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Research Article

Compliance Spending Aversion: An Unintended Consequence of Charity Regulation

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Abstract: Charities are increasingly required to spend more resources on administrative tasks to comply with regulations. Given previous findings on donors' overhead aversion, namely that donors avoid giving to charities with a high ratio of overhead relative to program spending, we investigate whether donors also penalize charities that spend high shares of donations on administrative compliance tasks, despite these tasks being outside the charities' control. The results of an incentivized online experiment with a nationally representative sample from Ireland (n=1,032) suggest that donors are averse to compliance spending and that this aversion is almost as strong as the aversion to other types of overhead. Our findings indicate that well-intended regulations may have the unintended consequence of reducing charitable giving. They also suggest that reducing administrative burden for charities might increase donations. Quantifying how much charities spend on administrative compliance tasks may provide useful insights to inform decisions about the optimal level and process of charity regulation.

Keywords: Administrative burden; Compliance; Charitable giving; Dictator game; Overhead aversion

Introduction

Most charities are required to comply with regulations to increase transparency and accountability.[1] After several scandals in recent years,[2] these regulations intensified and administrative requirements increased for charities in many jurisdictions (Cordery & Deguchi, 2018; McGregor-Lowndes & Ryan, 2009). The added requirements can have two effects. First, resources that charities spend on administrative compliance tasks cannot be used to deliver their core programs. Excessive regulation might thus reduce the charities' ability to deliver on their mission. Second, if donors prefer their donations to be spent on core programs rather than on administrative tasks, excessive regulation may lead to reduced donations. This paper deals with this latter indirect effect of charity regulation and experimentally tests whether higher compliance requirements may have the unintended side effect of reducing donations by private donors from the general public.

Existing literature on charitable giving suggests that donors seek to donate to charities that have low overhead ratios—a phenomenon often called "overhead aversion". A high overhead ratio can be interpreted as a signal of inefficiency indicating that charities spend too much on non-program expenses (Caviola et al., 2014; Charles et al., 2020; Gneezy et al., 2014; Meer, 2014; Metzger & Günther, 2019b; Portillo & Stinn, 2018; Qu & Daniel, 2021). Overhead aversion can be explained by theories of pure altruism (Andreoni, 1988), "warm glow" (Andreoni, 1990), or impact philanthropy (Duncan, 2004) which suggest that donors want as much of their donation as possible to make a difference, either to help others or to feel good about themselves. Previous work has found that perceptions of organizational efficiency affect giving decisions for donors (Jones, 2017; Karlan & Wood, 2017; Metzger & Günther, 2019a) and high overhead may also facilitate an excuse not to donate (Exley, 2019).

Overhead typically includes all non-program expenses such as staff salaries, fundraising, and administration. However, the specific type of administration that is required to comply with regulations is not typically considered an independent expense category.[3] We propose that these "compliance costs" deserve special attention because they are largely determined by decisions made by the regulator rather than under the control of the charities, which is a distinction that may matter for donors. Such compliance costs (as well as learning costs and psychological costs) compose administrative burden in an influential definition

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of the concept (Moynihan et al., 2015), although these authors specify that citizens, rather than organizations such as charities, experience these costs in their interactions with government.

There are at least two reasons for explicitly considering compliance costs in the charity sector. On the one hand, if donors penalize spending on compliance costs less than they penalize spending on other overhead, charities could communicate these different cost categories to potential donors to increase giving. On the other hand, if donors penalize spending on compliance costs just as much as spending on other overhead, increased regulation might put a double burden on charities. The potential effects of charity regulation both on the resources available to charities as well as on donor behavior should be considered by the regulator. For example, if a regulation has the unintended side effect of reducing donations because donors do not differentiate between different categories of overhead, a policy that limits the administrative burden imposed on the charities and streamlines reporting processes would increase donations. As such, we suggest that administrative burdens can also have indirect effects by changing the behavior of those who observe these burdens.

Ex-ante it is unclear whether donors penalize charities for spending on administrative compliance tasks as much as they penalize charities for spending on other types of overhead. Theories of altruism and warm glow (Andreoni, 1988, 1990) focus on the importance of program expenses to explain charitable giving decisions and do not deal with differences amongst spending for non-program expenses. Similarly, the theory of impact philanthropy (Duncan, 2004) emphasizes the importance for donors to know that *their* donation is making as much impact as possible, which is captured through program expenses. Thus, these theories cannot distinguish between the aversion to paying for compliance-related expenses and the aversion to paying for other overhead under the charity's control.

However, donors might acknowledge that charities are required to comply with the relevant administrative processes and that these may be beneficial for increasing transparency and accountability (Cordery et al., 2017). Donors who understand that charities do not have much control over the resources spent on administrative compliance tasks might be more forgiving compared to donors who assume that all overhead expenses are under the control of the charity. Related research has already identified that donors consider some types of overhead to be more justifiable than others, for example preferring spending on fundraising over salaries (Portillo & Stinn, 2018), but has not studied whether the difference between administrative compliance costs and other forms of overhead matters to donors.

To test how donors react to information about charities' spending on administrative compliance tasks, we conducted a dictator game experiment to study how donation changes in response to the proportions of funds charities allocate toward (i) program expenses, (ii) administrative compliance expenses, and (iii) other overhead expenses. We motivate our pre-registered hypotheses below and include a theoretical framework modeling donors' utility in the Supplementary Information.[4]

Our first hypothesis concerns "compliance spending aversion". It predicts that donors penalize charities that spend high shares of donations on administrative compliance tasks instead of core program expenses (Hypothesis 1a). We also test for the commonly identified overhead aversion in Hypothesis 1b, predicting that donors penalize charities that spend high shares of donations on other forms of overhead instead of core program expenses. As mentioned above, theories of altruism, warm glow, and impact philanthropy motivate these hypotheses.

Hypothesis 1a: Donation decreases as spending on administrative compliance tasks increases (and spending on core programs decreases).

Hypothesis 1b: Donation decreases as other overhead expenses increase (and spending on core programs decreases).

The second hypothesis predicts that "overhead aversion" is stronger than "compliance spending aversion". This hypothesis is based on the motivation often given for regulatory requirements: that these are intended to increase transparency, accountability, and overall trust in charities (Cordery et al., 2017). As such donors may be less averse to charities spending money on compliance requirements than they are averse to other overhead. This hypothesis is based on the idea that donors penalize charities that spend too much on avoidable overhead and do not penalize charities that spend on unavoidable overhead (i.e., on compliance costs) acknowledging charities' limited scope to make decisions about this type of expense category. While information about the difference between avoidable and unavoidable overhead is often not available to donors on charity comparison websites (Szper & Prakash, 2011), the hypothesis presumes that donors can

distinguish between avoidable overhead and unavoidable overhead. Accordingly, we explicitly present this information in the experiment as described below. To test this hypothesis, we hold core program expenses constant and only vary how the remaining non-program expenses are allocated between spending on administrative compliance and other overhead.

Hypothesis 2: Donation increases as spending on administrative compliance tasks increases (and other overhead expenses decrease).

We also tested two additional pre-registered hypotheses and refer the reader to the Supplementary Information in which we present the hypotheses, explain how we tested them, and present the results.

Design

Sample

In January 2021, we recruited 1,032 participants through Qualtrics. The sample was representative of the Irish population in terms of age and gender.[5] All participants received baseline monetary compensation through the panel provider and could earn additional money as described below. The sample consisted of 48% males, the median age was 41, and roughly 49% had a net monthly income of €3,000 or less. Further summary statistics of the sample are presented later in **Table 2**.

Since we present results from a study conducted with a nationally representative sample in Ireland, we briefly describe the national context. Several charity-related scandals related to poor reporting, undeclared conflicts of interest, and excessive CEO remuneration have caused public outrage in Ireland in recent years. The Irish Charities Regulator responded by putting the "Charities Governance Code" into practice which outlines the minimum standards that need to be met to guarantee the charity is managed with integrity in an effective, efficient, accountable, and transparent way.[6] This compulsory code replaced the voluntary code that had been in place since 2012. Since 2020, charities have been expected to comply with the code, and from 2021 onwards charities are expected to report on their compliance with the code. Hence, although administrative compliance costs affect charities across different countries, Irish charities in particular experience an increasing amount of reporting and compliance obligations to which they must devote additional resources. This makes Ireland a particularly interesting context for our analysis.

Procedure

In the experiment, participants played a series of dictator games, which are commonly used in experimental economics and social psychology to understand giving decisions (Cartwright and Thompson, 2023). In line with experimental economic standards, we designed the experiment to capture the essential elements of our research question in an abstract setting. This allows generalizing systematic patterns across contexts, but the experience of study participants might well differ from the experience they might have when making a comparable real-world decision (see Ariely and Norton, 2007). For our research, the crucial difference across charities is their use of donations for different types of expenses. Hence, we presented participants with different charities which vary only in the proportions of donations that go toward: (i) program expenses, (ii) administrative compliance expenses, and (iii) other overhead expenses.

For each charity, we asked participants how they would split €10 between themselves and the charity as it is common in dictator games with charities. We informed participants that there was a 1 in 10 chance of being picked as a winner, and if chosen, one random choice would be implemented. The winners were paid the amount they decided to keep on top of their fixed participation fee,[7] and we transferred the participant's donation to a charity that matched the chosen expense structure as closely as possible. The set of expense structures for the five charities, abbreviated C1-C5, is shown in **Table 1**.[8] We chose these parameters to match similar, real charities that would later receive the participants' donations while staying close to values used in other articles in the literature (see, e.g., Metzger and Günther 2019b; Exley 2019). Since there is no data available on the spending for administrative compliance tasks by local charities, we relied on a newspaper article that investigated how local charities spend the donations they receive.[9] We also took into consideration that we needed enough experimental variation and stayed close to values used in the literature, for example in the paper by Metzger & Günther (2019b) who use administrative costs of 10% or 40%.

