was \$190.

In over half the businesses with payroll giving programs, participation was less than ten per cent of employees; one in three businesses had less than five per cent participation. However, one in ten firms boasted employee participation of 25% or more.

The research suggests the instigation of new payroll giving programs, growing participation in existing programs and boosting the average donation amount are three areas of great potential for increasing payroll giving in Australia.

Compared with other programs, payroll giving is one of the least resource intensive ways businesses can help support the community. It gives employees a simple, convenient and efficient way to give to causes they care about, it provides charities with a steady flow of income, and it helps businesses establish credibility as good corporate citizens.

63%

An efficient way to support the community

56%

Reinforces the business' positioning as a good corporate citizen

The research sought to identify how companies with high levels of participation in payroll giving (>15 per cent) achieved their results. The two factors in control of the business' management most significantly associated with high participation were:

1. **The business has ambassadors** appointed from across the firm, whose job is to actively promote the program in their business area
2. **Staff are regularly updated on payroll giving** and program performance and the difference their support is making in the community

A third factor influencing participation was the practice of business matching of employee donations.



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THE RESEARCH SUGGESTS THE INSTIGATION OF NEW PAYROLL GIVING PROGRAMS, GROWING PARTICIPATION IN EXISTING PROGRAMS AND BOOSTING THE AVERAGE DONATION AMOUNT ARE THREE AREAS OF GREAT POTENTIAL FOR INCREASING PAYROLL GIVING IN AUSTRALIA.

This study was interested in two types of barriers:

- / barriers to expanding existing programs
- / perceived barriers by businesses which have not introduced a payroll giving program

Barriers to expanding existing programs:

Limited time and resources was identified as the main barrier to success by almost one-third (29 per cent) of program managers, and was cited as a problem by one in two (50 per cent).

Low program visibility within the firm was the next most frequently mentioned issue (47 per cent of program managers).

Around a third of program managers (31 per cent) **said staff preferred to use other forms of charitable giving**.

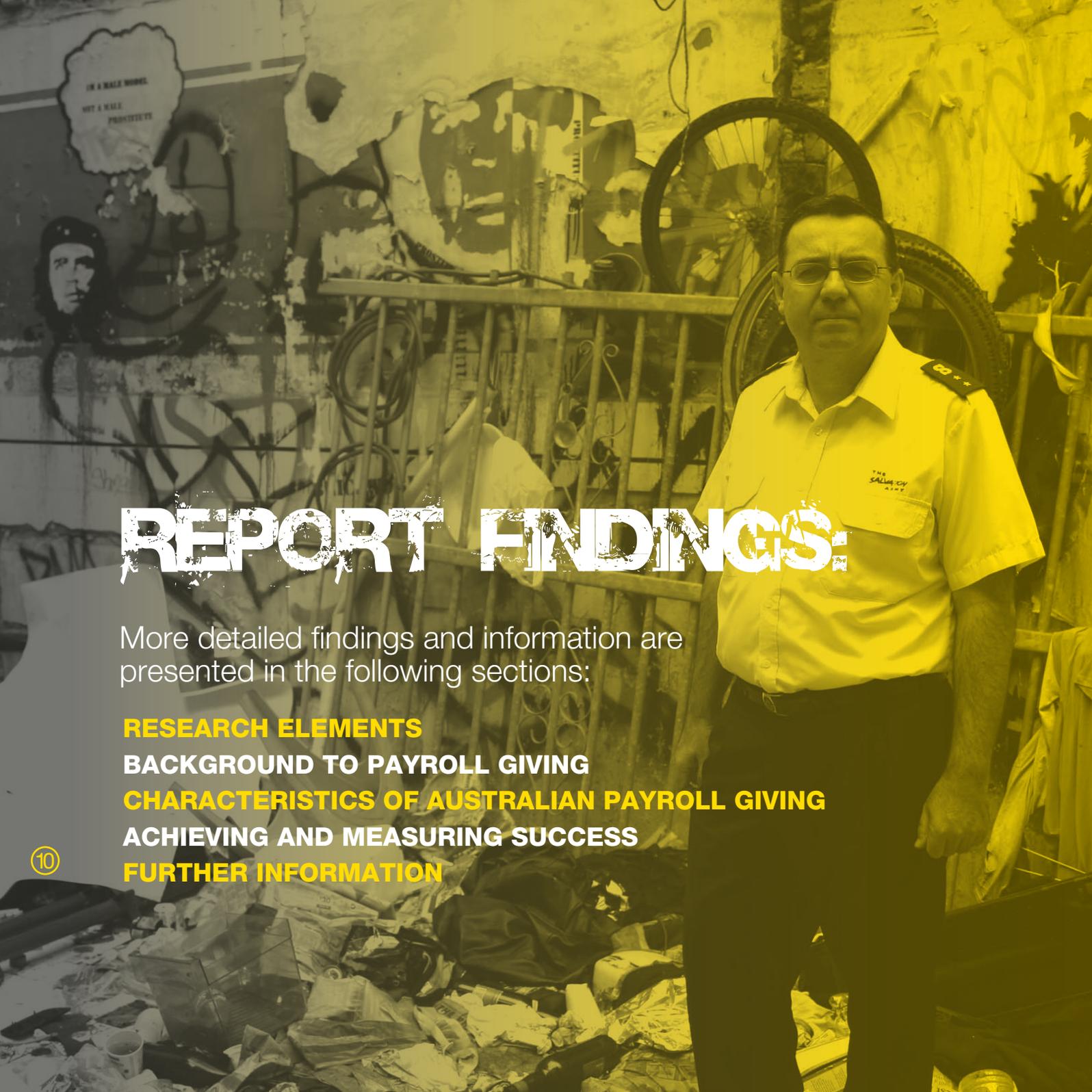
About the same proportion (30 per cent) thought the program's success was hindered by the fact that it was a **low business priority**.

