



# The Economic Contribution of Religious Charities to New Zealand

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## Abstract

This article considers religious charities from an original perspective, that of their economic contributions to society as an alternative argument to those who wish to see religious charities struck from the charity sector. This is timely because of recent national and international changes to charity law legislation and policies. In essence, the article has demonstrated that religious charities contribute significantly in economic terms to New Zealand society generally, and further, measuring the public benefit of religious charities through an economic lens may assist in determining the differing ways in which religious charities contribute to, and benefit, society.

**Keywords** Religious charities · Charity · Economics · Public benefit

## Introduction

The New Zealand economy consists of many participants who receive income that they largely spend, invest, lend, or donate. For every dollar of household income, the Government has 66 cents of income, business has pre-tax income of 51 cents, and charities 14 cents of income, with religious charities receiving 1 cent of income. Religious charities are common across the world; they are not just a New Zealand phenomenon. Of note is that the use of “religious charities” throughout is deemed to

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mean those charities that meet the legal definition of “advancement of religion” from a charity law perspective, which will be set out in the paper.

Thus, by way of example, the Australian Charities Report for 2021 (Australian Charities and Not-for-profits Commission, [n.d.](#)) classifies 21% of Australian charities as “Religion and faith based spirituality”, in other words, religious charities. Given this level of activity it is appropriate to gain a more complete description of the religious charity economy. This need is amplified given that the legal and tax positions of charities generally have been a matter of public discussion and change within New Zealand and overseas within the last few years (“[Charities Amendment Bill](#)”).

However, the status of religious charities is often a matter of negative public discussion in New Zealand, as well as in a number of other common law jurisdictions, (Ridge, 2020) and part of these public discussions pertain to religious charities’ activity and criticism of the charitable legal requirement of the charitable doctrine of “public benefit”, which has said to be a weak and ill-founded test (Woodfield, 1996) and which will be defined shortly. Consequently, this timely article considers the economic contribution of religious charities to Aotearoa/New Zealand as an alternative argument to those seeking the demise of religious charities. Even more so because some charity policy and reporting considerations have been high on the agenda for some Governments (Breen, 2024). However, this does not obviate the need to bring in to the light the generally hidden economic contributions of religious charities.

This research is the first of its kind in New Zealand, meaning that related research is limited, but also that it represents the beginning of the narrative pertaining to the economic contribution of religious charities to the country. Thus in bringing to light the generally hidden economic contribution of religious charities, this article lays the foundations for further research to be undertaken and embedded within this initial work by providing an initial estimate of the economic contribution to society by religious charities using unique data as but one facet of these important conversations relating to religious charities. In essence, this article demonstrates that religious charities are justifiable from an economics perspective by providing an indirect public benefit, even in a secular state, as well as highlighting the need for further research.

## Charity Law Principles

New Zealand charities must meet stringent legal obligations. In brief, the four legally-recognised charitable purposes, or heads of charity, are the relief of poverty, the advancement of education, the advancement of religion, and the fourth catch-all head – any other purposes beneficial to the community and these purposes are captured in s 5(1) of the Charities Act 2005. These purposes were first set out in the preamble of the long-repealed English statute of the Statute of Charitable Uses 1601, and more commonly known as the Statute of Elizabeth 1601, and précised in *Commissioners for Special Purposes of Income Tax v Pemsell* [1891] AC 531 (HL), 583. New Zealand’s laws find their roots in their colonial heritage.

Religious groups invariably fall under the advancement of religion. In addition, all charitable purposes must comply with the doctrine of public benefit, which enables a court to assess the benefit of a religious purpose. In essence, public benefit ensures

