

Philanthropy, Fairness & Democracy

1. Introduction

Thank you Chair for your kind remarks. It's a great honour for me to have been invited to give this year's lecture as Clem Atlee's achievements continue to resonate through the years, shaping the lives of not just those who lived through his government, but also those who are living today.

For me and many others the Atlee government's greatest achievement was of course the implementation of the Beveridge Report and the creation of the modern welfare state, the final act of a transition that arguably began with Lloyd George's National Insurance Acts of the early 1900s. This included the nationalisation of the voluntary hospitals. I believe that many at the time were of the view that this signalled the end of charity and voluntary action as a significant mechanism in the provision of welfare.

But history has of course proved otherwise. There remains a strong culture and practice of philanthropy and voluntary action in the UK as indeed there does in many other societies. It is no surprise that the old saying *'We make a living by what we get, but we make a life by what we give'* endures.

What has changed over time is the understanding, role and practice of philanthropy. As the relative positions of the state, businesses and households have ebbed and flowed, so philanthropy too has changed. We are at such an inflection point today. If, as former Chief Secretary to the Treasury Liam Byrne said in his note upon leaving office, 'there is no money left', is the role of philanthropy to take up the slack? So, I would like to begin my lecture today by outlining what I actually mean by giving and philanthropy, particularly as the meaning of these terms has changed, though public understanding of them has arguably not. I will also reflect on long-term trends in levels of giving.

Public understanding of philanthropy – or lack of it – was of course evident earlier this year in the dispute between charities and the Treasury over tax relief on charitable donations. That dispute, unusually, was not played out just in the corridors of Whitehall, but in the comment pages of our national newspapers. Philanthropy's period in the spotlight was at times uncomfortable. The spotlight was characterised by more heat than light. It led to the chair of the Community Foundation Network, Matthew Bowcock, to call for a national debate on the role and purpose of philanthropy, beyond arguments over the role of the tax system in supporting giving.

I agree. What is more, subsequent events have heightened the need for such a debate. You may be aware that NCVO and the Charities Aid Foundation recently published research that suggests the amount given and the number of donors has dipped. Whilst this research was carried out before the charity tax debacle – and yes, it was a debacle – it seems to me that now is as good a time as ever to begin that debate.

Therefore, for the main part of my speech I would like to examine the failings of philanthropy that were so publicly aired earlier this year. I would then like to explore what roles philanthropy might play in a modern, post-welfare state.

In doing so, I am clear: philanthropy has a role. I hold no truck with those who view giving as an anachronism, a throwback to well-meaning but ultimately amateurish or patronising Victorian attempts to deal with social problems. So for the final part of my lecture I would like to suggest that

our debate should equally focus on how to strengthen philanthropy, by changing attitudes, understanding and of course practices.

2. Giving in the UK: a brief history and explanation

Before I go any further, I want to clarify my use of the term 'philanthropy'. At NCVO, we see philanthropy as the will of wanting to improve the lives of others, through the donation of money to a charitable cause. This is a redefinition of philanthropy away from its Victorian meaning, which summons a Dickensian image of wealthy donors, generously helping impoverished individuals. I am referring to the concept of publically giving money to a charitable cause, whatever the sum, with no expectation of a financial return, but given in anticipation of achieving a social outcome.

So today I will be focusing on philanthropic giving but I feel I should acknowledge the importance for the voluntary sector of giving time, as well as money. People volunteer informally by giving unpaid help to non-family members or formally through groups and organisations. More people volunteer informally than formally: for instance, in 2009-10, 54% (fifty four per cent) of people in England had volunteered informally at least once a year, compared to 40% (forty per cent) who had volunteered formally.

In fact, it is a relatively small subset of the population, known as the civic core, who are responsible for most giving, both of time and money. Research by the Third Sector Research Centre indicates that almost a third of the adult population provides nearly 90% (ninety per cent) of volunteer hours and just under 80% (eighty per cent) of charitable giving.

The value of giving time must not be underestimated. Without people giving up their time in aid of a good cause, volunteer-involving organisations would only be able to have a fraction of the impact that they currently enjoy. People are motivated to volunteer by many factors, including passion for a cause, or direct experience of an issue. The enthusiasm and compassion of volunteers often means that their interaction with charities' beneficiaries arguably cannot be matched by a person employed to carry out the same task. But like giving money, giving time is not uncontentious and I will refer to this later.

Turning to the giving of money, the evidence is clear that giving is a well-established behaviour in the UK. Research by the Centre for Charitable Giving and Philanthropy has found that giving as a share of total spending has been remarkably stable over more than twenty years. They found that the proportion of households giving to charity during a two-week period fell from 32% (thirty two per cent) in 1978 to 25% (twenty five per cent) in 1999. The long term picture is that fewer households are giving now than in 1978, but those who do give now are giving more.