These findings underline the importance of senior management's leadership and endorsement to the success of payroll giving programs. Relatively simple initiatives – such as making available a few hours a week of program managers' time, appointing charity ambassadors, and raising the profile of the program within the firm – may help existing programs to better fulfil their potential.

Perceived barriers by businesses that have not introduced a payroll giving program:

The overwhelming reason cited for not starting a program was that it was “too complex to set up and administer.” For 38% of businesses who had considered introducing payroll giving, but had not done so, this was the key barrier.

Considering the number of businesses who have already set up programs, there may be a gap between the perception and the reality of setting up and running payroll giving programs. Payroll giving is simpler to set up and run than many businesses might believe.



REPORT FINDINGS:

More detailed findings and information are presented in the following sections:

RESEARCH ELEMENTS

BACKGROUND TO PAYROLL GIVING

CHARACTERISTICS OF AUSTRALIAN PAYROLL GIVING

ACHIEVING AND MEASURING SUCCESS

FURTHER INFORMATION

1. Research elements

Two distinct pieces of research were carried out:

Businesses with payroll giving programs

Businesses (including some government departments and local governments) that were known to have payroll giving programs, whether in-house or through the three providers, were identified. Preliminary one-on-one interviews were held with six payroll giving program managers known to the providers. Online questionnaires were sent to 300 businesses; 129 complete responses were received.

Of the businesses with payroll giving programs that completed the online survey, 87 per cent used one of the three external providers (Australian Charities Fund, Charities Aid Foundation or United Way) to facilitate their program, and 13 per cent ran their programs in-house, without external support.