that religious charities carry out their purposes for the public as required by law, meaning that the public is benefited by religion (Chevalier-Watts, 2019). The benefit may be direct or indirect (Fridman, 1953, referring to *Williams' Trustees v IRC* [1947] AC 447, 458, *Oppenheim v Tobacco Trust Ltd* [1951] AC 297, 307, and *Re Oldfield (No 2)* [1949] 2 DLR 175, 182). Thus the provision of accommodation for nurses to recover from illness (Fridman, 1953, referring to *Re White's Will Trusts* [1951] 1 All ER 528 and *Re Dean's Will Trusts* [1950] 1 All ER 882), or the value of free speech in a democratic society (*Aid/Watch Incorporated v FCT* [2010] HCA 42), all provided indirect public benefit. So too do the economic benefits to the community that arise as a result of religious outputs and activities. This is because the community support and activities that religious charities provide outside of religious practices or ceremonies, which might include the provision of volunteers and food banks, means that resources from government bodies, that would have undertaken those duties, can be diverted to support other communities in need. Therefore, the “production of indirect benefits” (Fridman, 1953, 540) is charitable, such as would be produced economically, as discussed in this paper, therefore demonstrating not just further legal legitimacy but also explicit secular social legitimacy.

## Religious Charities and Social Contributions

Religious charities provide multiple contributions in different proportions. These include faith formation, worship, and community service. What is of primary concern to religious charities is not necessarily that which is important to the wider society; this is unsurprising. Similarly, if we look to sporting charities, the enthusiast for a sport may serve for the love of sport. However, others may have limited commitment to the sport but have significant interest in giving children opportunities to develop skills from sport.

Nevertheless, whilst the primary purpose of religious charities is determined by their religious commitments and aspirations, their contribution to society is much more than that. It is evident in publicly valued activities and the outputs and there are countless examples of the types of work carried out by religious charities for the benefit of a wide variety of secular and non-secular communities in New Zealand. For example, New Zealand religious charities: housing; education; foodbanks; emergency response; medical and care support; refugee resettlement; social justice advocacy; child care; civil defence work; youth leadership programmes; counselling; assets for community use; pro bono legal work; and subsidised funeral services. These are but a small number of the vital activities carried out by religious charities (Examples taken from the University of Waikato University Ethics Committee approved national questionnaire conducted by Principle Investigator as part of research project “The Economics of Religious Charities”). Such activities are often hidden from public gaze, and this is not for any sinister reasons, rather religious work is often conducted without herald because it is part and parcel of religious duties. However, such work has economic value, such as employment of paid and voluntary workers.

Therefore, this article suggests that it may be time to consider religious charities from an economic contribution perspective as part of the consideration of benefit to the public.

Indeed, it may actually be helpful to sit religion within this secular economic narrative because the relevance of religion in society may be reframed by providing objective evidence of the benefits of religion overall, which in a capitalist society may be understood better than the generally-acknowledged ethereal constructs of religion. Such substantive evidence may then be taken in to consideration objectively by, inter alia, policy makers to make appropriate decisions regarding religious charity governance. This article, therefore, provides critical and objective data and arguments that can help inform such decisions.

## **A Framework for Assessing the Economic Contribution of Religious Charities**

Given the size of the sector and debates about its contribution and legal standing, this paper seeks to offer an alternative approach to the consideration of the continued place of religious charities in Aotearoa New Zealand. This will be conducted through an economic lens that is said to reflect public benefit, in other words, this paper looks to measure religions' economic contribution to society generally. Of relevance is the point that religious charities are invariably registered as charities because it is said that "where purposes are found to be religious in nature the court 'will generally assume a public benefit unless the contrary is shown'" (*Liberty Trust v Charities Services* [2011] 3 NZLR 68, [99]). However, it is argued that the economic lens is important because religious charities do not just provide spiritual benefit to their devotees. They also, as noted, provide substantial amounts of outreach work to secular and non-secular communities alike. Thus it might be said that religious charities are more than just their religiosity per se (see generally Thompson, 2023). Consequently, it is submitted that it is appropriate to consider religious charities' diverse community support from an economic perspective because such outreach is also of vital relevance to religious charities, not least because it might be said to be an expression of their religious duties. In other words, the outworkings of religions are invariably motivated and required by their religiosity.