However, over the past few years, the proportion of people who give has remained relatively stable. Last year the UK Giving Survey, NCVO's joint research with the Charities Aid Foundation, found that from 2010 to 2011, almost 6 in every 10 adults donated to charitable causes. This is equivalent to 29.5 (twenty nine point five) million adults.

As for this year, our research indicates the overall amount given to charity has dipped. The proportion of people donating to charitable causes in a typical month has decreased over the last year, from 58% (fifty eight per cent) to 55% (fifty five per cent).

However, the amount given exceeds £9.3 billion (nine point three billion pounds), which is hard to discount in any context. What is more, we estimate that 28.4 million people give in a typical month. This huge figure does put into perspective stories of donor fatigue. But, when this is compared to last year, we see a drop in the number of people giving, a drop in the size of donations given, and the compounding effect of inflation meaning the overall value of donations, in real terms, was significantly reduced.

So what difference does the amount given annually actually make? Well, in the voluntary sector, the cuts in statutory funding have meant that there is an increased reliance upon donations to fund charitable activities. Yet research shows a concentration of giving amongst a relatively small amount of causes. This plainly demonstrates that giving cannot simply replace public funding.

More widely, the State sees giving and philanthropy as a vital activity too. The publication of a Giving White Paper in 2011 by the Coalition Government serves as evidence of this. Yet despite a long history of government interventions, the giving of both time and money has remained static. The Minister for Civil Society, Nick Hurd and the Minister for the Cabinet Office, Francis Maude prefaced the paper by saying “We do not accept that this is inevitable. We believe that people want to do more, and could do more. There are still too many things that get in the way.”

Indeed, successive governments have sought to support and encourage giving and philanthropy. For instance, through the introduction of Gift Aid by the Labour Government, or the ongoing Community First matching fund scheme. This matches donations made by individuals and companies for the benefit of their local communities. The State sees philanthropy as an essential activity for the good of our society, which is a sentiment with which I wholeheartedly agree.

Sadly, not everybody shares my view. It is these different perspectives which I would now like to address.

3. Giving and philanthropy: what's the problem?

That we have reported a fall in giving is clearly a problem. But the public debate earlier this year around charities and tax relief for major donors aired some more fundamental criticisms of charities, philanthropy and those who give.

Let me refresh your memory of that debate. In short, we have a policy and tax framework that encourages giving to charity through a number of schemes and incentives, most notably the Gift Aid scheme. This allows basic rate taxpayers to make gifts as though from untaxed income with charities able to top up the gift by claiming that tax from HMRC. In effect, the state forgoes revenue to encourage giving.

For higher rate taxpayers there is an additional incentive: the ability to offset the cost of donating by reclaiming the difference between the higher rate and the basic rate of tax on a donation. This in effect reduces the price of giving: a 40% taxpayer gives a £10 gift at a cost of £7.50, whilst the charity receives £12.50 after it has claimed basic rate tax from HMRC. The 2012 budget announcement to cap the relief claimed by some higher rate taxpayers – potentially threatening large, one-off gifts in particular – led to what might be turned the mother of all arguments and, ultimately, a reversal of the decision by the Treasury.

I think this was ultimately the right decision by the government and it is not my purpose today to revisit the arguments for and against incentivising donors, and particularly higher rate donors, using the tax system. I would acknowledge that these nevertheless are important.

For today, I am more interested in the criticisms of giving and philanthropy, and also charities, that emerged from all sides of the political spectrum. A mix of misconceptions, apparent contradictions and if I am frank, misgivings emerged. Whilst in many respects the coalition to reverse the change united people and institutions from across the spectrum, it was notable that vehement critique also came from left and right. I would like to address three aspects of the critique: that philanthropy is outdated and irrelevant in a modern welfare society; that philanthropy just doesn't work; and finally that philanthropy operates in such a way as to be inherently undemocratic and ultimately unfair.

Philanthropy is outdated

The first of those criticisms, that giving and philanthropy are an out-dated anachronism of less enlightened times, originates largely from the left of the political spectrum. Indeed, the notion that giving and philanthropy are no longer relevant was an argument put forward by the Fabians in [1900s? Late 19th C?]. Such arguments have most recently resurfaced in the realisation, for some, that the welfare state does not provide the safety net we think it did. The rise and rise of food banks such as Fare Share in particular has shocked many, even those working in the voluntary sector. It would seem that our modern conceptualisation of the voluntary sector is Fair Trade, not Fare Share.