Table 1: **Expense structure of Charities 1-5**

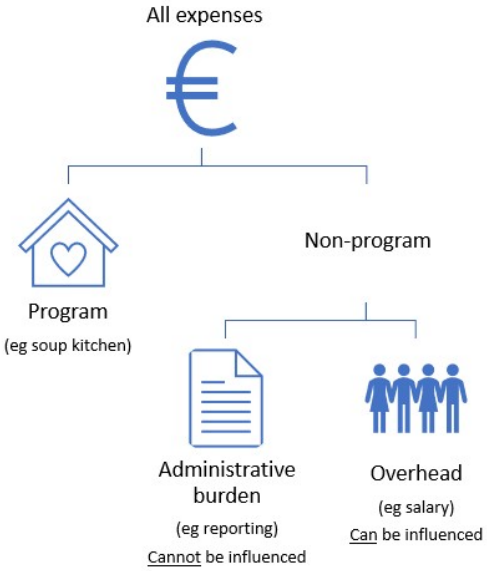
Expense type	C1	C2	C3	C4	C5
Program expenses	80%	60%	60%	80%	80%
Compliance expenses	10%	10%	30%	2%	18%
Other overhead	10%	30%	10%	18%	2%

We began by presenting participants with information about three types of expenses charities face, "program expenses", administrative compliance costs which the survey referred to as "administrative burden", and "overhead expenses", using **Figure 1**. Afterwards, we asked participants how they would split €10 between themselves and nameless Charities 1-5, presented one at a time, which varied in the percentage of donation spent on program expenses (P), administrative compliance costs (A), and other overhead expenses (V). The charities' different expense structures were described using pie charts and participants responded using a slider for both the amount to keep and the amount to donate, as illustrated in **Figure 2**. The sliders had to be clicked to be activated (there was no default) and the total amount has to sum up to 10. We presented Charities 1 to 3 in random order and afterwards Charities 4 and 5 also in random order. Charities 1 to 3 are sufficient to test our hypotheses, while Charities 4 and 5 were added to enable additional robustness tests. Throughout the experiment, we added two attention prompts in the form of control questions to make sure participants paid attention to the different expense categories.

At the end of the experiment, participants completed a short survey on their views about the charity sector and demographic variables. See **Table 2** for information about these variables.

We also conducted a second experiment with the same nationally representative sample, testing the same treatments using a between-subject design as in Gneezy et al. (2014) (instead of the within-subject design as described above). Details of this are in the Supplementary Information, where we also present a follow-up experiment in which we tested variations of the wording of the survey described in the main text and where we make alternative assumptions about how donations are split into the three expense categories.

Figure 1: Description of charities' expenses



DETAILED DESCRIPTION

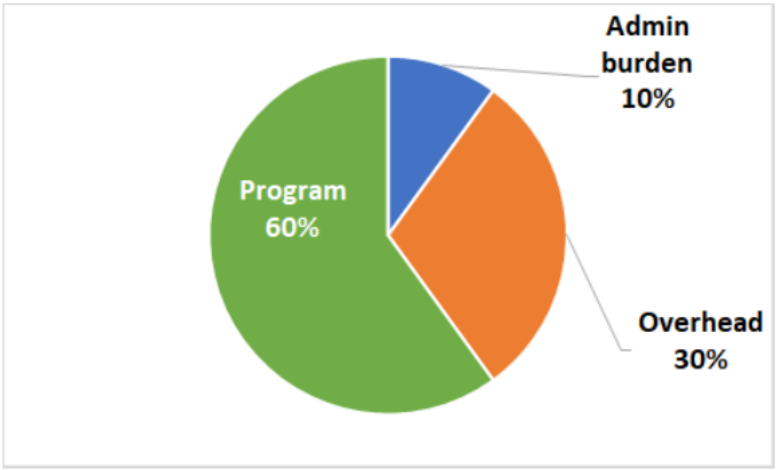
Program expenses describe the programs and services the charity exists to deliver. These costs will later be shown in **GREEN**.
For example, if you donate to a charity helping the homeless, this expense category would include **meals provided for people and families affected by homelessness.**

Non-program expenses describe other operational expenses that are outside of direct charitable activities.
For example, this expense category would include **staff salaries and costs associated with reporting.** Non-program expenses can be further split into two types:

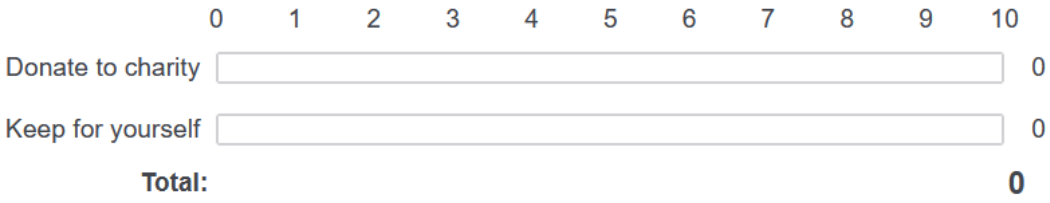
- **Administrative burden** are the costs to comply with government regulation to ensure transparency and accountability. These costs are standard for the charity sector and may vary depending on the size of the charity, the sector it operates in, and government regulation. An individual charity CANNOT influence these costs. These costs will later be shown in **BLUE**. For example, this expense category would include costs associated with **reporting to the government.**
- **Overhead expenses** describe other costs that are not used to comply with government regulation (everything else). These costs vary for different charities. An individual charity CAN influence these costs. These costs will later be shown in **ORANGE**. For example, this expense category would include **staff salaries, fundraising, and venue rentals.**

Figure 2: Description of one of the charities and the choice task using the slider

Consider the following charity. Out of any donation, the percentage that goes to each type of expenses is shown below.



How much out of the €10 do you **donate to this charity and how much do you keep for yourself?** Remember, your decision may have real consequences.



Results

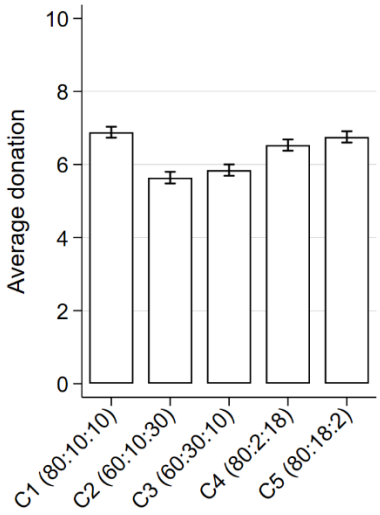
Descriptive statistics are shown in **Table 2** and **Figure 3**. The next two subsections present the results for our two hypotheses. The Supplementary Information presents additional analyses of two pre-registered hypotheses and (not pre-registered) results on the effects of the control variables, heterogenous treatment effects, and sub-group analyses of those participants who answered all attention prompts correctly. The Supplementary Information also includes the results of additional robustness experiments: the between-subject experiment we ran with the same sample as well as the follow-up experiment with a new sample. All these tests confirm the results presented in the main text.

Table 2: **Summary Statistics**

	N	Mean	SD	Min	Max
Age (in years)	1032	42.86	14.97	19	84
Male	1032	0.48	0.50	0	1
College degree	1032	0.22	0.41	0	1
Log income	919	7.93	0.74	6	9
Responsibility within the individual*	1032	4.84	3.12	0	10
Redistribution through taxes*	1032	4.94	1.54	1	7
Redistribution through charities*	1032	3.95	1.73	1	7
Trust	1032	0.00	1.00	-2	2
Altruism	1032	0.00	1.00	-3	2
Importance of transparency*	1032	3.49	0.80	0	4
Importance of impact*	1032	3.39	0.84	0	4
Importance of charities' role*	1032	3.12	0.91	0	4
Trust in charities*	1032	6.31	2.11	0	10
Awareness of recent regulations*	1032	1.82	1.66	0	5
Awareness of recent scandals*	1032	0.44	0.50	0	1
Have donated in the past 3 years	1032	0.90	0.31	0	1
Donate at least every month	1032	0.39	0.49	0	1
Attention prompts (correct answers out of 3)	1032	2.35	0.85	0	3
Duration (minutes)	1032	16.56	60.48	2	1289

**Notes*: The exact questions are, in order: Please tell us your view on government responsibility (0 Government should take more responsibility to ensure that everyone is provided for - 10 People should take more responsibility to provide for themselves). Income redistribution (from the rich to the poor) should take place through the tax system (1 Extremely disagree - 7 Extremely agree). Income redistribution (from the rich to the poor) should take place through charitable donations (1 Extremely disagree - 7 Extremely agree). How important is it that a charity does its utmost to be transparent? (0 Not at all important, 1 Slightly important, 2 Moderately important, 3 Very important, 4 Extremely important). How important is it that a charity does its utmost to be impactful? (0-4 as above). Overall, how important a role do you think charities play in society today? (0-4 as above). In general how much do you think charities can be trusted? (0 Not at all - 10 Completely). Are you aware of the increase in regulatory and compliance requirements affecting the Irish charity sector in the past 5 years? (0 I know nothing about it - 5 I know a lot about it). Are you aware of any scandal in the Irish charity sector in the past decade? (0 No, 1 Yes).