Furthermore, this approach is important because stakeholders and the public often look to the evidence of the impact of charities, especially in post COVID pandemic times, which negatively impacted on charitable donations, and thus charitable endeavours (Kerr, 2022). Indeed, this research is timely because it has been asserted that there are risks in *not* considering the economic value of charities generally, which obviously includes religious charities. That is because, inter alia, without knowledge of that economic value, it might mean that the indirect or wider public benefit will be overlooked or undermined (Frontier Economics, 2019, 7). This in fact, is already occurring for religious charities, as evidenced by the aforementioned public and judicial discontent. Indeed, it was observed in the United Kingdom that the British Government's response package to the charity sector to the COVID pandemic crisis of £750 m, which whilst welcome, was significantly insufficient. This is because it was

estimated that the charity sector in the United Kingdom could be worth economically £200bn (Cipriani, 2020), and further, the pandemic caused up to a £6.6 billion drop in charitable donations (Kerr, 2022). Thus, the underestimation of the economic value of the charity sector has left the sector seriously underfunded just when it is most needed in these times of economic crises.

In essence, therefore, it is asserted that the economic contribution to society by religious charities is part of the public benefit legal equation that is requirement of charity law. In adopting this approach, the research “encourages consideration of factors that are not necessarily framed in terms of public benefit and yet which may help clarify why charitable status is given or withheld” (Ridge, 2020, 362–363). Consequently, one factor in question considered in this paper is the “all-too-often invisible value” (Cipriani, 2020) of religious charities to civil society, which can be equated to the legal requirement of public benefit. This is not least because it is said that there are multiple public benefits produced by charities (Langford, 2022, 280) and the economic contribution of religious charities is but one of those multiple benefits, which can be quantified.

One practical analogous example of this is to be found in the charitability of the Fairtrade Foundation. The Foundation awards “fair trade” marks to particular products. The sales of these products ensures the wellbeing of the third world producers of these goods (Morris, 2022, 64–65), thus there is an explicit public economic benefit that arises from this charity. Therefore, religious charities, through their practical outworkings, provide an accountability metric, which is valuable. This is because all charities are accountable to a variety of stakeholders in a numerous ways (Langford, 2022, 280) and providing economic accountability through quantifiable economic value might discharge but one of their accountabilities.

## **Describing the Economic Contribution of Religious Charities**

Whilst this is the first time research of this nature has been undertaken in Aotearoa New Zealand, similar research has been undertaken in recent years in the United States, Canada and Australia. The research in these countries reveals that religious charities annually contribute billions of dollars of economic value, and without those religious entities the communities would suffer adversely because governments could not afford to replicate the assistance provided by those entities. This is because, for example, in 2016 American religious charities provided over USD 1.2 trillion annual economic value through their charity work and employment. This is more than any other charitable group, and at the time of the research, this was more than *inter alia*, Apple, Amazon and Google (Grim, 2017). The Canadian (Grim & Grim, 2021) and Australian research (Thompson, 2023) reflects similar *pro rata* figures. However, it should be emphasised that there is a dearth of specific research and literature pertaining to the economic contribution of religious charities to society, thus reiterating the relevance and timeliness of this article.

Further, the significant benefit to communities as a result of the work of religious charities ensures that not only do these charities fulfil their social covenant to society generally through their work, but they also provide indirect economic public ben-

efit by oftentimes undertaking quasi-governmental roles (Martin, 2015, 70–71), and enabling governments, or other such agencies, to attend to other community needs. Consequently, this indirect economic benefit “is rooted in the fundamental human emotion of empathy” (Kades, 2021, 292) and is “motivated out of altruism” (Kades, 2021, 293, citing Andreoni, 2006, 215–216, which creates a public good from that charitable activity). This is known as “positive economics” (Kades, 2021, 293, emphasis removed). In addition, because religious charities do not function in isolation, they are an important contributor to social capital. Kaasa found “informal religiosity – believing and attending services – fosters social capital by favouring values such as solidarity, altruism, honesty, etc., and by providing civic skills and encouraging joining other organisations” (Kaasa, 2013, 578; see generally Thompson, 2023). These contributions are important across society but especially in the case of including immigrants in their new societies (Elliott & Yusuf, 2014, 101). This social capital provides benefit to wider society. Where a religious charity works with an immigrant or a person requesting support (such as an elderly person needing support), there are multiple benefits. Sometimes the care is sufficient for the person, and it reduces demand on other charities and the State sector. Sometimes the engagement results in the religious charity helping a person or household navigate the State system. This facilitates access to the resource and it reduces the cost to the State sector due to the support provided. In addition, the active engagement reduces the probability of the State having to “pick up the pieces” as a result of a lack of engagement when problems were smaller and more manageable.