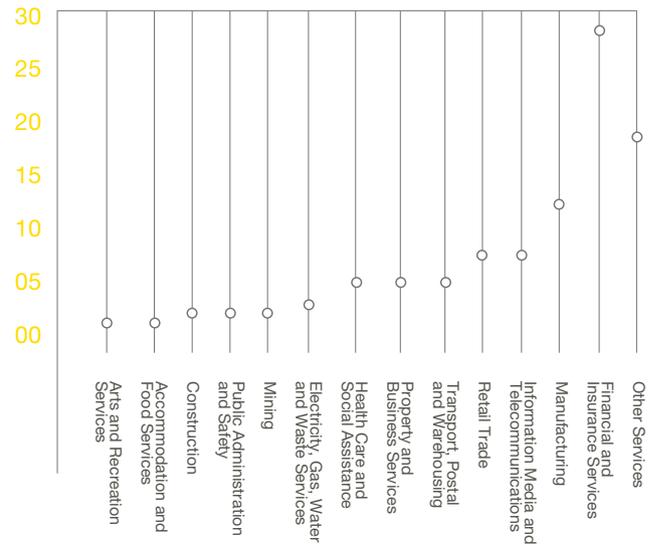
Businesses without payroll giving programs

Interviews were conducted amongst 150 randomly selected businesses drawn from a list of the 2,500 largest employers provided by Dun and Bradstreet. Brief telephone interviews were conducted with the person responsible for managing the community or Corporate Social Responsibility program within the business.

These surveys were conducted by Millward Brown Australia.

A literature review was also conducted to compare the performance and development of payroll giving in Australia with other countries and identify any useful lessons.

Businesses with payroll giving programs
Respondent businesses by industry type (percentage)



2. Background to payroll giving

Payroll giving emerged in the United States early in the 20th century and soon spread to Canada. The movement, whereby employee gifts were made to a local community chest and a committee of leading citizens would select the recipient charities, became known as the United Way. Service providers of the same name evolved along with the practice.

In the United Kingdom by contrast payroll giving emerged as a strong movement with government encouragement in the late 1990s, when it was made easier to gain a tax deduction for charitable donations via payroll than conventionally; in addition, for several years the government partly matched payroll donations and made grants to small and medium-sized enterprises to put programs in place. A good deal of UK payroll giving was facilitated by the Charities Aid Foundation which had been established several decades earlier to facilitate the complex form of tax assistance that then applied.

In Australia, the practice of payroll giving has existed since at least the late 1940s. From the 1960s a few local United Way organisations had encouraged it with mixed success. In 2000, an Australian subsidiary of the UK based Charities Aid Foundation commenced operation, but the biggest impetus

came in July 2002 when the Commonwealth government introduced a new tax ruling which meant that employees could receive immediate tax deductions for charitable donations from their pre-tax pay. In the following year the Australian Charities Fund was established, bringing the number of organisations encouraging and facilitating payroll giving in Australia to three.

THE BIGGEST IMPETUS CAME IN JULY 2002 WHEN THE COMMONWEALTH GOVERNMENT INTRODUCED A NEW TAX RULING WHICH MEANT THAT EMPLOYEES COULD RECEIVE IMMEDIATE TAX DEDUCTIONS FOR CHARITABLE DONATIONS FROM THEIR PRE-TAX PAY



3. Characteristics of Australian payroll giving

Scope for growth

The record of comparable countries suggests there is substantial potential to grow payroll giving in Australia in terms of both participation and size of donation.

A lack of data precludes detailed international comparisons, but roughly comparable estimates for payroll giving in Australia, the United Kingdom and Canada are available for the year 2004 (excluding matching):

	Australia	UK	Canada
Number of donors	94,000 (0.6% of adults)	580,000 (1.3% of adults)	1.5M (5.6% of adults)
Amount of money raised (in AUD)	c.\$18M	\$200M	\$343M
Average annual amt/donor (in AUD)	\$190	\$350	\$228