Figure 3: **Participants' donations in sequential dictator games**



Notes: The charities are labelled (P:A:V) where P is the percentage going to program expenses, A is administrative compliance spending, and V represents other overhead expenses.

Result 1: Donors Penalize Spending on Administrative Compliance Costs and Overhead
We test Hypothesis 1a and 1b in the following linear regression model using each donation decision as one observation:

$$D_{ij} = \alpha_{ij} + \beta_1 A_j + \beta_2 V_j + \delta_i + \varepsilon_{ij}, \quad (1)$$

where D_{ij} is the amount donated out of €10 by subject i to Charity j. A_j is the percentage of donations spent on administrative burden and V_j is the percentage of donation the charity spends on other overhead. Program expenses are therefore the omitted variable. Hence, β_1 indicates the aversion to giving money that is used for administrative compliance tasks and β_2 is the coefficient indicating other overhead aversion. In this and the following regression models, we include individual fixed effects δ_i and use robust standard errors clustered at the individual level ε_{ij}. We also run the regressions without individual fixed effects to check the robustness of the results to the inclusion of demographic variables (age, gender, region fixed-effects, education, income, and political views) and other controls (trust, altruism, views on charities' transparency, impact and role, trust in charities, awareness of regulations and past scandals in the charity sector, past donations and regular donations, attention prompts, and experiment duration).[10]

Columns (1) and (2) in **Table 3** show that a 1% increase in administrative compliance expenses (at the expense of program cost which is the omitted variable) reduces donation by around €0.043. A 1% increase in spending on other overhead reduces donations by around €0.055. These results thus provide support for Hypotheses 1a and 1b, respectively: donors are averse to their donation being spent on administrative compliance or other overhead that take away from core program spending.

Table 3: **OLS regressions with the amount donated in € as the outcome**

	Model 1		Model 2	
	(1)	(2)	(3)	(4)
Compliance	-0.043***	-0.042***	0.012***	0.012***
	(0.003)	(0.003)	(0.003)	(0.003)
Other Overhead	-0.055***	-0.054***		
	(0.003)	(0.003)		
Program			0.055***	0.054***
			(0.003)	(0.003)
Constant	7.706***	6.318***	2.214***	0.926
	(0.076)	(0.944)	(0.253)	(0.974)
No. obs	5160	4595	5160	4595

No. subjects	1,032	919	1,032	919
R-sq	0.778	0.141	0.778	0.141
VIF	1.27	1.32	1.37	1.33
Individual FE	Yes	No	Yes	No
Demographics	No	Yes	No	Yes
Other controls	No	Yes	No	Yes

**Notes*: Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

Result 2: "Compliance Spending Aversion" is Almost As Strong As "Overhead Aversion"

To test Hypothesis 2 (that donors penalize spending on administrative compliance tasks less than they penalize spending on other overhead), we keep the share of donations spent on program expenses constant and compare charities that differ only in terms of spending on administrative compliance tasks and other overhead. Again, we use a linear regression model similar to the one described in equation (1) but this time omitting the variable for other overhead and instead including the variable for program expenses. The benefit of this reformulation is that the coefficient of administrative compliance costs can be interpreted as the impact of an increase in spending on administrative compliance tasks (at the expense of spending on other overhead, the omitted variable) while controlling for spending on core programs. This is in line with the theoretical reformulations we made in the Supplementary Information.

The results in columns (3) and (4) of **Table 3** suggest that the aversion to administrative compliance expenses is slightly weaker than the overhead aversion. A 1% increase in spending on administrative compliance tasks, redirected from spending on other overhead, increases donation by around €0.012 (p<0.001), providing some support for Hypothesis 2. Intuitively, this can also be observed in columns (1) and (2) where the negative coefficients for spending on overhead are greater than those for spending on administrative compliance tasks. As such, some donors may partly "forgive" charities spending less on program expenses if they must spend on reporting and compliance. However, we note that, albeit significant, this effect is quite small.

Discussion and Conclusion

Our main result is that donors show "compliance spending aversion": penalizing charities that spend a high share of donations on administrative compliance tasks, although charities have limited control over these costs. This aversion is almost as strong as the "overhead aversion" previously described in the literature (Charles et al., 2020; Gneezy et al., 2014; Portillo & Stinn, 2018; Qu & Daniel, 2021). This suggests that there are potential unintended consequences of well-meant regulations to increase accountability, transparency, and trust in charities. These regulations might not only directly reduce charities' capacity for core program delivery (McGregor-Lowndes & Ryan, 2009), but also reduce average donations and thus indirectly and additionally reduce resources available for core programs. This insight provides one argument for avoiding overly stringent and complicated regulatory requirements and/or for streamlining administrative processes to reduce charities' administrative burden.

The paper also contributes to the literature on overcoming "starvation cycles" in the charity sector: a phenomenon whereby charities reduce overhead costs to appear efficient, leading to underinvestment in organizational infrastructure and subsequently impairing organizational effectiveness (Gregory & Howard, 2009; Schubert & Boenigk, 2019; Tian et al., 2020). While one solution may be to communicate to donors that there are different types of non-program expenses, some potentially more justifiable than others (Portillo & Stinn, 2018; Qu & Daniel, 2021; Tian et al., 2020), our results suggest that donations would not increase (by much) if charities would present compliance costs and other overhead separately—similar to previous studies finding little or mixed effects (Damgaard & Nielsen, 2020; Karlan & Wood, 2017; Metzger & Günther, 2019a). Our results suggest that reducing administrative compliance costs is a more promising policy.

This paper also connects the literature on charitable giving to the literature on administrative burden. Public administration scholars have argued that onerous administrative tasks imposed on citizens can have detrimental welfare consequences (Burden et al., 2012; Heinrich, 2016; Herd & Moynihan, 2019), and behavioral scientists have begun to investigate administrative burden and other unnecessary frictions using the term "sludge" (Shahab & Lades, 2021; Soman, 2020; Sunstein, 2021; Thaler, 2018). While much of the administrative burden literature focuses on citizens' interactions with the government (e.g., Hock et al., 2021; Lopoo et al., 2020), organizations such as charities also face administrative burdens, which can have

knock-on effects on their public perception (e.g., Keiser & Miller, 2020). We contribute to this literature by showing that administrative burden can impact organizations by creating the perception of inefficiency which, in the case of charities, results in reduced donations.

As of now, not much is known about how much charities spend on compliance tasks. Hence, quantifying the reduction of donations due to regulatory requirements in the field is difficult. One important implication suggested by our findings is that measuring the magnitude of compliance costs, and the influence of regulations on this magnitude, is worthwhile. This is in line with developments in public administration research and behavioral public policy that suggest systematically measuring compliance costs and other administrative burdens through "sludge audits" (Herd & Moynihan, 2019; Sunstein, 2020). Data on compliance costs will help inform discussions about optimal levels and administrative procedures of charity regulation.

Limitation and Future Research

Future work can address some of the limitations of our study. First, our participants made decisions about anonymous charities in an abstract experimental setting. The advantage of this approach is that the results are not influenced by participants' attitudes toward particular charities; and the experimental manipulation provides cleaner evidence of causality. One concern, however, is lower external validity as, in the real world, potential donors possess more contextual details about charities. Thus, our findings may be limited to situations in which donors are unaware of, or indifferent to, the purpose of a charity and care only about their expense structure. However, as Cartwright and Thompson (2023) argue, the concerns about external validity are most relevant for questions on *absolute* giving (e.g., how much people give) and less relevant for questions on *relative* giving (e.g., whether people give more in experimental treatment A compared to treatment B). Since all our results are about *relative* findings, our experiment may still provide high external validity. Additionally, previous work has documented the ways in which methodological differences could impact research findings on charitable giving (de Wit and Bekkers, 2017). Future research could complement our findings by using real charities in experiments or other research methods, such as observational or case studies, which can provide richer contexts for generalizability despite limitations in causal inference. Another limitation to external validity is that no precise data was available to us on how much specific charities spend on administrative compliance tasks. While we made every effort to make charities' expense structure realistic given the information we had (see p. 8), future research could conduct "sludge audits" to identify administrative costs faced by charities (Herd & Moynihan, 2019; Shahab & Lades, 2021; Sunstein, 2020; Thaler, 2018).[11]

Another potential limitation is that we categorized "salaries" and "venue rentals" as examples of overhead costs, which may not be the case for larger charities where certain parts of salaries and rental expenses arguably fall under core programs. The latter would also be true for philanthropic activities more generally, where salaries would fall under the organization's core objective since philanthropic organizations do not directly provide services addressing the need of the poor, such as in our soup kitchen example (Frumkin, 2008). However, we presented the definitions of the different expenses repeatedly and hence think it is reasonable to assume that participants understood the cost categories well enough. Moreover, how salaries are categorized should not change participants' understanding of the cost category most important for our study (administrative compliance costs). Finally, given that respondents penalized overhead when described as including salaries and venue rentals potentially connected to core programs, they would likely penalize overhead even more if these costs excluded the program-related salaries and rental costs. As such, our results should be a conservative estimate of the true effect of "overhead aversion", at least for charitable (if not philanthropic) organizations. Future studies could explicitly control for the size of the charities, especially as the extent of regulation may be affected by charity size.

More generally, future research should aim to better understand the indirect effects of regulatory requirements that create administrative burden for institutions such as charities. Such compliance-related administrative burden can change the way the institutions are perceived by the public, with unintended side effects.