Overall therefore, and importantly, the work carried out by religious charities means that the benefit of the charitable work to the wider community increases without cost to the State (Kades, 2021, 294). Further, it is argued that whilst core religious purposes, such as conducting religious services are presumed to be of public benefit although not necessarily socially popular (*Liberty Trust v Charities Commission* [2011] 3 NZLR 68, [99]), the outreach by religions to communities is obviously of public benefit and publicly supported (Kades, 2021, 319). This is not least because of the economic benefits that flow from those public endeavours. This is relevant to note because charity law cases have reflected on the *negative* economic consequences of an entity obtaining charitable status, thus demonstrating that the economic contribution of charities to society is a valid argument. Such an example is to be found in the New Zealand High Court case of *Family First* [2018] NZHC 2273. In this High Court case, Simon France J stated that where charitable status might be “achieved at a cost to other family models, it could affirmatively be said not to be in the public interest” (*Family First* [2018] NZHC 2273, [65]). It is submitted that it is implicit in this statement that his Honour is referring to, inter alia, financial costs to society and families (Calderwood Norton, 2022, 209–210), thus defeating the public benefit test. That being so, the opposite can also be said to be true. In other words, the economic benefit to society as a result of charitable endeavours can be in the public interest, meaning that the economic contribution of a charity can have public benefit. Further, parallels have been made between public benefit and the financial benefits to society through correct policy management of charities that enables charities to work towards reducing social poverty and ensuring greater social cohesion (O’Halloran, 2012, 441).

However, it may be argued that because religious charities conduct social outreach, it would not make much difference if they were disestablished as charities. Instead, the religion could register under, for example the head of “relief of poverty” and they could conduct their work just as easily through this head of charity. In answer to this, such an argument ignores the fact that religious charities undertake their work *because* of their religiosity, and not as an addition to their religiosity. Thus their work is rooted in religion and not in secularism. Indeed, to ignore the work carried out through the religiosity of these charities ignores the point that religion is a fundamental part of the social fabric of New Zealand. Indeed, it might be disingenuous to abolish religious charities, not least because it is their faith that drives their valuable work.

However, it could be argued that not all religious charities carry out such social work, and perhaps it would be beneficial therefore to remove the charitable status of those particular religious charities because they do not provide economic contributions to society. Whilst this is an argument that would be best addressed by another paper, it can be addressed in brief here. Thus it may be said that many registered charities outside of religious charities do not provide economic contributions to a state, and yet still their public benefit is demonstrable. One such examples can be found *Re Shaw*, where it was confirmed that promoting and encouraging the arts are perhaps some of the “the finest and best part of the human character” (*Re Shaw’s Will Trusts* [1952] Ch 163 (Ch), 172). This is because in developing “the aesthetic sense in the appreciation of ... beautiful and attractive objects whether they be pictures, statuary, or other things ... [they] may allure delight or intrigue the senses”. (Dal Pont, 2014, 93, citing *Re Chanter* [1952] SASR 299, 302). As a result, the public benefit is demonstrated through the improvement of human nature, and the purpose is charitable. Nevertheless, such charitable purposes do not provide economic contributions to society, but they do contribute to the betterment and fulfillment of human lives, which in turn provides the public benefit. Similarly, the public benefit of religious charities per se also fulfills that requirement, regardless of whether or not they are publicly popular in contemporary society. Nevertheless, the focus of this article is on the economic contribution of religious charities as but one part of the charity law narrative.

