

PHILANTHROPY FOR SOCIAL JUSTICE: A SHORT LITERATURE OVERVIEW

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Note: What follows is an extract from the unpublished research report titled *Fundraising for social justice from high net worth individuals: A preliminary study of perceptions, practices and potential strategies in South Africa*. The report was commissioned by the Atlantic Philanthropies for the Social Justice Initiative and has been reproduced here with permission.

International perspectives on giving by HNWIs

International studies on giving by high net worth individuals (HNWIs) indicate that the wealthy give substantially more, in absolute terms, than the general population.¹ HNWIs give to charities and/or social causes not only through their own personal assets, but also through vehicles such as private Foundations, donor-advised funds, and charitable Trusts.

A consistent finding internationally is that wealthy donors are motivated by the desire to 'give back' to the community.² Other motivators include 'making a difference in the world', feeling strongly about a cause or an organisation, feeling financially secure, and receiving tax benefits. In the United States (US), wealthy households purportedly give when they believe their gift will make a difference, when they feel financially secure, and when they know the recipient organisation is efficient in its use of donations. They also have high expectations of charitable organisations demonstrating effectiveness and transparency.³ Although HNWIs in the US rank tax considerations lower than other motivating factors in their impact on the decision to give, changes in the level of tax benefits for charitable contributions could still potentially have a significant impact on the amounts that HNW donors give.⁴

*The 2010 Study of High Net Worth Philanthropy*⁵, the largest survey of its kind in the US, found that the average charitable giving by HNW households decreased between 2007 and 2009. More than half of wealthy households give to charity because of their political and/or philosophical beliefs (52.1 per cent), and religious beliefs are amongst the top motivations for giving. The largest gifts are made toward the general operations of non-profit organisations and nearly two-thirds of wealthy households invest in the same organisations or causes year after year. The highest percentage of HNW households give directly to organisations that meet basic needs (for example, that provide food and shelter), followed by education, the arts and then health. Similarly, health, followed by education and then arts and culture are the top spending areas amongst family Foundations in the UK.⁶ Almost a fifth of the large family Foundations in the United Kingdom (UK) support causes in the area of social justice and human rights, which was ranked ninth out of 17 in terms of spending priority.⁷

In a report that explores strategies to increase giving amongst HNWIs, prepared for the Australian government, key factors that influence the propensity to give include the cultural practice or expectation that wealthy individuals will, or should, give; personal or family values; and the perceived financial capacity to give.⁸

¹ *Review of Literature on Giving and High Net Worth Individuals*. The Center on Philanthropy at Indiana University: Indianapolis. March 2011.

² *Review of Literature on Giving and High Net Worth Individuals*. The Center on Philanthropy at Indiana University: Indianapolis. March 2011.

³ *The 2010 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities Among Affluent Households*. The Center on Philanthropy at Indiana University. Sponsored by the Bank of America Merrill Lynch, this is the largest study of its kind ever conducted on this topic and has been undertaken in 2006, 2008 and 2010.

⁴ *Review of Literature on Giving and High Net Worth Individuals*. The Center on Philanthropy at Indiana University: Indianapolis. March 2011.

⁵ *The 2010 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities Among Affluent Households*. The Centre on Philanthropy at Indiana University. Sponsored by the Bank of America Merrill Lynch, this is the largest study of its kind ever conducted on this topic and has been undertaken in 2006, 2008 and 2010.

⁶ *Family Foundation: Giving Trends 2012*. By Cathy Pharoah, Tom McKenzie, Charles Keidan and Nigel Siederer. Published by Alliance Publishing Trust. 2012 ESRC Research Centre for Charitable Giving and Philanthropy, Cass Business School.

⁷ *Ibid.*

⁸ *Strategies for Increasing High Net Worth and Ultra High Net Worth Giving*. Prepared for the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs: Final Report.