Notes

1. While the regulatory contexts differ across countries and over time, ranging from voluntary self-regulation regimes to harder requirements such as filing numerous reports sometimes with differing accounting standards (Cordery & Deguchi, 2018), typical administrative tasks imposed by regulators to show compliance include: registering with local and/or national agencies, disclosure related to

fundraising activities, performing financial audits, filing annual financial reports, and other related processes. These tasks can either be performed by charity staff themselves or outsourced to external parties, but their completion requires the charity to expend resources that may reduce spending on core programs.

2. Scandals in the charity sector related to poor reporting, undeclared conflicts of interests, and excessive CEO remuneration have caused public outrage in recent years. The participants of a pilot test for our study mentioned several specific national scandals, such as those involving the charities Console (https://www.thejournal.ie/console-wound-down-2866465-Jul2016/), Rehab (https://www.thejournal.ie/angela-kerins-pac-timeline-3214906-Jan2017/), and CRC (https://www.thejournal.ie/crc-top-ups-1213133-Dec2013/), all links accessed 25-Jan-2021.
3. For example, Metzger and Günther (2019b) vary "administrative costs" in their laboratory experiment but define this for the subjects as "The administration cost include the cost of the work done by the NGO as well as the expenses for fundraising and advertising".
4. The pre-analysis plan, together with the full survey, are available on Open Science Framework: https://osf.io/f9m87/?view_only=10d99a64a04040a88ec61b3a4697672a.
5. In the pre-analysis plan, we pre-registered a sample of 500, which was motivated by budgetary considerations. However, Qualtrics accidentally sent the survey to more than 1,000 participants and we see no reason to drop the extra observations. Our results are qualitatively similar if we use a randomly selected sub-sample of 500 from our data.
6. More details on the governance code are available at https://www.charitiesregulator.ie/en/information-for-charities/charities-governance-code, accessed 29-Jan-2021.
7. Due to a technical issue, Qualtrics was unable to pay winning participants less than the full €10 bonus. Hence, in case a winner chose to donate part of the €10, we informed participants at the end of the experiment that winners may also get a separate bonus (i.e., the amount they chose to donate) and we instead paid the charity by using additional funds from our research budget. Participants were given a link at the end of the study where the receipts would be made publicly available.
8. In this main text, we analyze donations to these five charities. However, participants saw two additional charities which were included to test additional hypotheses. We present the analyses of donations to these in the Supplementary Information.
9. The article appeared in the national newspaper and distinguished between "charitable work", "fundraising", and "governance costs" which we use for our cost categories of program expenses, other overhead, and administrative compliance spending respectively. See https://www.irishtimes.com/news/social-affairs/charities-reveal-how-every-1-donated-is-spent-1.2482613, accessed 25-Jan-2021.
10. The pre-registration included Subsidy as a regressor. We exclude this from equation (1) since, for clarity, results for our subsidy hypothesis are instead presented in the Supplementary Information. Including this regressor produces nearly identical results since the regressor's value is always equal to 0 for Charities 1-5 (and 20 for Charity 6).
11. It is possible that audits of administrative compliance costs will indicate that compliance costs are lower than those we assumed in the experiment, which could be viewed as a limitation of the study. However, as shown in the Supplementary Information, a pre-registered follow-up experiment shows that Result 1 also holds for lower values of administrative compliance costs. In the same follow-up study, we also showed half the participants the phrase "Administrative Burden" as in the main experiment and the other half the phrase "Compliance" to test whether the wording makes any difference. There were no significant differences.

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Supplementary Information for:

Compliance Spending Aversion: An Unintended Consequence of Charity Regulation

Table of Contents

1. Model and Hypotheses

To motivate our hypotheses about the importance of different types of charity expense structures on donations, we present a model explicitly incorporating three different forms of utility donors receive from decisions about giving money to a charity. In the model, we assume that donor i decides what amount y (out of an endowment of 10) to give to a charity. Each charity is characterised by an expense structure comprising of p, the proportion of donation spent on core programs, a, the proportion spent on administrative compliance costs, and v, the proportion spent on other overheads, where $p + a + v = 1$ and $0 \leq p, a, v \leq 1$. We assume that the proportion the charity must spend on administrative compliance costs a is externally determined by the regulatory context. Hence, the only decision the charity can make is how to allocate the remaining $1 - a$ on core programs p or other overheads v. We denote $1 - a$ by $\bar{v}$ which is the maximum the charity can spend on program expenses and overheads. The charity's decision can thus be summarized by a choice of $v, 0 \leq v \leq \bar{v}$, since the remainder will be allocated to p (because $p = \bar{v} - v$) and a is not influenced by the charity's decision.

We assume that potential donors can derive utility from three sources. First is the material utility they derive from retaining money from the endowment $(10 - y)$. Second, donor i also derives psychological utility from altruism. This is captured by $p \log y$, which is concave and scaled by the parameter p indicating the share of donations the charity spends on program expenses. Finally, we assume that the donor derives disutility from giving to a charity that spends too much on avoidable overhead. Vice versa, the donor derives positive utility from giving to a charity that spends relatively little on avoidable overhead. We assume here that donors can distinguish between avoidable overhead v and unavoidable overhead a and that for this type of utility they do not penalize charities for spending on unavoidable overhead (i.e., administrative compliance expenses). The donor thus considers how the charity allocates spending on p and v out of $\bar{v}$, which we defined as $1 - a$ (rather than 100% of the donations). We also assume that the parameter $k, 0 \leq k \leq 1$, captures what the donor considers as an appropriate share of $\bar{v}$ being spent on avoidable overheads. If the charity spends more (less) than $k\bar{v}$ on v, giving to that charity provides disutility (positive utility).[1] As such, the donor derives $\mu y(k\bar{v} - v)$ from donating y to a charity, where μ represents a scaling factor indicating how important this source of utility is to the donor.

Assuming an additively separable utility function, donor i's decision about how much to donate to a charity follows from a maximization of

$$u_i(y) = (10 - y) + p \log y + \mu y(k\bar{v} - v). \tag{1}$$

When maximizing $u_i(y)$ in equation (1) with respect to y, the optimal donation is

$$y^* = \frac{p}{1 - \mu\,(k\bar{v} - v)} = \frac{p}{1 - \mu\,(k(1 - a) - v)}. \tag{2}$$

To check how the optimal donation y^* changes when a is increased (at the expense of p), we replace p by $1 - a - v$ which leads to $y^* = \frac{1-a-v}{1-\mu(k(1-a)-v)}$.[2] Taking the first derivative with respect to a yields

$$\frac{dy^*}{da} = -\frac{1 + \mu v(1 - k)}{[1 - \mu(k(1 - a) - v)]^2} < 0. \tag{3}$$

Thus, an increase in administrative compliance spending a at the expense of program costs p (and holding v constant) reduces donation, which is our first hypothesis.

Hypothesis 1a: Donation decreases as spending on administrative compliance tasks increases (and spending on core programs decreases).

[1] For example, if $a = 0.1$, $\bar{v} = 0.9$. A donor might consider it appropriate if the charity spends 10% on avoidable overhead ($k = 0.1$) so that $k\bar{v} = 0.09$. In this example, the donor receives disutility (positive utility) from giving to a charity that spends more (less) than 9% of donations on avoidable overhead.

[2] Given p, a, v are all interdependent (from $p + a + v = 1$), which variables are used in the comparative statics analysis matters for the interpretation. Thus, to examine the effect of an increase in a, keeping v constant (and thus at the expense of p), we substitute the redundant variable p with an expression in terms of a, keeping all expressions of v intact in the equation.

We repeat the analysis to examine the increase in other overhead v at the expense of p. Taking the first derivative of y^* with respect to v yields

$$\frac{dy^*}{dv} = -\frac{1+\mu(1-a)(1-k)}{[1-\mu(k(1-a)-v)]^2} < 0. \quad (4)$$

Thus, an increase in other overhead expenses v at the expense of program costs p (and holding a constant) also reduces donation, which is in line with the commonly identified overhead aversion.

Hypothesis 1b: Donation decreases as other overhead expenses increase (and spending on core programs decreases).

We also study an increase in a at the expense of v, keeping p constant, which allows us to predict whether donors consider spending on administrative compliance expenses as more or less problematic than spending on other overhead. For this analysis, we replace v by $1-a-p$ in equation (2) yielding $y^* = \frac{p}{1-\mu\,(k(1-a)-(1-a-p))}$ and take the first derivative with respect to a which yields

$$\frac{dy^*}{da} = +\frac{\mu p(1-k)}{[1-\mu\,(k(1-a)-(1-a-p))]^2} > 0. \quad (5)$$

Thus, the model predicts that an increase in administrative compliance a at the expense of other overheads v (keeping program costs p constant) increases donation. Intuitively, the donor cares less about an increase in a than an increase in v since the charity can influence v but not a. In other words, we predict that "other overhead aversion" is stronger than "compliance spending aversion".

Hypothesis 2: Donation increases as spending on administrative compliance tasks increases (and other overhead expenses decrease).