In addition, it is asserted that removing religious charities from the charity framework, or impacting negatively on their tax status, may have substantive consequences for society. This is because if religious charities were, for example, stripped of their charitable status, they would be liable for considerable pecuniary obligations, which would reduce significantly their community outreach. In turn, it is unlikely that a government would be able to fill in the substantive gaps in the social welfare gaps left as a result of any of those changes to a religion’s tax or charitable status, not only from a fiscal position, but also from a policy position. Consequently, many communities would likely suffer adverse consequences. In addition, if religions were not to be registered as charities, where should their activities be publicly documented? They certainly do not neatly fit under company or trust law! As a result, it is submitted that it is vital to research the economic contribution of religious charities from a national perspective to ensure that any changes to the charity sector do not occur without objective evidence as to likely benefits or disbenefits to society generally. Indeed,

this research is timely because of the recent review of the New Zealand Charities Act 2005. This is the chief legislation governing charities, and the review led to the Charities Amendment Act 2023 that came into force on 5 October 2023, as well as the subsequent associated tax reviews and changes by the Inland Revenue Department. Thus, it may be surmised that there is still the political and social will to reassess the place of religion within the charity law narrative.

The initial forays in to the New Zealand religious charity sector already reveals the significance of religion whereby of the 28,000 registered charities in New Zealand (<https://www.dia.govt.nz/charitiesact-overview>), more than 10% of those are religious charities, and their aggregate income ranks third after the income received by Education and Health charities (Ngā Ratonga Kaupapa Atawhai Arotake Ā-Tau Charities Services Annual Review 2021/2022). Despite the collection of data by StatsNZ and the Department of Internal Affairs – Charities Services (Charities Services), the real worth of the social output from the religious charities has never been captured, which this research is endeavouring to demonstrate. Consequently, the aim of the research is to understand the economic contribution of religious charities in New Zealand in order, inter alia, to inform the charity sector and ensure that any possible financial decisions, including tax changes or reporting, pertaining to religious charities are made on the full understanding of the likely repercussions to communities as a result of those decisions. In addition, this research will likely enhance the quality of public conversations regarding the charity sector once objective evidence is presented as to the economic contribution of religious charities to society.

Therefore, the hypothesis being tested is that religious charities contribute a significant economic value to the charity sector, impacting not just religious communities but also secular communities because of the substantive secular work undertaken by religious charities. Such work thus affects and involves significant numbers of the general population through the provision of direct aid such as housing, food and education; indirect aid including providing subsidised facilities such as community centres and child care; and employment opportunities. By examining the economics of religious charities in this context, the continued relevance of religious charities within society can be demonstrated, thus signifying the continued need of religious charities within the charity framework because of the public benefit of positive economic contributions.

## **Preliminary Estimation of the Economic Contribution of Religious Charities to New Zealand**

There were approximately ten thousand religious charities operating in New Zealand in 2021, which was up from seven thousand religious charities during 2018 and the approximately five and half thousand religious charities in 2009 (Scrimgeour & Luo, 2021). The year 2009 was the second year the New Zealand Charities Register was operational, and the first year that the register achieved comprehensive reporting. Given the legal and social significance of the benefits derived from these religious charities, it is appropriate to have a formal estimation of these benefits. Hence, we make preliminary estimates based on mainstream economic practice for the total sub-

sector of religious charities. As estimates are sensitive to the period considered, we have utilised data for the period 2008 to 2020, but the majority of numbers reported are for the most recent period we had data. It is important to recognise that this study focuses on the estimate of value provided. It does not analyse the efficiency of these charities, nor how optimally they utilise the resources they have secured. These other issues are important in their own right but they should be researched in future studies. Further, the estimated value is the value of contribution within a given financial year.

This annual flow of value should not be confused with the value of charity organisations. This analysis is comparable to the value of services provided by a business firms or companies rather than the value of the companies as shown in the value of their shares. Likewise, it should not be confused with annual contribution to GDP which is a measure that nets from the benefits the costs of inputs provided by other sectors of the economy.

The framework utilised for this analysis was to value the income generated by religious charities complemented by the value of non-priced voluntary hours contributed to these religious charities. The income generated is a measure of social willingness to pay whether by donation or purchase of products or services for the donor/purchaser or other parties. Estimating the value of voluntary labour is consistent with the approach used in environmental, health and transport economics where values are estimated for assets and services that are not valued by the market (Freeman, 2002). These issues have been traversed by Stevenson, 2021, 24–26, where he admonishes analysts to “allow definitions to match purpose; show hidden things; make opportunity costs clear; and distinguish between commercial and charitable activities.” Hence, in this analysis we not only include the value of services purchased but the value of services that have been provided at no cost to the user but at cost to the provider of the service. Citizens show their willingness to contribute services to society associated with religion by donating time and money.