The rise of the Fair Trade movement, along with the social enterprise model and would seem to offer a rejection of philanthropy as outmoded, but from the right. Even philanthropy itself has

sought a modern, acceptable mode of operation as social investment, otherwise known as philanthrocapitalism, a term popularised by Michael Green and Michael Bishop. It would appear that altruism is longer appealing, and that reciprocity and exchange, or the need for something in return, are the only modes and motivations that matter.

Whilst students of LSE social policy leading light Richard Titmuss will know that the notion of a gift relationship is hardly new, there is some evidence of a shift in social attitudes. For example, the recent British Social Attitudes survey highlighted not only a further shift towards a more individualised society, but one where support for the welfare state was increasingly focused on benefits that are claimed in later life by those paying in now, such as pensions, rather than those claimed by others now, such as unemployment benefit. There is also evidence from the Third Sector Research Centre and Bristol University that current generations are less likely to give time and money than those born around or before the second world war.

Even where people are charitable, they seem to be leaning towards ways of supporting good causes based upon exchange. For example, we have noticed that over a decade when charitable giving has been largely static, expenditure on ethical goods and services has quadrupled.

But people still give.

Despite repeated assertions and media stories that giving to international charities is a waste of money, people still give. Survey evidence from the Institute of Development Studies indicates that people still believe overseas aid is the remit of philanthropy.

In the deepest depths of the worst recession in the post-war period, people still give.

Despite the dip in giving, some charities have had record years. Landmark fundraising events such as Comic Relief or Children in Need for highlight that people still see the act of giving as socially desirable, as relevant, as right.

Philanthropy just doesn't work

The second critique of giving and philanthropy is that it just doesn't work: that philanthropy has not been up to the job of dealing with the issues it purports to solve, even though the State is doing much of the heavy lifting when it comes to public services and welfare provision.

We are again not on new territory here. Clem Atlee would have been familiar with the Victorian Charity Organisation Society that sought to organise philanthropic relief for the poor. Known as Cringe or Starve by the poor, it sought to distinguish between the deserving and undeserving poor and was a critic of indiscriminate philanthropy that it perceived to encourage bad and lazy habits amongst the poor.

In more recent times we have had other, related criticisms of philanthropy's inability to change the world for the better. International aid, and the charities involved in its delivery, are regularly scolded for ineffectiveness. Charities lack of scale in relation to the issues at hand – global warming, multiple disadvantage – is a current favourite, as is the charge that philanthropic capital is too fragmented in too many small, inefficient charities. If only they would all merge into fewer bigger charities, things

would be much better is something I often hear. Donors are in turn scolded for supporting this state of affairs, their gifts billions of drops in millions of buckets, giving to causes that are not 'real' charities, setting up charities at the drop of a hat, leading to wasteful duplication of effort. If only market forces applied is something I often hear. In fact, why not just leave doing good to the market is a trend that is gaining traction.

There is evidence that not all giving is effective. But this is no different from the application of taxes or the reinvestment of profits. When the state nationalised the voluntary hospitals in 1948 the aim was to address the uneven distribution of hospitals – for example, in the capital many were within a short radius of Harley Street, rather than the areas of highest need in north and east London. But the State has not done a significantly better job at the distribution of healthcare. Inequalities still exist. I could say the same about the market and its provision of health care too.

The argument that philanthropy lacks scale has some merit. I am well familiar with charities that wish to scale or replicate successful interventions but cannot find the working capital, philanthropic or otherwise, to take their work to address a larger pool of unmet need. More needs to be done here and I shall return to this later.

But my main point in response is that charities have come an awfully long way over the last decade in becoming more efficient and effective and ultimately impactful. It is the subject of every discussion between donor and recipient, between funder and fundee, between trustee board and management team. Planning for impact and delivering impact is in the DNA of every charity I meet.

So people still give. People who, we are told by a raft of studies, want to see evidence of their impact, are giving. People still see charities as a valid, effective model for social change when making the decision to invest in social outcomes. Governments of successive stripes clearly think that the charity model works – they are spinning out various public bodies into charitable organisations, including most recently the Canals and Waterways Trust and NESTA.

And some of the richest people in society still give. People who have not inherited wealth, but earned it. People who do not waste their money lightly, who have built successful businesses, who see themselves as investors, are giving to charity.

Philanthropy works. It is not the state, nor should it aim to be. Nor is it the market, with its inability to provide for those who cannot pay. That is not to say philanthropy cannot learn from either. But we should celebrate effective philanthropy as a distinct activity worthy of its place in a modern society.