Also common amongst HNW donors is the desire to transmit philanthropic values, through giving, to younger generations. The *2010 Bank of America Merrill Lynch (BAML) Study of High Net Worth Philanthropy* found that over 70 per cent of HNW donors report a family tradition of philanthropy, and over 85 per cent use their own personal or family network's philanthropic efforts to educate their children about giving.⁹ Multi-generation HNW donor families tend to pursue philanthropic objectives within an overarching theme, and it is common for them to maintain a philanthropic Foundation with interlinked fields of interests.¹⁰

Giving to religious causes is popular amongst many HNW donors.¹¹ Traditions of social justice philanthropy are often faith-based and in some faith communities giving initiatives are deeply rooted in social justice principles.¹²

HNWIs tend to consider the donations they make in their personal capacity to be largely a private matter and so little is publicly known about the nature and extent of this form of giving. For example, in a study of HNWIs in Europe, 72 per cent of the participants regarded themselves as advocates of philanthropy yet 53 per cent said they would not initiate a public discussion on giving, thus indicating their reluctance to engage publicly on their personal philanthropic endeavours.¹³

Internationally, peer influence is an important factor for donors in making their giving decisions.¹⁴ The development of a personal connection to an organisation or cause, coupled with trust in the organisation's ability to make an impact, can have an enormous effect on giving.¹⁵

Donors clearly prefer to support those organisations perceived as efficient. Data from the *2010 Study of High Net Worth Philanthropy* confirms this, with over 71 per cent of respondents reporting that they give to an organisation if they know it operates efficiently. In the afore-mentioned study, 94.5 per cent of respondents had confidence in non-profit organisations and their ability to solve domestic and global problems. It is interesting to note that this figure is higher than the level of confidence placed in businesses and government. A study of philanthropic practices amongst 'ultra HNWIs' in the UK, Switzerland and Germany indicates that, in selecting projects or charities¹⁶, HNWIs consider it necessary that a project or charity should deliver on its objectives; communicate on an ongoing basis in order to provide HNWIs with a sense of security in terms of due diligence, oversight and accountability; and plan properly for future sustainability. The *Sunday Times Rich List*¹⁷ suggests that the ultra wealthy in the UK give strategically, with an emphasis on impact. Feedback and regular communications by the beneficiaries tend to deepen donor engagement and can lead to sustained giving relationships and increased donations over time.¹⁸

⁹ *The 2010 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities Among Affluent Households*. The Center on Philanthropy at Indiana University. Sponsored by the Bank of America Merrill Lynch.

¹⁰ *Executive Research Study on Philanthropy Amongst Ultra High Net Worth Individuals and Family Offices in Europe: The United Kingdom, Switzerland and Germany*. Scorpio Partnership. 2007. The research was conducted through face-to-face interviews with 34 individuals and family offices with a net worth in excess of US\$100 million.

¹¹ In a study undertaken in the US, over 70 per cent of HNW donors reported making contributions to religious causes (Center on Philanthropy at Indiana University, 2010).

¹² *Social Justice Philanthropy: An Overview*. By Aileen Shaw for The Synergos Institute. New York. August 5, 2002.

¹³ *Executive Research Study on Philanthropy Amongst Ultra High Net Worth Individuals and Family Offices in Europe: The United Kingdom, Switzerland and Germany*. Scorpio Partnership. 2007.

¹⁴ Center for High Impact Philanthropy at the University of Pennsylvania.

¹⁵ *Review of Literature on Giving and High Net Worth Individuals*. The Center on Philanthropy at Indiana University: Indianapolis. March 2011.

¹⁶ *Executive Research Study on Philanthropy Amongst Ultra High Net Worth Individuals and Family Offices in Europe: The United Kingdom, Switzerland and Germany*. Scorpio Partnership. 2007.

¹⁷ UK *Sunday Times* 2012.

¹⁸ UK *Sunday Times*. 2012.