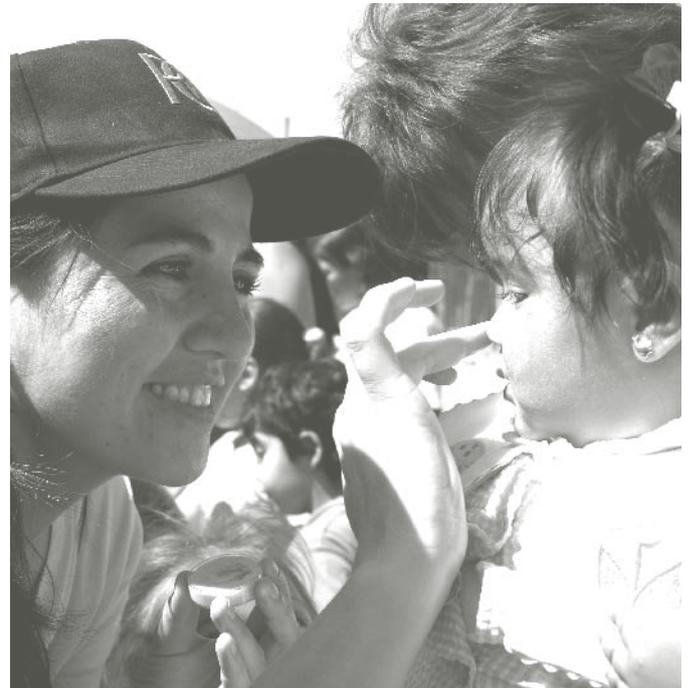
Taking into account differences in currency values, Canadian payroll givers gave on average a little more than Australian payroll givers, while those in the UK gave half as much again. Many more Canadians than Australians participated in payroll giving schemes, reflecting the long history of this form of giving in Canada.

If in 2004 a similar proportion of Australians had participated in payroll giving programs as did Canadians, and if they had given a similar amount on average, the amount raised would have been almost \$200M.

By contrast with Canada, payroll giving in the United Kingdom has had a short history. It has had, however, a far higher degree of government support than Australia and many businesses have engaged professional fundraisers to sign up employees.

Australian employer participation in payroll giving has doubled since the tax changes in 2002. One in two businesses in our survey started their programs during this time.

However almost one in five businesses surveyed (19 per cent) had run programs for at least nine years.



Limited awareness

Among businesses without payroll giving programs, nearly two-thirds had never heard of payroll giving prior to this survey.

Among those without payroll giving programs who had heard of them, less than half had ever considered introducing one.

Among businesses with a program in place, the biggest proportion (one-third) learned about payroll giving through one of the payroll giving providers (ACF, CAF, United Way).

Only four per cent learned of it through government publicity. In Australia in 2005/6 the Government provided support for a publicity campaign for payroll giving; however this had limited success in raising awareness. The UK government support was much more comprehensive.

In Australia, only 24 per cent of businesses learned of payroll giving via head office or from other businesses. By contrast, a recent UK survey found UK companies most commonly learned of payroll giving programs from other companies.

This suggests that Australian businesses already involved in payroll giving could play an important role in expanding the number of programs by introducing the concept to those not yet involved. Significant expansion in payroll giving is also likely to require strong visible government support as well as business support.

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1 IN 10 BUSINESSES HAD A PARTICIPATION RATE OF 25 PER CENT OR MORE

Participation and donations

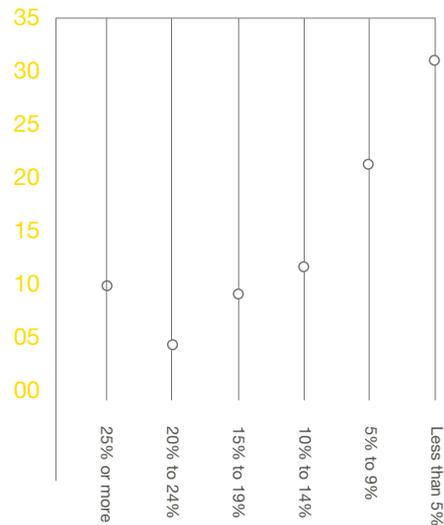
In just over half (54 per cent) of companies surveyed with a payroll giving program, less than 10 per cent of employees participated.

One in three businesses had a participation rate of less than five per cent. At the other end of the scale, one in ten businesses had a participation rate of 25 per cent or more.

Over half of participating businesses estimated their donations through payroll giving (excluding matching) were less than \$50,000 over the 12 months prior to the survey. Around a third (35 per cent) raised less than \$20,000, while a small proportion of businesses (four per cent) raised \$400,000 or more.