Philanthropy is inherently undemocratic and ultimately unfair.

The final criticism I wish to address is that philanthropy is fundamentally unfair and undemocratic. And once again, we are on territory Clem Atleee would no doubt be familiar with. The argument goes that by letting the state off the hook, philanthropy perpetuates social inequality by virtue of its uneven and insufficient efforts. And there is some evidence that philanthropy is between those who occupy a similar position in the social hierarchy: for example, do the wealthiest choose to support charitable endeavours that are closely matched to their own leisure pursuits? A related charge is

that the quantum of voluntary action is greatest in better off areas – so as the State withdraws in anticipation of de Tocqville’s little platoons building a Big Society, so those areas already blessed with financial capital get even further ahead by virtue of their social capital. In this scenario, what emerges is not a two tier society, but a three, four and five tier society.

Notions of unfairness were ultimately the government’s equivalent of the Maginot Line when it came to capping the reliefs available to higher rate donors. We had the somewhat unusual position of a right of centre government adopting a left wing argument. This argument – that our our deeply regressive system of tax reliefs meant the price of giving is lowest for the richest – gained no little traction. How can it be right, the argument continued, that the rich can in effect hypothecate their taxes by choosing where to give?

These are the strongest and most emotive arguments against philanthropy in my view. In the cut and thrust of the media war they were incredibly difficult to deal with because the responses are nuanced, contingent and ultimately difficult to prove.

In some respects, they are correct. I am deeply troubled by a movement in the USA amongst some wealthy taxpayers that giving to charity is in effect a substitute for taxation. I would be gravely concerned were such a mindset to take hold in this country. But the system of gift aid we have in this country still requires all donors, including those who pay higher rate tax and claim personal relief, to make a much larger donation than the value of relief. Anybody who perceives charitable giving to be an act of tax evasion has absolutely no understanding of our tax system.

Whether those gifts are reaching where they are most needed is the subject of debate. My view here, as ever, is that this is a matter of public benefit. Parliament has implemented the will of the people and decided that a range of causes – whether children and young people, religion, the environment and animals – is charitable. Until such a point that Parliament changes its mind, we should accept that it is the democratic right of donors to give to them, supported by the tax system. It is for the state, in the guise of the Charity Commission and the courts, to ensure that organisations working in those areas deliver sufficient public benefit so as to satisfy their charitable status. Society at large will never reach a uniform consensus: one person’s private school is another person’s donkey sanctuary. That there is debate over such charitable causes is a good thing: it is after all, central to making the good society. And the ability to blend private wealth with an element of public subsidy, and in return support a particular cause, seems a fair bargain to me.

And this ultimately democratic and, I believe, fair bargain means that people still give.

4. What then should giving and philanthropy be for?

I have argued that the substantive weaknesses of giving and philanthropy outlined in the three critiques are not in themselves sufficient to leave giving and philanthropy to wither and die. So what should giving and philanthropy be for? It seems to me that as the tectonic plates of the welfare state shift, and as demographic and social changes challenge the state in ways we seem to have failed to have planned for, the danger of individuals and communities being left behind is greater than ever. Somebody – something – has to mind the gap between the state, the market and the household. Philanthropy has to fill the gap, to knit the parts together.

But as I have already noted, this is not the same as replacing them. We need to be clear what philanthropy is for, given its limited scale and inherent failings and tensions. But we also need to build upon its strengths: its almost unique ability to take risks, to support the unsupportable, and to lever resources from other sectors. To that end, what roles would Atlee see for philanthropy?

The question of replacing the State is not settled. Some believe it can. It certainly would appear to be subsidising it, both willingly and otherwise. And in some cases philanthropy is about working with the state. Libraries are a good example here.

The answer is inevitably 'it depends', but on the whole the direction of travel has to be not. The argument for additionality is however strong; the challenge is that these boundaries are so blurred that the risk is inevitably slipping into subsidising service provision by default.

Philanthropic resource should also be focused on innovation, working as society's social risk capital, pump priming ideas and new services or unmet needs that the state or the market cannot. There is a strong case for this given arguments for social innovation. But if the model is to pump prime new ideas for the state to then take over, is that realistic given the state of public finances? I think the answer is ultimately yes if this is innovation that reduces the burden on taxpayers, whether by identifying new, better solutions to old problems, or by reducing the demands places upon the state by targeting early interventions.

Finally, the role of philanthropy going forward will remain in doing what the state and the market wont do: standing up for those most marginalised in society, including those who literally cannot speak (animals); and in doing so, holding state and households to account. One additionally might argue that at a time when attitudes to welfare have hardened this is absolutely what philanthropy is for: to advocate a vision of the good society and counterbalance the power of the market and the state.