International trends also indicate that giving often increases over time as individuals move from small donations to larger amounts often in more regular or increasingly structured ways.¹⁹ In addition, attitudes towards giving are often laid down early in an individual's wealth accumulation cycle.²⁰

In all the studies consulted, personal values and belief in causes are the primary motivators for giving. Direct experiences with an organisation and first-hand observations or knowledge of the organisation's impact and efficacy are key factors when making charitable giving decisions.²¹

Social justice philanthropy

In theory, philanthropy has a pivotal role to play in advancing equity, acting beyond the broader concerns of government and the narrower interests of business.²² A key difference between social justice philanthropy (also referred to as 'social change philanthropy') and 'traditional philanthropy' is that while the latter avoids making radical challenges to existing wealth and power structures, social justice philanthropy advocates grantmaking that is based on the principles of social, economic and political justice.²³ Social justice philanthropy has the potential to support those most marginalised and socially and economically excluded; to promote policy implementation for greater equity; to assist civil society to give voice to those outside decision-making structures; and to provide resources for structural changes that directly address social and economic inequalities.²⁴

Social justice is broadly defined as encompassing the following elements: the realisation of civic, social and economic rights; a vision of a more inclusive society in which the basic needs of all people are met; a more equitable distribution of power and opportunity; empowering marginalised groups to advocate for and defend their interests; changed power relationships between citizens, government, business and civil society; and changing the root causes of social inequities. Philanthropists who fund through a social justice lens are concerned with addressing the causes rather than alleviating symptoms of inequities, and are therefore likely to support empowerment, democracy and institutional change initiatives.²⁵

Any initiative to promote and strengthen giving to social justice causes needs to take into account the prevailing attitude to philanthropy more generally, and social justice philanthropy more specifically, in South Africa. Whilst the country has a long and established history of civil society organisations working on the social and political fronts, there is an absence of a strong history of organised philanthropy. It is argued that "South Africa still lacks a coherent, joined-up 'social giving' or 'philanthropic' sector".²⁶ In addition, there is limited public discourse on the differentiation

¹⁹ *Strategies for Increasing High Net Worth and Ultra High Net Worth Giving*. Prepared for the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs: Final Report.

²⁰ *Strategies for Increasing High Net Worth and Ultra High Net Worth Giving*. Prepared for the Commonwealth Department of Families, Housing, Community Services and Indigenous Affairs: Final Report.

²¹ *The 2010 Study of High Net Worth Philanthropy: Issues Driving Charitable Activities Among Affluent Households*. The Centre on Philanthropy at Indiana University. Sponsored by the Bank of America Merrill Lynch, this is the largest study of its kind ever conducted on this topic and has been undertaken in 2006, 2008 and 2010.

²² *Philanthropy and Equity: The Case of South Africa*. Christa L. Kuljian. Global Equity Initiative. Harvard University. 2005.

²³ *Social Justice Philanthropy: An Overview*. By Aileen Shaw for The Synergos Institute. New York. August 5, 2002.

²⁴ *Philanthropy and Equity: The Case of South Africa*. Christa L. Kuljian. Global Equity Initiative. Harvard University. 2005.

²⁵ PowerPoint Presentation *Leadership for Social Justice: A Dialogue*. Barry Smith, Senior Director, Synergos Southern Africa. Presented at the Community Foundations of Canada Conference, 'Our Communities, Our World'. Montreal. November 2008.

²⁶ Barry Smith, Synergos. 2007. *Finding solutions to complex social problems in South Africa*. <http://www.synergos.org/knowledge/07/findingsolutionsinsouthafrica.htm>

between charity and social justice giving, and little in the way of a philanthropic infrastructure to raise public awareness about this distinction.