Data is required to estimate values. The annual returns provided to the Charities Services is the primary source of data we have utilised. To that end we utilised the open database at Charities Services <https://www.register.charities.govt.nz>. We downloaded all the organisations with a name containing keywords such as ‘Faith’, ‘Christian’, ‘God’, ‘Hindu’, ‘Sikh’, ‘Buddhist’, ‘Church’ and ‘Islamic’ while removing any duplicates associated with different search terms. After removing those that have been deregistered, the total in 2018 was 7,188 religious charities. We observe that the financial information and demographic statistics for these religious charities are also available at Charities Services (see Scrimgeour and Luo (2021) for more information).

Apart from this analysis of primary data, secondary data is available from two sources. Firstly, Statistics New Zealand in 2020 published *Non-profit Institutions Satellite Account: 2018*, which includes estimates of Non-profit Institution contributions to GDP as well as a profile of religious charities. Secondly, the *2021 New Zealand Cause Report* provides data and analysis of the “for-purpose” sector, which includes a section on religious charities. The differences between these sources complicates analysis. Statistics New Zealand includes more organisations and allocates them into 12 categories. The Cause Report used Charities Services data, which they allocate to 19 categories. Further, given that many entities operate in multiple categories, it is

probable that the Cause Report estimates are a lower bound estimate due to the classification of some religious charities to other charitable categories.

Statistics NZ estimated the 10,130 religious charities entities in 2018 contributed \$432.34 m to GDP (Statistics NZ, 2020). This calculation focused on entities “promoting religion or administering religious services” and did not include the contribution of religious charities in fields such as health, education and social services, which are included in other categories. Their total list of entities is approximately 40% greater than that reported by the Charities Services, presumably because many smaller entities assume the costs of registration are greater than the benefits and hence are not included in the Charities Services data. However, it is highly likely these additional religious charities are small and their additional contribution modest.

Statistics NZ estimated the 10,130 religious charities entities in 2018 employing 13,510 staff. They report that of all the non-profit institutions, religious charities had the second largest number of institutions employing staff but the fifth largest number of employees. Many religious charities employ a low number of staff. Only 20% of the religious charities employ staff, but there are some religious charities employing more than 100 staff.

Morrow and McLeod, 2021, analysed 2020 charities data. They reported approximately 4,500 religious charities in 2020 with approximately \$2,100 m of income, which was down slightly from the previous year. Their classification results in the lowest estimate of the size and significance of the religious charities sector. To obtain a robust estimate of value contributed it is important to include the entities not counted but visible in the StatsNZ data and also in the line-by-line search of Charities Services data. In addition, it is appropriate to include the value of volunteer hours contributed. Given the volunteers intensity of religious charities activity, this is likely to be significant.

Morrow and McLeod, 2021, reported approximately 7,000 full time staff and approximately 8,000 part time staff in 2020. To align with the StatsNZ estimate this implies each part time staff member is 0.82 FTE suggesting the FTE numbers are understated. Either way, both StatsNZ and JB Were do not include voluntary contributions in their estimates.

## **Annual Value of Contribution by Religious Charities to New Zealand**

For this analysis, we chose to go back to raw Charities Services data to obtain the data from the complete population of charities and then check it for data inconsistency or misclassification. We used 2018 data to provide comparability with the Statistics NZ data. This reveals that 7,188 religious charities generated \$6,080 m of revenue in 2018, and an average revenue of \$846,000. More recent data from Charities Services reports continued growth in the number of religious charities to 10,274.

Our analysis of Charities Services data for 2018 revealed 20,411 full time staff and 18,279 part time staff. The Charities Services data also provides information on hours worked. If we assume the average full time employee worked 37.5 h per week we can calculate the average hours worked by the part time employees, which was 19 h per week which was comparable to the 21 h in 2017. Further the Charities Services

data reports volunteer hours which in 2018 was equivalent to 66% of the paid hours. That is, for every 3 h of paid staff time, 2 h of volunteer time were also contributed.