The third hypothesis (not described in the main text of the paper) follows from the observation that the administrative compliance tasks faced by charities are rarely discussed in the media, on charity comparison websites, and in the academic literature on charitable giving as an independent cost category. Administrative compliance costs are rarely measured independent of other overhead (Szper & Prakash, 2011). As such, donors may not be aware of how the proportion $1-p$ is truly split between compliance tasks a and other overhead v. Suppose that before learning about exact splits between a and v, donors have a priori beliefs of $\tilde{a} = a - e$ and $\tilde{v} = v + e$, such that they underestimate the true level of compliance costs and overestimate the true level of other overheads by the same amount e. We can interpret e as the magnitude of the surprise error. Using $a = \tilde{a} + e$ and $v = \tilde{v} - e$, we can rewrite the optimal donation as $y^* = \frac{p}{1-\mu\,(k(1-\tilde{a}-e)-(\tilde{v}-e))}$. Taking the first derivative of y^* with respect to e yields

$$\frac{dy^*}{de} = +\frac{\mu p(1-k)}{[1-\mu\,(k(1-\tilde{a}-e)-(\tilde{v}-e))]^2} > 0. \quad (6)$$

Thus, the more the donor underestimates a and overestimates v, i.e., the more they realise that the charity's non-program costs in fact go to unavoidable compliance costs, the higher their donation. Conversely, finding out that more non-program costs go toward other overhead (a decrease in e) is perceived as bad news and will result in a lower donation. However, we do not know donors' prior estimates of v and a so we do not know the sign or magnitude of the surprise error e. Administrative compliance costs are almost never discussed in the media, on charity comparison websites, and in the academic literature as an independent cost category (Szper & Prakash, 2011). When informed about the requirements for administrative compliance, and the fact that the magnitude of compliance costs is largely outside the charities' control, donors might either take this information into account for the first time or update existing beliefs about the size of these costs. Thus, the effect of informing donors about the split of non-program expenses could be either positive or negative and we predicted an overall null effect.

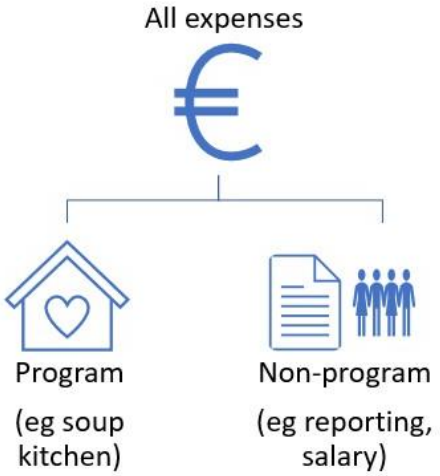
Hypothesis 3: Informing participants about the split of non-program expenses, keeping program expenses constant, does not affect the amount donated.

The fourth and last hypothesis (also not described in the main text) concerns the impact of having a government policy that reduces administrative compliance costs for charities. This is partly motivated by the increasing quantity of reporting and compliance obligations that charities face as described in the introduction. The hypothesis is also motivated by the study of Gneezy et al. (2014) which suggests that donations can be increased by telling the donors that someone else is covering the overhead. In Hypothesis 4, we predict a similar effect when part of the administrative compliance costs is covered by a government policy that reduces administrative compliance costs, such as a program that streamlines reporting requirements.

Hypothesis 4: A government policy that reduces administrative compliance costs restores donations to the level corresponding to lower administrative compliance costs.

2. Methodology and Results for Hypotheses 3 and 4

The methodology and results for Hypotheses 1 and 2 and are detailed in the main text. Here, we describe the tests of Hypotheses 3 and 4 using donations to Charities "0" and "6" which we have not described in the main text. Before the dictator game for Charity 0, participants were presented with information about "program expenses" and "non-program expenses" using Figure SI.1. At this stage, non-program expenses were not yet broken down into administrative compliance expenses and other overhead to capture the real-life situation where many donors are unaware of, or do not pay attention to, administrative compliance expenses. This information was only provided after the donation decision to Charity 0 (and before donations to the other charities). Regressing donations on a dummy variable for Charity 0 will thus allow us to study whether giving information about the split of non-program expenses has any effect on donations (as predicted in Hypothesis 3).



DETAILED DESCRIPTION

Program expenses describe the programs and services the charity exists to deliver. These costs will later be shown in **GREEN**.
For example, if you donate to a charity helping the homeless, this expense category would include **meals provided for people and families affected by homelessness.**

Non-program expenses describe other operational expenses that are outside of direct charitable activities. These costs will later be shown in **BLACK**.
For example, this expense category would include **staff salaries and costs associated with reporting.**

Figure SI.1 Description of program and non-program expenses

Finally, we added Charity 6 to test Hypothesis 4 on the effect of a government policy to reduce charities' spending on administrative compliance tasks and direct more money towards core programs. Before asking participants to decide how to split the €10 with the seventh charity, we asked participants to assume that the government had implemented a policy to invest resources which reduces charities' administrative burden so that more of their donation went toward program expenses. The 30% compliance expenses were reduced to 10% due to government investment. Participants then proceeded to input their donations using the same sliders as before.

Result 3: Providing Information about the Split of Non-Program Expenses Does Not Change Giving
To test whether providing information about the split of non-program expenses has any effect on donations, we use

$$D_{ij} = \alpha_{ij} + \beta_1 Info_j + \beta_2 P_j + \beta_3 Subsidy_j + \delta_i + \varepsilon_{ij}, \quad (2)$$

where P_j is the share of donations spent on program expenses and $Info_j$ is a dummy variable that equals 1 if the split of non-program expenses is specified (i.e., in Charities 1 to 6) and 0 otherwise. The other variables are the same as in equation (1). The coefficient β_1 in equation (2) thus represents the difference between donations to Charity 0 and the average of Charities 1, 4, and 5 (as the variable P_j controls for Charities 2 and 3 and

$Subsidy_j$ controls for Charity 6).[3] The results, shown in columns (1) and (2) of Table SI.1, show that providing information about the split of non-program expenses does not have a significant effect on donations (b= 0.0862; p=0.074 based on column 1).

Table SI.1 OLS regressions with the amount donated in € as the outcome

	Model 3		Model 4	
	(1)	(2)	(3)	(4)
Program	0.049***	0.048***		
	(0.003)	(0.003)		
Info	0.086*	0.065		
	(0.048)	(0.047)		
Policy	0.191***	0.195***		
	(0.043)	(0.041)		
Charity=1			-0.030	-0.042
			(0.058)	(0.051)
Charity=3			-1.070***	-1.042***
			(0.076)	(0.067)
Constant	2.712***	1.161	6.916***	5.200***
	(0.212)	(0.957)	(0.038)	(0.974)
No. obs	7224	6433	3096	2757
No. subjects	1,032	919	1,032	919
R-sq	0.771	0.144	0.828	0.165
VIF	1.16	1.31	1.33	1.33
Individual FE	Yes	No	Yes	No
Demographics	No	Yes	No	Yes
Other controls	No	Yes	No	Yes

Notes: OLS regressions with the amount donated in € as the outcome. Program is the percentage of donation spent on program expenses. Info is a dummy variable which equals 1 if the split of non-program expenses is specified (Charities 1 to 6) and 0 otherwise. Policy is a dummy variable which equals 1 if a government policy exists to reduce administrative burden (Charity 6) and 0 otherwise. Charity=1 (or 3) is a dummy variable which equals 1 if the decision to donate concerns Charity 1 (or 3). Demographic variables include age, gender, region fixed-effects, education, income, and political views. Other controls include trust, altruism, views on charities' transparency, impact and role, trust in charities, awareness of regulations and past scandals in the charity sector, past donations and regular donations, attention prompts and experiment duration. Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

Result 4: Implementing a Policy that Reduces Administrative Compliance Costs Increases Giving

To study the effect of a government policy intended to alleviate charities' spending on administrative compliance tasks, we use the subsample of donations to Charities 1, 3 and 6 (where other overheads are held constant at 10%) and estimate

$$D_{ij} = \alpha_{ij} + \boldsymbol{WCharity_{ij}\beta} + \delta_i + \varepsilon_{ij}, \quad (3)$$

where $\boldsymbol{WCharity_{ij}}$ is a 1 by 2 vector of dummy variables $WCharity_{1ij}$ and $WCharity_{3ij}$, each of which equals 1 if the current decision concerns Charity 1 (or Charity 3) and 0 otherwise, using Charity 6 as the baseline variable.[4]

The results, shown in columns (3) and (4) of Table SI.1, indicate that donations to Charity 3 are significantly lower than to Charity 6 and that there is no difference between Charity 1 and Charity 6. As such, the subsidy fully compensates for the decrease in program expenses due to administrative burden.

[3] In the pre-analysis plan we did not include Subsidy, however we added the variable to control for the high donations to Charity 6.

[4] Although not pre-registered, we include this estimation as it provides the best regression-controlled test of Hypothesis 4.

3. Associations between Giving and Control Variables

In this section, we present exploratory associations between donations and control variables. Although we did not pre-register these associations, they are informative and potentially of interest. We focus on the associations corresponding to the even columns of Table 3 from the main text and Table SI.1. The same models, now with all covariates shown, are presented in Table SI.2. The results suggest that male participants consistently donate less than female participants by about €0.50. Moreover, we see higher donations from more altruistic participants, those who think that the role of charities is important, and those who generally trust charities.