HNW giving in South Africa

Giving to social causes by the general population in South Africa was surveyed approximately a decade ago in a study called *A Nation of Givers? Social Giving Among South Africans*. This research found that, contrary to international trends, the poor and non-poor were equally likely to give to social causes. More specifically, 93 per cent of South Africans gave money to a non-profit or charitable organisation and the rationale is that “helping the poor was an important part of building the new South Africa”.²⁷ This upbeat picture of South Africans as a nation of givers is somewhat contrary to the *Charities Aid Foundation’s World Giving Index 2011* which ranks South Africa at 108 out of 153 countries in the extent of its giving.²⁸ Further elaboration on giving by the general population has been examined by looking at systems of community-based assistance through ‘horizontal philanthropy’ or ‘philanthropy of community’ – the process whereby resources are mobilised in and by a community, with the poor being both givers and receivers.²⁹

The giving practices of HNWI, as a particular economic cohort of the population that has the potential to make a significant contribution to development, has not been examined in any detail. One of the few existing studies was undertaken by the Board of Executors³⁰ in 2010 in the form of a national survey on the philanthropic practices of HNWI in South Africa, the findings of which were documented in the *Giving Report 2010*.³¹ The study found that 93.5 per cent of respondents are involved in some kind of giving to social causes, whether in the form of money, goods or time.³² Those in the 30 to 40 year age bracket are less likely to give than older individuals. Giving is spread as follows:

- 57 per cent give cash amounts of up to R25 000 per annum
- 20 per cent give between R25 000 and R50 000
- 22 per cent give between R50 000 and R5 million, with only 6 per cent giving in excess of R100 000 per annum.

The primary motivations for giving are the desire to ‘make a difference’, to ‘give back’ and ‘caring about a cause’. Also, like elsewhere in the world, religious beliefs are a strong driver of giving by South African HNWI.

Welfare-oriented programmes, referred to as ‘community and social development’ in the study, are the types of initiatives that are overwhelmingly supported by HNWI, whilst advocacy groups receive little funding.³³ Education is a key target of giving, with over 30 per cent of HNWI choosing to

²⁷ *A Nation of Givers? Social Giving Among South Africans*. By Everatt, David and Geetesh Solanki, Strategy & Tactics. Written for the Centre for Civil Society, the South African Grantmakers’ Association (SAGA) and the National Development Agency, 2004.

²⁸ *World Giving Index 2011: A Global View of Giving Trends*. Charities Aid Foundation. United Kingdom. 2011.

²⁹ *The Poor Philanthropist II: New Approaches to Sustainable Development*. 2009. Southern Africa–United States Centre for Leadership and Public Values. Susan Wilkinson-Maposa and Alan Fowler.

³⁰ Board of Executors (BoE) provides specialised services for philanthropists and is also a financial services provider focused on HNWI. BoE manages around R4 billion in philanthropic funds for clients.

³¹ *The Giving Report 2010: A Survey on the Philanthropy Practices of High Net Worth Individuals in South Africa*. BoE Private Clients. 2011.

³² The study was undertaken with 400 HNWI, defined as individuals with either an annual income exceeding R1.5 million or investable assets (excluding primary residence) of over R5 million.

³³ Almost 50 per cent of the respondents in the *Giving Report* study supported this sector and approximately 26 per cent of the total contributions in 2010 went towards it.

support this sector, which receives 11 per cent of total contributions.³⁴ This is in line with the international trend that most giving by HNWI is directed toward education.³⁵ Religious causes are supported by 38 per cent of givers and receive 14 per cent of total contributions.

Non-profit organisations are the primary recipients of HNWI funding. HNWI also tend to provide unrestricted funds which are intended for 'general support' to their chosen organisations. When asked which type of beneficiary organisations HNWI would *not* chose to give to, political parties are cited by 60 per cent of respondents and advocacy groups by 21 per cent. Reasons given for not supporting these recipients are, amongst others, a lack of trust, concerns about corruption, and perceptions that the funds will be misused or wasted. Only 1 per cent of givers invest in advocacy or lobbying groups.

The geographic reach of funding from HNWI in South Africa indicates a propensity for localised giving; that is, HNWI tend to support activities and causes that are close to home and that benefit communities with which they are associated in some way.