The gross value contributed by religious charities in a gross sense is the total value of the services provided whether purchased (and paid for) or not paid for. This means the voluntary contributions need to be added to the paid contribution to estimate total value. To estimate the non-priced contribution, we follow Freeman and estimate the value of the 758,359 h of volunteering. Given a value of \$20 per hour, slightly above the 2018 minimum wage, the value of this volunteering is calculated to be \$15.2 m. Although this number appears small it is a lower bound estimate in that volunteers undertake a range of activities. Some only require minimum wage skills. Others require skills far beyond minimum wage labour or activities associated with unsociable work environments that are usually associated with higher remuneration. The lack of visibility in these cases is similar to the lack of visibility of other unpaid work, as highlighted in “Counting for Nothing” (Waring, 1990, 1).

Given the information assembled, the total value contributed by religious charities in 2018 was \$6.1b, or the equivalent of about 3% of annual Government expenditure. This is not an insignificant contribution. Further, it is amplified by expenditure and employer multipliers in a similar way to that shown in the regional economic impact of the University of Waikato (Hughes, 2009, 81).

The robustness of these estimates maybe a matter for conjecture. It can be argued that the calculations presented understate or overstate the value of religious charities contributions. One reason they may understate the contribution is because there is no effort to include any component of consumer surplus. Economic valuation methods routinely include estimates of changes in consumer and producer surplus. A second reason is that some economic activities generate more multiplier effects than others do. Given the religious charities income is expended on religious ministries in local communities, it is highly likely that there are significant flow-on effects in those local economies, although the impact may not be as large as anticipated given the low salaries and high level of volunteering in the sector. The associated development of human and social capital is likely to be revealed over decades rather than years. The religious charities activities motivate members to participate in other charitable activities in education, health, and social services, which are not included in these estimates. Thirdly, the estimate does not include estimates associated with indirect effects such as the higher levels of tax compliance associated with those who participate in religious activities. (Cnaan, 2023, 17–18).

To the contrary, it can be argued the calculations overstate the contribution. Given the calculation is based on more entities than Morrow and McLeod but it is a lower number than the Statistics NZ number used in the Satellite Account. It can be argued that the contribution calculated is not valued by all New Zealanders but we observe that not all New Zealanders value contributed from, for example, orchestras, sports teams, or even business or government programmes that they do not support. Further, it can be argued that certain income flows between religious charities that result in double counting and thus overstates the value of religious charities activity. The authors recognise this could be a modest issue and should be explored in further research. Overall, it appears the calculated value should be treated as a robust but not a precise estimate.

**Table 1** 2018 Ranking of New Zealand charities according to five key characteristics. The largest sector has the highest rank

|  | Number of entities | Gross Income | Number of employees | Volunteer hours | Donations |
|--|--------------------|--------------|---------------------|-----------------|-----------|
| Business and professional associations, unions       | 8                  | 8            | 7                   | 8               | 6         |
| Culture, sport, and recreation                       | 1                  | 2            | 4                   | 1               | 2         |
| Development and housing                              | 4                  | 7            | 6                   | 7               | 7         |
| Education and research                               | 5                  | 4            | 3                   | 5               | 4         |
| Environment  | 10                 | 10           | 8                   | 4               | 10        |
| Grant making, fundraising and volunteerism promotion | 11                 | 5            | 10                  | 11              | 9         |
| Health   | 9                  | 1            | 2                   | 6               | 5         |
| International  | 12                 | 11           | 11                  | 10              | 8         |
| Law, advocacy and politics                           | 7                  | 9            | 9                   | 9               | 11        |
| Not elsewhere classified (residual category)         | 6                  | 12           | 12                  | 12              | 12        |
| Religion   | 3                  | 6            | 5                   | 2               | 1         |
| Social services                                      | 2                  | 3            | 1                   | 3               | 3         |

Source: Authors' calculations from Statistics NZ Satellite Accounts

So far, we have compared the size of religious charities benefits relative to Government expenditure. It is also useful to compare religious charities to other charity sub-sectors. Statistics NZ, using 2018 data, ranked the contribution of all 12 categories of charities in terms of numbers of entities; revenue and expenditure; number of employees; volunteer hours; and donations. For the 12 categories, religious charities ranked second in terms of the level of donations; third in terms of the number of entities; third in terms of the number of revenue and expenditure; third in terms of the number of number of employees; and third in terms of the number of volunteer hours. We have graphed the rankings and values in a spider diagram and presented them in Table 1.