Table SI.2 Regression results of the amount donated

	Model 1	Model 2	Model 3	Model 4
Compliance	-0.042***	0.012***		
	(0.003)	(0.003)		
Other Overhead	-0.054***			
	(0.003)			
Program		0.054***	0.048***	
		(0.003)	(0.003)	
Info			0.065	
			(0.047)	
Policy	0.195***	0.195***	0.195***	
	(0.041)	(0.041)	(0.041)	
Charity=1				-0.042
				(0.051)
Charity=3				-1.042***
				(0.067)
Trust	0.040	0.040	0.028	0.001
	(0.084)	(0.084)	(0.084)	(0.084)
Altruism	0.272***	0.272***	0.283***	0.305***
	(0.087)	(0.087)	(0.086)	(0.087)
Transparency	0.053	0.053	0.049	0.066
	(0.095)	(0.095)	(0.094)	(0.097)
Impact	-0.038	-0.038	-0.013	-0.038
	(0.087)	(0.087)	(0.087)	(0.088)
Charities' role	0.243***	0.243***	0.237***	0.233**
	(0.091)	(0.091)	(0.091)	(0.094)
Trust in charities	0.321***	0.321***	0.316***	0.348***
	(0.098)	(0.098)	(0.098)	(0.099)
Awareness of regulations	0.044	0.044	0.050	0.031
	(0.078)	(0.078)	(0.077)	(0.078)
Awareness of scandals	0.203	0.203	0.220	0.255
	(0.161)	(0.161)	(0.161)	(0.163)
Donated in past 3 years	0.441	0.441	0.404	0.495*
	(0.283)	(0.283)	(0.281)	(0.292)
Donate at least monthly	-0.011	-0.011	-0.001	-0.014
	(0.144)	(0.144)	(0.144)	(0.147)
Attention	-0.019	-0.019	-0.015	0.011
	(0.090)	(0.090)	(0.090)	(0.093)
Duration (minutes)	0.001*	0.001*	0.001	0.001**
	(0.001)	(0.001)	(0.000)	(0.000)
Age	0.002	0.002	0.003	0.004
	(0.005)	(0.005)	(0.005)	(0.005)

Male	-0.474***	-0.474***	-0.501***	-0.565***
	(0.147)	(0.147)	(0.147)	(0.149)
College degree	0.114	0.114	0.109	0.142
	(0.171)	(0.171)	(0.171)	(0.172)
Log income	0.134	0.134	0.138	0.123
	(0.101)	(0.101)	(0.101)	(0.105)
Responsibility within the individual	-0.072	-0.072	-0.066	-0.087
	(0.074)	(0.074)	(0.074)	(0.075)
Redistribution through taxes	0.128*	0.128*	0.121	0.106
	(0.076)	(0.076)	(0.076)	(0.077)
Redistribution through charities	-0.002	-0.002	-0.005	-0.019
	(0.082)	(0.082)	(0.082)	(0.085)
Connaught and Ulster	0.507***	0.507***	0.522***	0.504***
	(0.191)	(0.191)	(0.191)	(0.194)
Munster	0.256	0.256	0.272	0.306
	(0.193)	(0.193)	(0.192)	(0.199)
Rest of Leinster	0.245	0.245	0.248	0.216
	(0.186)	(0.186)	(0.186)	(0.188)
Constant	6.043***	0.650	1.161	5.200***
	(0.939)	(0.971)	(0.957)	(0.974)
No. obs	5514	5514	6433	2757
No. subjects	919	919	919	919
R-sq	0.148	0.148	0.144	0.165

Notes: OLS regressions with the amount donated in € as the outcome. *Compliance* is the percentage of donations spent on administrative compliance. *Other Overhead* is the percentage of donation spent on other overhead expenses. *Program* is the percentage of donation spent on program expenses, this value equals 100 - *Compliance* - *Other Overhead*. *Info* is a dummy variable which equals 1 if the split of non-program expenses is specified (Charities 1 to 6) and 0 otherwise. *Policy* is a dummy variable which equals 1 if a government policy exists to reduce administrative burden (Charity 6) and 0 otherwise. *Charity=1 (or 3)* is a dummy variable which equals 1 if the decision to donate concerns Charity 1 (or 3). Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

We also present the correlation matrix of all independent variables in Tables SI.3A and SI.3B. While, unsurprisingly, there are significant correlations among related variables (e.g., general trust and trust in charities), we also check for multicollinearity, including the variance inflation factor (VIF) for each model in Tables 3 and SI.1. We find that all VIFs are below 2, indicating that multicollinearity is not a concern.

Table SI.3A Pairwise correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1) Age	1.000									
(2) Male	0.196***	1.000								
	(0.000)									
(3) College degree	0.080**	-0.084***	1.000							
	(0.011)	(0.007)								
(4) Log income	-0.068**	0.106***	-0.058*	1.000						
	(0.039)	(0.001)	(0.077)							
(5) Responsibility individual	-0.045	0.054*	-0.068**	0.043	1.000					
	(0.152)	(0.083)	(0.029)	(0.197)						
(6) Redistribution taxes	0.103***	0.060*	0.026	-0.050	0.071**	1.000				
	(0.001)	(0.053)	(0.403)	(0.131)	(0.023)					
(7) Redistribution charities	-0.116***	-0.099***	-0.007	-0.030	0.225***	0.043	1.000			
	(0.000)	(0.001)	(0.819)	(0.356)	(0.000)	(0.167)				
(8) General trust	0.154***	0.014	-0.015	-0.005	0.084***	0.180***	0.225***	1.000		
	(0.000)	(0.644)	(0.632)	(0.870)	(0.007)	(0.000)	(0.000)			
(9) General altruism	0.052*	-0.069**	0.032	0.045	0.036	0.151***	0.158***	0.399***	1.000	
	(0.092)	(0.026)	(0.300)	(0.170)	(0.247)	(0.000)	(0.000)	(0.000)		
(10) Transparency importance	0.213***	-0.075**	0.057*	0.084**	-0.104***	0.080**	-0.173***	0.032	0.172***	1.000
	(0.000)	(0.015)	(0.066)	(0.011)	(0.001)	(0.010)	(0.000)	(0.299)	(0.000)	
(11) Impact importance	0.114***	-0.098***	0.072**	0.089***	-0.053*	0.065**	-0.107***	0.068**	0.236***	0.605***
	(0.000)	(0.002)	(0.020)	(0.007)	(0.087)	(0.036)	(0.001)	(0.029)	(0.000)	(0.000)
(12) Charities' role importance	0.129***	-0.152***	0.112***	0.004	-0.051*	0.117***	0.078**	0.192***	0.362***	0.429***
	(0.000)	(0.000)	(0.000)	(0.897)	(0.102)	(0.000)	(0.013)	(0.000)	(0.000)	(0.000)
(13) Trust in charities	0.001	-0.069**	-0.027	0.111***	0.048	0.091***	0.201***	0.444***	0.357***	0.065**
	(0.963)	(0.027)	(0.391)	(0.001)	(0.125)	(0.003)	(0.000)	(0.000)	(0.000)	(0.037)
(14) Aware of regulations	0.080**	0.118***	-0.019	0.087***	0.150***	0.116***	0.107***	0.218***	0.161***	-0.098***
	(0.010)	(0.000)	(0.552)	(0.009)	(0.000)	(0.000)	(0.001)	(0.000)	(0.000)	(0.002)
(15) Aware of scandals	0.373***	0.068**	0.031	0.010	-0.051*	0.008	-0.218***	-0.005	0.062**	0.230***
	(0.000)	(0.029)	(0.319)	(0.764)	(0.099)	(0.795)	(0.000)	(0.864)	(0.045)	(0.000)

(16) Donated in last 3 years	0.089***	-0.038	0.036	0.093***	-0.018	0.051*	0.002	0.182***	0.319***	0.183***
	(0.004)	(0.223)	(0.253)	(0.005)	(0.567)	(0.103)	(0.959)	(0.000)	(0.000)	(0.000)
(17) Donate monthly	0.116***	-0.032	0.016	0.113***	0.085***	0.051*	0.078**	0.205***	0.249***	0.043
	(0.000)	(0.305)	(0.611)	(0.001)	(0.007)	(0.102)	(0.012)	(0.000)	(0.000)	(0.169)
(18) Attention prompts	-0.006	-0.092***	0.051*	0.068**	-0.144***	-0.047	-0.168***	-0.064**	0.034	0.267***
	(0.856)	(0.003)	(0.104)	(0.040)	(0.000)	(0.133)	(0.000)	(0.041)	(0.273)	(0.000)
(19) Duration	-0.002	-0.035	0.035	-0.027	-0.047	-0.034	-0.011	0.003	0.031	0.036
	(0.942)	(0.261)	(0.265)	(0.417)	(0.134)	(0.272)	(0.717)	(0.912)	(0.321)	(0.249)

Notes: *** p<0.01, ** p<0.05, * p<0.1

Table SI.3B Pairwise correlations

Variables	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)
(11) Impact importance	1.000								
(12) Charities' role importance	0.448***	1.000							
	(0.000)								
(13) Trust in charities	0.167***	0.387***	1.000						
	(0.000)	(0.000)							
(14) Aware of regulations	-0.069**	-0.026	0.146***	1.000					
	(0.027)	(0.404)	(0.000)						
(15) Aware of scandals	0.205***	0.107***	-0.121***	0.143***	1.000				
	(0.000)	(0.001)	(0.000)	(0.000)					
(16) Donated in last 3 years	0.152***	0.277***	0.229***	0.099***	0.112***	1.000			
	(0.000)	(0.000)	(0.000)	(0.001)	(0.000)				
(17) Donate monthly	0.092***	0.110***	0.182***	0.239***	0.135***	0.249***	1.000		
	(0.003)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)			
(18) Attention prompts	0.221***	0.148***	0.005	-0.116***	0.085***	0.049	-0.009	1.000	
	(0.000)	(0.000)	(0.874)	(0.000)	(0.006)	(0.115)	(0.772)		
(19) Duration	0.031	0.017	0.007	-0.011	-0.009	-0.071**	0.010	0.010	1.000
	(0.316)	(0.592)	(0.834)	(0.714)	(0.762)	(0.023)	(0.755)	(0.743)	

Notes: *** p<0.01, ** p<0.05, * p<0.1

4. Heterogenous Treatment Effects

We also have the statistical power to test for interaction effects to explore whether the experimental treatment effects differ across segments of the study sample. Although we did not pre-register these associations, they are informative and potentially of interest. To avoid repetition, we focus on testing whether certain participants penalize higher spending on administrative compliance tasks more than others using Model 1 corresponding to column (2) of Table 3 in the main text and adding interaction effects. This model controls for other overhead so that the interaction terms indicate whether certain participants penalize spending on administrative compliance tasks at the expense of core programs more than others. Since there are 18 correlates tested, the results are split into Tables SI.4A and SI.4B. The results suggest that older (b=-0.0004; p=0.006) and richer (b=-0.007; p=0.026) participants penalize spending on administrative compliance tasks more. Moreover, participants with higher altruism (b=0.005; p=0.027) and those who think that charities can be trusted (b=0.005; p=0.025) penalize administrative compliance spending less. Those who value transparency more strongly penalize spending on administrative compliance tasks more (b=-0.006; p=0.004).