These findings suggest strong potential to expand the number of participants in existing payroll giving programs in Australia.

Percentage of employees participating in payroll giving



4. Achieving and measuring success

Benefits

The research internationally highlights many benefits for employers, employees and charities from payroll giving.

Employees like the simplicity and convenience of an automatic tax deduction each pay period. They value the opportunity to give back to the community and appreciate that in general, 100 per cent of their donations go direct to the charity.

Employers say payroll giving (and business matching) reinforces their business' positioning as a good corporate citizen. They see it as an effective way to engage employees with the community and build relationships with charities, and to help create a corporate culture of giving. They regard payroll giving as low cost, and relatively straightforward to administer.

Charities value payroll giving as a steady, ongoing income flow with zero or minimal fundraising costs. For them it provides the opportunity to form relationships with businesses. Payroll giving donors also tend to sustain their donations for longer than other donors because they continue giving until they leave the business. This is particularly valuable in tough economic times.

Our survey found that program managers from businesses with payroll giving programs were very positive about their benefits.

Among the most commonly reported benefits:

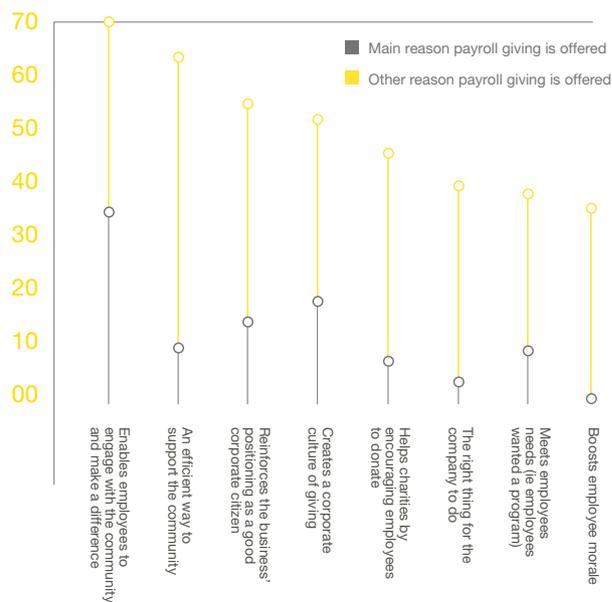
- / Enables employees to engage with the community and make a difference – 71 per cent
- / An efficient way to support the community – 63 per cent
- / Reinforces the business' positioning as a good corporate citizen – 56 per cent

Just over one-third of businesses with payroll giving programs saw them as a way of boosting employee morale.

Internationally, companies tend to rank the business benefits of running a payroll giving program (such as improving the company's image) more highly than do Australian companies, which tend to emphasise instead the benefits to employees, perhaps reflecting differing priorities among Australian companies.

Increased focus on and measurement of the benefits to business may help overcome some of the barriers to greater program success in Australian businesses. Barriers are detailed further below, such as lack of visibility within the firm, lack of senior leadership support and lack of time and resources invested in the program.

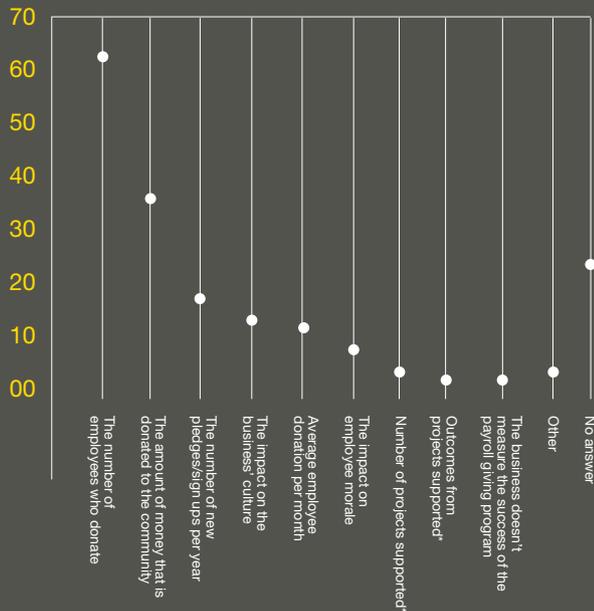
Benefits of payroll giving – Respondents' main and other reasons (percentage)