## Conclusion

This initial foray has revealed what has generally been hidden from the public gaze—that of the economic contribution of religious charities. The article has demonstrated that these charities contribute significantly in economic terms to New Zealand society generally, which includes both religious and secular societies. This occurs via their contributions to religious services, development and maintenance of social capital and service contributions pertaining to education, youth activities, welfare activities, and numerous other activities documented in annual reports to Charities Services.

Religious charities are diverse actors and have diverse activities. Some are primarily funders; some are primarily deliverers of religious services; and some provide guidance and oversight of many smaller entities. Certainly, it is clear that religious charities undertake a lot of activity and there is significant variation in size. Some entities are small, some are large. Some are independent, some are linked to other

charities. Nevertheless, the data shows that across all measures of size, religious charities are in the top quartile of charitable activity. There is no agreed metric that adequately measures the total value of the services provided by religious charities, or the services of any other form of charity in religious charities. However, utilising data reported in annual financial statements pertaining to both income, expenditure and voluntary contributions, a credible estimate of value is made. This research, therefore, is timely as policy makers and governments consider various solutions in response to post pandemic economic crises and social divisions (Fronteir Economics<sup>®</sup>). Consequently, understanding the value of religious charities as part of these solutions will help inform those decision makers. Indeed, this initial and novel research has demonstrated that religious charities contribute significantly to the economic landscape of New Zealand. Further, it has been established that this economic impact has an indirect public benefit.

As a result, and given the level of activity identified and described, it is appropriate that any proposed or futures changes to legal standing or reporting processes should consider the impact of such changes on the sector and on wider society. Indeed, it has been recognised that there is a growing neglect of policy within the not for profit sector, and that it is dangerous to do so (Breen, 2024). This is because without appropriate policy frameworks, it will be difficult to balance the “interests of civil society and government” (Breen, 2024). Nevertheless, this article may go some way to assist in that balancing act through bringing to light the economic benefits of religious charities. Indeed, it may be argued that because charities have grown in the ways in which they serve contemporary society, so they might be outgrowing some of the traditional legal frameworks (Anheier & Toepler, 2019, 4), such as the public benefit test. Thus measuring the indirect public benefit of religious charities through an economic lens may assist in determining the differing ways in which religious charities contribute to, and benefit, society. As a result, it might be asserted that because religious charities contribute such significant economic benefits to society, perhaps they should be eligible for greater tax concessions (Anheier & Toepler, 2019, 4), although it is beyond the scope of this paper to address this rather complex matter.

Nevertheless, religious charities do benefit from the public reporting framework, however, they also bear costs from reporting. Procedural justice, economic efficiency, and social inclusion suggest that any proposal for change to the legislative settings would benefit from dialogue with the sector before presenting a change document. However, further research is required to refine the valuation and evaluate the efficiency of the sector and identify opportunity to improve its contribution. In addition, future research could usefully explore the dynamics of the religious charities sector through time and the impacts of shocks such as the COVID-19 pandemic on religious charities performance and resilience. There is also work to be done analysing the capital intensity of religious and other charities, and how that helps or hinders performance and credibility. Opportunities exist for comparative work comparing New Zealand religious charities with religious charities in Australia, the United States, and other jurisdictions for which data is available. Indeed, care should be taken with legal and policy changes that impact the sector and the results set out in this article provide evidence that such warnings as to law and policy changes should be heeded. This is because this article has brought to light some of the hitherto hidden value and

public benefits to New Zealand society as a result of the outworkings and activities of religious charities.

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