The criteria used to select beneficiaries include:

- The extent to which an organisation's work is aligned with personal interests
- Proven impact and reputation
- Good governance and sound financial management and sustainability
- Quality of leadership
- The opportunity for involvement beyond donations.

Interestingly, 60 per cent of HNWI do not strategise or budget for their giving, and only 26 per cent have a strategy and budget in place. Those giving smaller amounts are less likely to plan their giving. Giving is largely informal and infrequently carried out through structures such as charitable Trusts. Few HNWI make provision for bequests.

Direct approaches by potential beneficiaries are the most common way for HNWI to identify whom to support. As is the case with their international counterparts, personal connections and networks are key shapers for South African HNWI in determining which beneficiaries to support.

As with international trends amongst HNWI, the *Giving Report* suggests that family traditions of giving are strong and 7 per cent of respondents indicated that their giving aims to set an example for their family and children.

*The 2010 Barclays Culture of Philanthropy Report*³⁶ found that the majority of Africa's philanthropic leaders hail from South Africa and that this country is the second most generous in the world after the US. According to the study on which the report is based, South Africa, together with the US, Ireland and India, leads the way in levels of giving to charitable causes. In its investigation of the cultural nuances that drive South African philanthropy, the report identified a key factor to be 'bridging divides in society' linked to 'Ubuntu', which in turn drives altruism and a desire to support charitable causes.

The philanthropic activities of HNWI in South Africa have received increased media attention in recent years as a handful of wealthy individuals have made substantial contributions to social

³⁴ Corporate social investment also prioritises education, which receives the largest share of funding (32.4 per cent) whilst social and community development is allocated 12.5 per cent (Trialogue, CSI Handbook, 14th edition, 2011).

³⁵ Center on Philanthropy, 2010 Bank of America Merrill Lynch Study of High Net Worth Philanthropy.

³⁶ *Global Giving: The Culture of Philanthropy Barclays Report*, 2012. Two thousand HNWI were surveyed in 20 countries, and 37 percent of South Africans indicated that philanthropy is one of their three top spending priorities.

causes. This has drawn attention to HNWI philanthropy and to those touted as local philanthropic icons, including: Francois van Niekerk, a South African businessperson who gave away 70 per cent of the equity in his company to a private charity he co-founded with his spouse; and Jay Naidoo, a businessperson and co-founder of investment holding company J & J Group, who sold off a third of his stake in the company and donated the proceeds to two unnamed charitable Trusts. Others that have gained notable profile for their giving are Mark Shuttleworth, Cyril Ramaphosa³⁷, Allan Gray and Tokyo Sexwale.³⁸ The Appelbaums/Gordons and the Ackermans - members of the Global Philanthropy Circle³⁹ - along with the Oppenheims⁴⁰, have been hailed as leading philanthropic families. Public discourse on the private giving of the wealthy has also been influenced by the perception that “Black economic empowerment is about philanthropy”.⁴¹

Notwithstanding the growth in profile of private philanthropy in South Africa, HNWI donors have yet to demonstrate an express interest in, and commitment to, social justice causes despite the fact that there is a potential to do so. For one thing, private philanthropy has the potential to take more risk. For another, as Hylton Appelbaum put it, “Because collaboration with government is important, business cannot afford to upset government, but private money can be more idiosyncratic”.⁴²

In her paper exploring the potential role of philanthropy in promoting greater equity in South Africa, Christa Kuljian argues that, despite the rhetoric, most philanthropic funding in South Africa fails to support the level of social change needed to create a more equitable society.⁴³ She also suggests that philanthropic resources flow predominantly to activities and services that could most accurately be described as ‘charitable’. It has been said that the legacy of apartheid does not encourage broad-based giving in that racial, linguistic, cultural, and political divides result in “negatives [that] include strife, insularity and suspicion. Many people focus only on their own communities.”⁴⁴ Also, the growing trend of ‘philanthro-capitalism’ has the potential to work against social justice giving in that it marks a shift towards a more business-influenced focus amongst the world’s richest people. Here, business interests, aligned with the values of the free market, might not be akin to a more socially and justice-driven approach to charitable giving.