Ultimately there is no simple answer: the point about philanthropy is that it is voluntary. We cannot and should not tell philanthropists where to spend their money. If people like animal sanctuaries, they should give. What we of course want is for them to give effectively. And whilst it might be uncomfortable that philanthropic, tax and private monies are blended in projects such as Peterborough prison, does it matter if the outcomes are good? Or does such blending threaten the very existence of philanthropy by blurring it out of existence?

If philanthropy is truly to be at the heart of society, working with organisations from other sectors, blending them, and adding to them, we need a vision for what effective, substantive giving looks like in the decades ahead. So for the final part of my lecture I would like to outline why we should strengthen and grow philanthropy.

5. A stronger narrative

If we cannot – and should not – be too prescriptive about what philanthropy is for, we can at least agree that the value and benefits of philanthropy can still make a difference where state and the market fail. We need a stronger narrative for giving and philanthropy that accentuates the positive

for its achievements and makes the defence for a supportive public policy framework. The elements should include:

Celebration of altruism, not simply reciprocity (mutualism) and exchange (social investment). These two traditions, which arguably both have a deep historical roots in this country, are equally valid. Mention social entrepreneurs who are only social as long as they can cash out?

A clearer focus on the areas where philanthropy can make the **biggest difference** – and I would contend that changing the system rather than mending what the system breaks is the watchword. In practice, this arguably means early intervention when it comes to services. But it also means advocacy. And with that an acceptance that the outcomes of advocacy are hard to measure, difficult to attribute and take the long-term to see the results.

A debate about **rights and responsibilities** in society – that we are a wealthy society as a whole, but that wealth is distributed more unevenly than in any past generation. Those with the broadest shoulders need to do more, no doubt about it. But at the same time, we need to be responsible ourselves and stop bashing the rich. There is an inter-generational dimension to this by the way: we criticise the lack of a giving habit amongst the young, but the baby boomer generation give less than previous cohorts.

6. A new practice?

Narrative is important. But so is practice. If we are to change perceptions of giving and philanthropy we may also wish to explore some of our practices that give rise to the concerns I outlined earlier.

Modernising giving: use of new techniques, working with the grain when it comes to millennials and social action

Responsible fundraising: eg reform of face to face and accept that we are in danger of overfishing what is a common pool resource

Scale and replication: more sharing of ideas...and in some cases, making sure philanthropic resource is able to scale these, looking to different sources, including business and social investment.

7. Conclusion: what would Atlee think if he surveyed philanthropy today?

Would the concerns he had that gave rise to state intervention mean he wouldn't want a greater role for philanthropy? Or, like Beveridge, would the state have gone way beyond what he had envisaged, and have unnecessarily crowded out voluntary action?

These are not binary decisions. These are not questions of either or. They are questions of and.

Civil society organisations might individually be unfair as they pursue the interests of their individual constituencies. But just as the individual transactions of the market make us

cumulatively richer, so the collective efforts of these orgs, supported by giving and philanthropy, produce a better, more just society.

And I believe that philanthropy is ultimately contributing to a more democratic society, both by representing the powerless, but also by increasing the quality and volume of debate around public policy issues. And for those who worry about the ability of such organisations to have undue influence on the democratic process, we should step back and remember that the scale of activity is somewhat surpassed by the activities of the market.

Society is a better place thanks to the altruism and reciprocity of us all: rich and poor, young and old, donors of time and money. And whatever the weaknesses inherent in voluntarism, the value it brings means we should nurture and celebrate it.

Thank you.

To add:

MUST READ Julia Unwin's speech on philanthropy

Quote from Diana Leat from Rockefeller archive

Take on the public benefit argument head on - it may mean that the law is not sufficiently rigorous in this area. The bar is set too low in terms of public benefit. It isn't a tax break - it's tax foregone over and above services that the state provides. It's a choice issue.

You can't address equality through philanthropy - that's the role of the state - but you have to make the public benefit test sufficiently rigorous.

Why wouldn't you give the higher rate benefit to lower rate tax payers?

How do we want the bar raised?

How high do we want it raised?

Is the big society lesson that the bar needs to be raised?

Value of philanthropy - find examples of individuals who have run ahead of the state in terms of providing services such as HIV.

Worth highlighting Gates etc - what happens if philanthropists have too much power?

Gillen - can we have a section on corporate social responsibility?

What is the role of philanthropy in an era of austerity?

Arguments - eg Peter Osborne - about where power is? Eg Gates - spending more on Malaria than most countries - what are the implications for democracy? Who makes decisions?