Table SI.4A Regression results of the amount donated including interaction terms 1-9

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Interaction tested:	Age	Male	College	Income	Responsibility	Redistribution via taxes	Redistribution via charity	Trust	Altruism
Compliance x Correlate	-0.000***	-0.005	0.009	-0.007**	0.003	-0.001	0.004	0.004	0.005**
	(0.000)	(0.004)	(0.005)	(0.003)	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
No. obs	5514	5514	5514	5514	5514	5514	5514	5514	5514
No. subjects	919	919	919	919	919	919	919	919	919
R-sq	0.148	0.148	0.148	0.148	0.148	0.148	0.148	0.148	0.148
Demographics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes: OLS regressions with the amount donated in € as the outcome. *Compliance* is the percentage of donations spent on administrative compliance tasks. *Correlate* is, respectively for each column, (1) Age, (2) Male, (3) College degree, (4) Log income, (5) Responsibility within the individual, (6) Redistribution through taxes, (7) Redistribution through charities, (8) GPS trust and (9) GPS altruism as defined in Table 2 in the main text. Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

Table SI.4B Regression results of the amount donated including interaction terms 10-18

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Interaction tested:	Transparency	Impact	Role	Trust in charities	Regulation awareness	Scandal awareness	Donated in last 3 years	Donated monthly	Duration
Compliance x Correlate	-0.006***	-0.002	0.002	0.005**	0.004*	-0.003	-0.000	0.009*	0.000
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)	(0.005)	(0.006)	(0.005)	(0.000)
No. obs	5514	5514	5514	5514	5514	5514	5514	5514	5514
No. subjects	919	919	919	919	919	919	919	919	919
R-sq	0.148	0.148	0.148	0.148	0.148	0.148	0.148	0.148	0.148
Demographics	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Other controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Notes: OLS regressions with the amount donated in € as the outcome. *Compliance* is the percentage of donation spent on administrative burden. *Correlate* is, respectively for each column, (1) Importance of transparency, (2) Importance of impact, (3) Importance of charities' role, (4) Trust in charities, (5) Awareness of recent regulations, (6) Awareness of recent scandals, (7) Have donated in past 3 years, (8) Donate at least every month and (9) Duration (minutes) as defined in Table 2 in the main text. Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

5. Analysis with Sub-sample of Participants who Answered All Attention Prompts Correctly

We also reran our analyses on the subsample of 575 participants who answered all three attention prompts correctly (56% of the full sample). As shown in Table SI.5, our main results are stronger in comparison to the full sample shown in Table 3 of the main text and Table SI.1. Column (1) indicates that this subsample displays a higher level of "compliance spending aversion" (b=-0.052, compared to b=-0.043 in Table 3) and "overhead aversion" (b=-0.070, compared to b=-0.055 in Table 3). Column (3) shows that a 1% increase in spending on administrative compliance tasks, redirected from other overhead, increases donations by around €0.018 (compared to €0.012 in Table 3). This subsample also shows a greater increase in donations to Charity 7, with a government policy that alleviates administrative burden, relative to Charity 4 without the policy (b=-1.318 compared to b=-1.070 in Table SI.1).

Table SI.5 Regression results of the amount donated using only participants who answered all attention prompts correctly

	Model 1		Model 2		Model 3		Model 4	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Compliance	-0.052***	-0.050***	0.018***	0.020***				
	(0.004)	(0.004)	(0.004)	(0.004)				
Other Overhead	-0.070***	-0.070***						
	(0.004)	(0.004)						
Program			0.070***	0.070***	0.061***	0.060***		
			(0.004)	(0.004)	(0.004)	(0.003)		
Info					0.097	0.064		
					(0.060)	(0.059)		
Policy	0.256***	0.267***	0.256***	0.267***	0.256***	0.267***		
	(0.054)	(0.054)	(0.054)	(0.054)	(0.053)	(0.054)		
Charity=2							-0.099	-0.102
							(0.074)	(0.067)
Charity=4							-1.318***	-1.293***
							(0.099)	(0.088)
Constant	8.056***	6.676***	1.042***	-0.311	1.858***	0.493	7.092***	5.540***
	(0.097)	(1.126)	(0.326)	(1.176)	(0.281)	(1.158)	(0.049)	(1.160)
No. obs	3450	3054	3450	3054	4025	3563	1725	1527
No. subjects	575	509	575	509	575	509	575	509
R-sq	0.776	0.182	0.776	0.182	0.774	0.173	0.832	0.192
Individual FE	Yes	No	Yes	No	Yes	No	Yes	No
Demographics	No	Yes	No	Yes	No	Yes	No	Yes
Other controls	No	Yes	No	Yes	No	Yes	No	Yes

Notes: OLS regressions with the amount donated in € as the outcome. *Compliance* is the percentage of donations spent on administrative compliance. *Other Overhead* is the percentage of donation spent on other overhead expenses. *Program* is the percentage of donation spent on program expenses, this value equals 100 - *Compliance* - *Other Overhead*. *Info* is a dummy variable which equals 1 if the split of non-program expenses is specified (Charities 2 to 7) and 0 otherwise. *Policy* is a dummy variable which equals 1 if a government policy exists to reduce administrative burden (Charity 7) and 0 otherwise. *Charity=2 (or 4)* is a dummy variable which equals 1 if the decision to donate concerns Charity 2 (or 4). Demographic variables include age, gender, region fixed-effects, education, income, and political views. Other controls include trust, altruism, views on charities' transparency, impact and role, trust in charities, awareness of regulations and past scandals in the charity sector, past donations and regular donations, attention prompts and experiment duration. Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

6. Additional Experiment 1: Between-Subject Design with the Same Participants

Additionally, in a between-subject design that followed the procedure used by Gneezy et al. (2014), we randomized participants into one of five treatments designed to study the effect of administrative compliance expenses on the choice of charity to donate to. Each treatment showed participants two different charities at the same time. One of the charities was always Charity 0 (spending 80% of donations on program expenses and 20% on non-program expenses without further categorization of the non-program expenses). Charity 0 appeared randomly either on the left or on the right. Since participants had completed the first part of the experiment at this stage, they knew that non-program expenses could potentially be categorized further. The other charity was one of Charities 1-5 as described in the main text. For these charities, the percentage of donations spent on program expenses, administrative compliance expenses, and other overheads were explicitly specified. We asked participants to choose which charity should receive €100, informing them that the decision of a randomly chosen participant will be implemented and reminding them that the payment to the charity was real.

Figure SI.2 shows the proportions donating to Charities 1-5 instead of Charity 0. The figure shows that participants chose Charities 2 and 3 (which use 60% of donations for program expenses) less frequently compared to all other charities (which use 80% of donations for program expenses). For example, 70.1% chose Charity 1 (P=80%; A=10%; V=10%) over Charity 0, but only 21.3% and 22.2%, respectively, chose Charity 2 (P=60%; A=10%; V=30%) and Charity 3 (P=60%; A=30%; V=10%) over Charity 0. These differences are significant ($p<0.0001$ for both comparisons). The results are similar using Charity 4 or 5 in place of Charity 1. We do not find any significant differences when comparing Charities 1, 4, and 5.

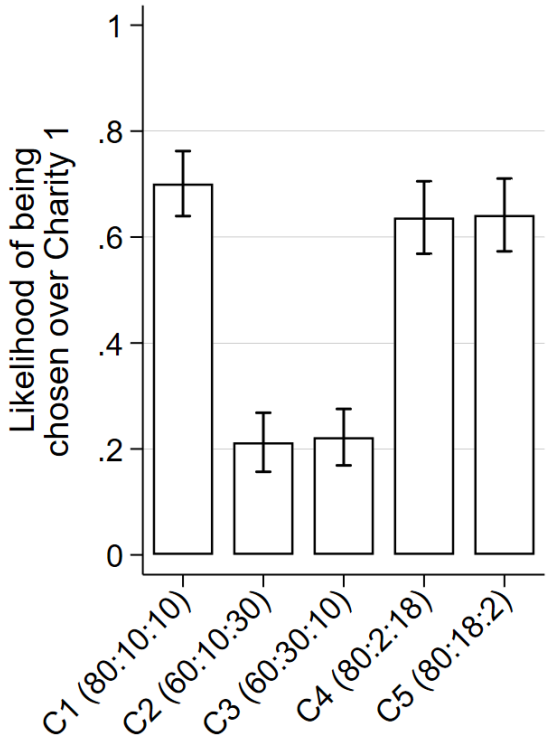


Figure SI.2 Participants' choices between two charities. The charities are labelled "P:A:V" where P is the percentage going to program expenses, A is administrative compliance spending, and V is other overhead expenses.