The current picture of the features and trends of HNWI philanthropy in South Africa is limited. Whilst the *Giving Report* has established that wealthy individuals are likely to give to charity, there is little hard data on the relationships amongst income, wealth, giving during life, and the organisations and initiatives HNWIs choose to support. Also lacking is an insight into the social, economic and cultural aspects of HNWI philanthropy and the effects that donor incentives, such as tax benefits, have on giving trends. The impact on giving of public policy and broader socio-political context is not well understood. If examined, this would help develop a more nuanced and wider-lens picture of this donor sector. Against the present dearth of research on HNWIs’ current giving practices, attitudes and perceptions, it is hoped that the present study will make a contribution, albeit limited, to growing the body of knowledge on the topic.

³⁷ In 2004 Ramaphosa launched the Shanduka Foundation as the vehicle through which he channels support for education and black economic empowerment. The Adopt-A-School Foundation has assisted 50 schools in seven provinces.

³⁸ Five Notable African Philanthropists. Forbes. Com. (<http://www.forbes.com/sites/mfonobongsehe/2011/08/05/five-notable-african-philanthropists/>).

³⁹ An initiative of the New York-based Synergos Institute.

⁴⁰ The two causes most vigorously championed by the Oppenheims are education, through the Oppenheimer Memorial Trust, and environmental conservation, through the company, E Oppenheimer & Sons.

⁴¹ Tokyo Sexwale as quoted in the Sunday Times in March 2005.

⁴² *Nation of Givers*. Financial Mail. December 24, 2012. p27.

⁴³ *Philanthropy and Equity: The Case of South Africa*. Christa L. Kuljian. Global Equity Initiative. Harvard University. 2005

⁴⁴ Hylton Appelbaum in *Global Giving Matters. Philanthropy in South Africa: Real Family Affairs*. Synergos, 2002. (<http://www.synergos.org/globalgivingmatters/features/0210safamilies.htm>)

In summary

The literature on international trends in regard to the giving patterns and perceptions of HNWI indicates that key motivators for giving include, amongst others, the desire to 'give back' to the community, 'making a difference in the world', feeling strongly about a cause or organisation, feeling financially secure, and receiving tax benefits. The primary causes that HNWI tend to support are meeting basic needs (such as food and shelter), education, the arts and health. Giving to religious causes is popular amongst many HNWI donors, but issues of human rights and social justice are not a priority.

Internationally, important factors that shape HNWI's giving decisions include peer influences, personal connections with an organisation or a cause, and trust in the prospective beneficiary's ability to efficiently make a demonstrable impact. Other salient factors for HNWI are that a prospective project or organisation should deliver on its objectives and demonstrate diligence, oversight, accountability and planning for sustainability. Personal values and belief are primary motivators for HNWI giving.

A number of cross-country studies suggest that giving to social causes in South Africa is comparatively high. The few local studies which have been undertaken suggest that HNWI in South Africa are little different from their peers elsewhere. One survey of HNWI giving practices found that 93.5 percent of respondents are involved in giving to social causes, whether in the form of money, goods or time. The primary motivations for giving amongst South African HNWI is the desire to 'make a difference', to 'give back', and as a result of 'caring about a cause'. Welfare-oriented programmes are the most likely beneficiaries of HNWI giving in this country and, like elsewhere in the world, education is a priority. There is an aversion on the part of HNWI to fund political parties and advocacy groups, and they cite a lack of trust, concerns about corruption, and the perception that the funds will be misused or wasted, as key reasons for this.

Whilst private philanthropy has grown in profile in South Africa in recent years, HNWI donors do not demonstrate an expressed interest in social justice funding and tend to focus mostly on welfare-type giving. In addition, the literature and research available on the current features and trends of HNWI philanthropy are highly limited.