Measures of success

Consistent with the previous observation, few Australian businesses surveyed measure the success of their payroll giving program according to its impact on the business, though a small proportion gauge its impact on the business culture (12 per cent) or employee morale (10 per cent). By far the most common measure of success used is the number of employees who donate (62 per cent of companies use this measure) followed by the amount of money donated to the community (36 per cent).

Main measures of success (percentage)



*Responses coded from 'other'

Success factors

The research sought to identify how companies with high levels of participation in payroll giving (>15 per cent) achieved their results. The two factors most significantly associated with high participation were:

1. the business has payroll giving ambassadors appointed from across the firm, whose job is to actively promote the program and any of its charity partners in their business area,
2. staff are regularly updated on payroll giving and program performance and the difference their support is making in the community.

Another important factor was the practice of matching, when the business matches employee donations in whole or in part, with no maximum set on the total amount which can be matched. Almost 1 in 5 program managers (18 per cent) believed that knowledge their donation would be matched by the business was the main factor in increasing employee sign-ups.

When program managers were asked to offer their perspective on what makes a successful program, they cited:

- / **Management support** (senior management actively and visibly supports the program)
- / **High level of visibility** of the payroll giving program internally
- / **Awareness of immediate tax deductions**

Charity Champions

PwC regards its 250-strong volunteer network of Foundation Ambassadors (Champions) as vital to the engagement of staff in community giving across the firm. The five per cent of work time they can dedicate to their champion role is spent promoting Foundation initiatives to staff, such as the payroll giving program and volunteering activities. A large part of the champion role is to raise awareness within their Business Unit about the benefits of donating through the People Giving program. A Champion of the Year Award recognises those who have excelled in living the values of the PwC Foundation – demonstrating excellence, teamwork and leadership in helping to make a difference in the community.

Matching

Veda Advantage matches employees donations ongoing, and matches \$2 for every dollar donated by employees during the month of December. Participation increased 10 percentage points during 2008 and is now at 24%. Employees and Veda Advantage matching have donated over \$200,000 in under 3 years.

Demonstrating Leadership Support

The Mallesons Stephen Jaques program enjoys a participation rate of 35%. Since the launch of “Mallesons in the Community” in 2001, the senior leadership team has been highly engaged with the program, and makes a significant ongoing effort to demonstrate its support. The “Mallesons in the Community” board has representatives from each of the firm’s offices and is chaired by the firm’s Chairman. Internal communications often come from partners to staff, reinforcing the message that the program enjoys senior management support. With a number of charities the giving program has lead to an expanded relationship, including pro-bono advice.

58%

Of programs managers spend five per cent or less of their time on payroll giving programs

38%

Did not set up payroll giving programs because of perceived complexity

Barriers to growing participation further:

Limited time and resources was identified as the main barrier to success by one-third of program managers, and was cited as a problem by one in two (50 per cent).

Low program visibility within the firm was the next most frequently mentioned issue (47 per cent of program managers).

Around a third of program managers (31 per cent) said **staff preferred to use other forms of charitable giving**.

About the same proportion (30 per cent) thought the program's success was hindered by the fact that it was a **low business priority**.

In Australian businesses with payroll giving programs, nearly three in five program managers (58 per cent) said they spend five per cent or less of their time on the program; about one quarter (24 per cent) spend one per cent or less. Those who spend one per cent of their time or less are more likely to communicate with their staff less than twice a year. They are also more likely to cite low visibility of the program as the key barrier to success.

These findings underline the importance of senior management's leadership and endorsement to the success of payroll giving programs. Relatively simple initiatives – such as making available a few hours a week of program managers' time, appointing charity ambassadors, and raising the profile of the program within the firm – may help existing programs to better fulfil their potential.