We additionally test a logit model in which we regress a variable indicating that the alternative to Charity 0 is chosen on four dummy variables for Charities 2-5, each of which equals 1 if the subject faces a choice between that charity and Charity 0 and 0 otherwise. The choice between Charity 0 and Charity 1 is thus used as the baseline variable. The results in column 1 of Table SI.6 show that subjects are 50 percentage points less likely to donate to Charities 2 and 3 than to Charity 1. By contrast, we do not detect an effect for Charities 4 and 5. The results are similar when using any other charity as the baseline treatment: donations to Charity 2 or 3 are significantly lower than to any of Charities 1, 4, and 5. These results suggest

that program expenses are key for deciding *to whom* to give (in addition to the decision about *how much* to give examined in the main text). We do not find that differences in the split of non-program expenses between overhead costs and administrative compliance spending influence the decisions about to whom to give.

Table SI.6 Regression results of likelihood to donate

	(1)
BCharity=2	-0.506***
	(0.044)
BCharity=3	-0.499***
	(0.042)
BCharity=4	-0.066
	(0.049)
BCharity=5	-0.046
	(0.048)
No. obs	919
No. subjects	919
Individual FE	No
Demographics	Yes
Other controls	Yes

Notes: Marginal effects from a logistic regression with the likelihood to donate to the alternative charity as outcome. The coefficients give the predicted probability of choosing the indicated charity, *BCharity*, compared to choosing Charity 1, the baseline treatment. Demographic variables include age, gender, region fixed-effects, education, income, and political views. Other controls include trust, altruism, views on charities' transparency, impact and role, trust in charities, awareness of regulations and past scandals in the charity sector, past donations and regular donations, attention prompts and experiment duration. Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

The design of our between-subject experiment additionally allows us to test the effect of communicating how non-program costs are split, *after* subjects were made aware of the distinction between overheads and administrative compliance spending. If information about the split of non-program expenses did not matter, as was found to be the case in the dictator games in the main text, we should expect that subjects' choices between Charity 0 (P=80%; Other=20%) and Charity 1 (P=80%; A=10%; V=10%) are random and the proportion choosing Charity 1 should not be significantly different from 50%. However, tests of proportion reveal that significant majorities prefer Charities 1 (70%), 4 (64%), and 5 (64%) over Charity 0 (p<0.0001, p=0.0002, and p=0.0001, respectively). Hence, the majority of donors (who are, by now, aware of administrative compliance spending) prefer giving to charities that specify the split of non-program costs into compliance and other overhead categories. However, this information is secondary to how much charities spend on program costs: fewer donors give to Charities 2 (21.26%, p<0.0001) and 3 (22.22%, p<0.0001), which have 60% spending on program expenses, than to Charity 0 which has 80% spending on program expenses.

7. Additional Experiment 2: Lower Compliance Costs and Word Choice

To confirm that our main results are robust to the labelling of compliance cost as "administrative burden" and a lower percentage of compliance costs, we ran a supplementary experiment in July 2022. We recruited 200 UK participants from a panel provider Prolific.[5] The experiment is exactly as described in the main text with the following changes. First, we only used three charities: Charity 1 (P=80%; A=10%; V=10%), Charity 2 (P=89%; A=10%; V=1%) and Charity 3 (P=89%; A=1%; V=10%) thus assuming lower values for compliance costs (between 1% and 10%). Second, we added a second treatment, where "Administrative Burden" is replaced with "Compliance", to study whether the change in wording makes any difference.

[5] The experiment was pre-registered on https://aspredicted.org/D7Y_Z8K. We pre-registered an Irish sample, however a coding error meant that we had to restart the recruitment and due to the small number of Irish respondents on Prolific we decided to use a UK sample. All references to Ireland and € in the experiment are replaced with UK and £ accordingly.

Each respondent is either assigned to the "Administrative Burden" or the "Compliance" treatment and within each treatment, each respondent sees all three charities in random order.

The results are summarized in Figure SI.3 and Table SI.7. Consistent with our original findings, respondents show a strong aversion to overheads. Going from Charity 1 (P=80%; A=10%; V=10%) to Charity 2 (P=89%; A=10%; V=1%), the 9% lower overhead is associated with a £0.535 higher donation out of a £10 endowment (5.565 vs 6.1, p=0.0379). This is also confirmed in the regressions in columns 1-2 of Table SI.7: 1pp higher overhead is associated with a 0.059 lower donation, an effect size which is remarkably similar to that in the main text (-0.055).

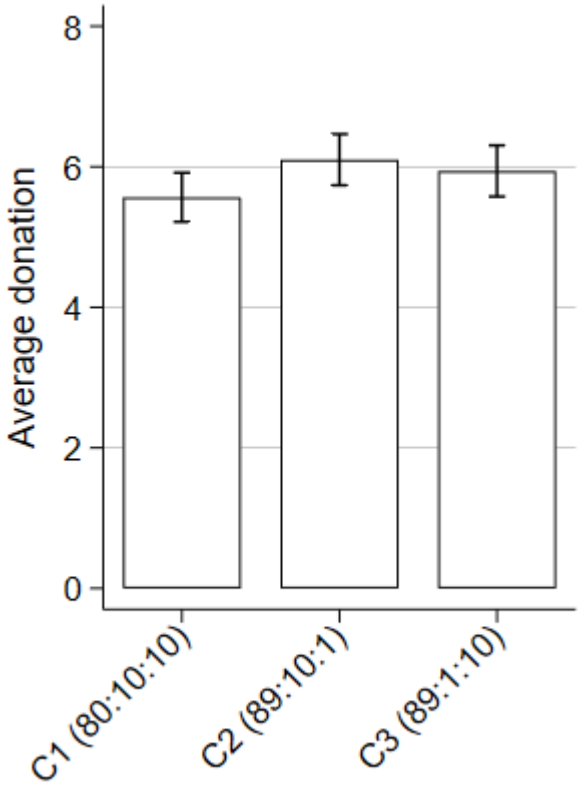


Figure SI.3 Participants' donations in a supplementary online experiment on Prolific. The charities are labelled "P:A:V" where P is the percentage going to program expenses, A is administrative compliance spending, and V is other overhead expenses.

Table SI.7 Regression results of the amount donated using UK participants in Additional Experiment 2

	Model 1		Model 2	
	(1)	(2)	(3)	(4)
Compliance	-0.042***	-0.039***	0.018	0.019
	(0.012)	(0.011)	(0.014)	(0.013)
Other Overhead	-0.059***	-0.057***		
	(0.013)	(0.011)		
Program			0.059***	0.057***
			(0.013)	(0.011)
AdminBurden Treatment		0.039		0.039
		(0.344)		(0.344)
Constant	6.576***	4.756**	0.632	-0.979
	(0.145)	(2.407)	(1.163)	(2.657)
No. obs	600	558	600	558
No. subjects	200	558	200	558
R-sq	0.908	0.251	0.908	0.251
Individual FE	Yes	No	Yes	No
Demographics	No	Yes	No	Yes
Other controls	No	Yes	No	Yes

Notes: OLS regressions with the amount donated in GBP as the outcome. *Compliance* is the percentage of donation spent on administrative burden. *Other Overhead* is the percentage of donation spent on other overhead expenses. *Program* is the percentage of donation spent on program expenses, this value equals 100 - *Compliance* - *Other Overhead*. *AdminBurden Treatment* is a dummy variable for being allocated to the treatment where "Compliance" is labelled "Administrative Burden". Demographic variables include age, gender, education, income, and political views. Other controls include trust, altruism, views on charities' transparency, impact and role, trust in charities, awareness of regulations and past scandals in the charity sector, past donations and regular donations, and experiment duration. Robust standard errors are clustered at the individual level and shown in parentheses. Significance levels indicated *p<0.10, **p<0.05, ***p<0.01.

While higher compliance spending is also associated with lower donations by £0.375 to Charity 1 (P=80%; A=10%; V=10%) compared to Charity 3 (P=89%; A=1%; V=10%), this difference is not statistically significant (5.565 vs 5.94, p=0.1451), potentially due to the smaller absolute difference in administrative compliance spending in the two charities (9%) compared to the main text (20%). Nevertheless, the negative effect on donation per percentage point is significant in the relevant regression analysis as shown in columns 1-2 of Table SI.7 (b=-0.042). This effect size is again remarkably similar to that found in the main text (-0.043).

Comparing Charity 2 (P=89%; A=10%; V=1%) to Charity 3 (P=89%; A=1%; V=10%), the donation to Charity 2 (the one with higher compliance spending and lower overhead) is, as expected, higher, but the difference is not statistically significant (6.1 vs 5.04, p=0.5418). This is also reflected by the coefficient of compliance in columns 3-4 of Table SI.7 (b=0.018) which, while positive (and in fact larger than that in the main text at 0.012), is not significant. This indicates that respondents perceive compliance spending to be just as undesirable as other overhead.

Finally, we note that comparing donations in the "AdminBurden" and "Compliance" treatments for each of the three charities, none of the differences is statistically significant (Charity 1: 5.58 vs 5.55, p=0.9272; Charity 2: 6.15 vs 6.05, p=0.7797, Charity 3: 6.01 vs 5.87, p=0.7114). This is also shown by the coefficients of "AdminBurden Treatment" in Table SI.7 which are never significant. This confirms that our original results are not driven by word choice.