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Perceived barriers to introducing a payroll giving program:

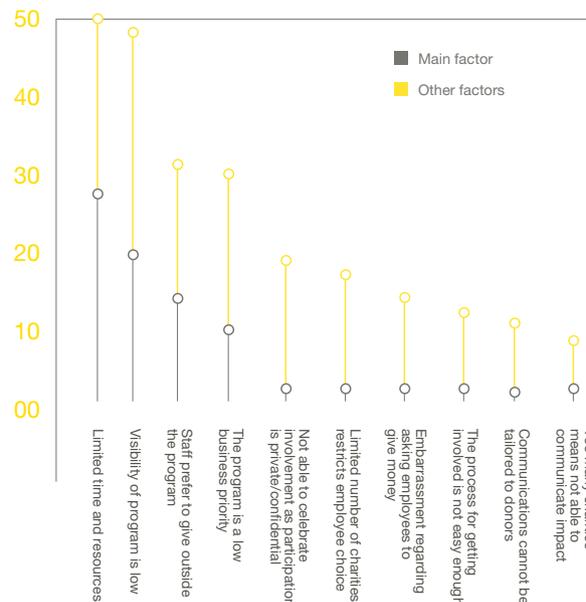
The majority of respondents (84%) had not considered introducing payroll giving programs. When asked why they had not considered starting a program, the overwhelming reason

cited was that it was “too complex to set up and administer.” This perception of complexity suggests there is significant scope to expand payroll giving by enhancing businesses' understanding of the simplicity and efficiency of running payroll programs.

Among the 24 respondents who had considered introducing payroll giving but chose not to, 38% considered complexity to be the main barrier, 16% cited time and resource constraints and 21% cited lack of staff interest.

This suggests that payroll giving is simpler to set up and run than many firms might believe. Enlisting existing program managers as ambassadors to introduce payroll giving to businesses without programs may help overcome these perceived barriers of complexity and cost.

Barriers to payroll giving – Respondents' main and other reasons (percentage)



For further information about this report, please go to www.csi.edu.au

If you would like to set up a payroll giving program, please contact:

- / The Australian Charities Fund - www.australiancharitiesfund.org.au, Pip Murphy / Stephanie Hughes ph (02) 9024 8630
- / Charities Aid Foundation (CAF) - www.cafaustralia.org.au, Kevin Sullivan ph (02) 9929 9633
- / United Way - www.unitedway.org.au, Doug Taylor ph (02) 9995 4222

A more detailed analysis of the data reported here will be posted on www.csi.edu.au later in 2009.



The Australian Charities Fund

is an Australian founded and led not – for– profit organisation whose mission is to facilitate unprecedented levels of giving. It partners with businesses and community organisations to drive community impact via engaged employee giving.



Charities Aid Foundation (CAF)

is an international not–for–profit organisation providing the knowledge, infrastructure, back–office administration and ongoing management of services for charitable activities including Workplace Payroll Giving Programs, Matched Giving Programs, Foundations / Prescribed Private Funds and Grant Management.



The Centre for Social Impact a partnership between business schools of the University of New South Wales, the University of Melbourne and Swinburne University of Technology, brings together Australia’s not–for–profit, philanthropic, business and government sectors in a collaborative effort to help build passionate, high performing and sustainable social ventures.

PRICEWATERHOUSECOOPERS® PricewaterhouseCoopers

is the world’s largest professional services firm with a long–term commitment to supporting the sustainability of the communities in which it operates. Its giving program is regarded as one of the strongest in Australia.



United Way Sydney

United Way Sydney improves lives by mobilizing the caring power of communities around the world to advance the common good. Operating in 46 countries worldwide and 10 communities in Australia, United Way invests donations and volunteer time in community impact initiatives with resources raised from Corporate Community Involvement programs (CCI) that include Workplace Giving, Corporate Connect volunteering, and Seeing is Believing education programs.

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