

The economic contribution of the PilchConnect program

Public Interest Law Clearing
House (VIC) Inc

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Deloitte Access Economics Pty Ltd
ACN: 149 633 116

Fiona McLeay
Executive Director
Public Interest Law Clearing House
17/461 Bourke Street
Melbourne Vic 3000

Level 1, 9 Sydney Ave
Barton ACT 2600
PO Box 6334
Kingston ACT 2604

Tel: +61 2 6175 2000
Fax: +61 2 6175 2001
www.deloitte.com.au

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Dear Fiona

The economic contribution of the PilchConnect program

Deloitte Access Economics is pleased to present this report examining the economic contribution of the PilchConnect program.

Measuring the impact of a program which focuses almost exclusively on social service delivery involves a range of data and methodological hurdles. In order to address these challenges, this assessment has adopted a tailored measurement framework, developed specifically for the study, which utilises a standard economic contribution analysis coupled with an 'efficiency dividend' approach. The analysis was also informed by a range of case study evidence.

The analysis highlights the important functions played by PilchConnect in supporting Victoria's not-for-profit (NFP) sector. Indeed, the program's contribution to capacity-building in the sector was strongly supported by all NFP organisations consulted as part of this study.

We hope this report will provide a useful economic perspective on the PilchConnect program and help advance its continuing role within the overall development and growth of the Victorian NFP community.

Yours sincerely



Professor Ian Harper
Director
Deloitte Access Economics Pty Ltd

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Acronyms

ABS	Australian Bureau of Statistics
CPD	Continuing professional development
DGR	Deductible gift recipient
GDP/GSP	Gross domestic product/gross state product
NFP	Not-for-profit community organisation

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Executive summary

The PilchConnect program provides an important role in enabling Victorian not-for-profit (NFP) groups to be better run by facilitating access to free legal support services. These services are provided directly by PilchConnect or brokered with private legal firms on a pro bono basis.

Underpinning the importance of the program, many NFPs, especially smaller organisations, face substantial funding and operational constraints and are unable (or have reduced options) to procure legal services at commercial rates. The availability of the PilchConnect program allows these organisations to secure timely and mission-critical legal advice and services so their capacity to deliver on-the-ground services is sustained.

This report has examined the economic contribution made by central elements of the work undertaken by PilchConnect in supporting Victoria's NFP sector. Two main aspects of this contribution are measured.

- Firstly, the direct economic contributions associated with program delivery are measured. This captures the various activities of the PilchConnect program and the value generated by private legal firms providing pro bono services.
- Secondly, the flow-on contribution made by the program via broader capacity building in the NFP sector is estimated. This function of 'helping the helper' constitutes the largest element of PilchConnect's economic and social contribution, particularly as it operates in a 'non market' environment.

PilchConnect's broader policy and law reform advocacy — aimed at improving the regulatory framework for the NFP sector — has not been measured in this study.

Promoting a vibrant and sustainable NFP sector

The PilchConnect program is a widely accessible legal support resource for the Victorian NFP sector. The program is used both regularly and on an ad hoc basis by a broad range of NFP organisations, according to their respective legal advice requirements.

Four main categories of NFP organisation are assisted through the PilchConnect program:

- organisations supporting marginalised, disadvantaged and needy people;
- organisations encouraging community participation and development;
- organisations protecting the environment and responding to disaster; and
- peak bodies, member-serving and advocacy based organisations.

While its client base is diverse, support through the program is concentrated in NFP organisations which address issues of social disadvantage. In 2010-11, almost half of all assisted NFP clients were involved in this area. However, even those NFP clients not directly involved in these issues still make important contributions to community connectedness and wellbeing.

Consultations with clients of the PilchConnect program were undertaken as part of this study. The principal objective of discussions was to gauge the range and nature of

operational impacts generated through the program, and how this ultimately drives flow-on benefits to the community.

Consultations highlighted substantial assistance to the NFP sector had been provided through the PilchConnect program, especially when organisations were faced with unusual legal issues. Some key themes emerging from discussions were:

- Consistent with the diversity of the PilchConnect client base, the operational impacts to NFP organisations arising from legal support were also wide-ranging. For instance, some clients received ‘threshold’ advice which was instrumental in establishing a more viable legal structure. Other organisations required advice in order to expand their service delivery functions on a more incremental basis.
- Without access to the service provided through PilchConnect, nearly all assisted NFPs would not be able to secure necessary legal assistance to support and advance their important community activities. This is particularly pronounced for smaller and start-up NFPs which often have vastly reduced options for obtaining legal support, as well as NFP organisations which operate within regional or rural settings.
- Crucially, even when some aspects of the legal advice provided through the program were not acted upon or eventually proved unnecessary because of changed circumstances, it was stressed by stakeholders that advice was nevertheless vital in reducing operational risks, canvassing new options and enabling informed decisions which were in the best interest of the organisation and its clients.

Overall, clients indicated a high degree of satisfaction with the PilchConnect program and overwhelming support for its ongoing role in supporting and building capacity within the Victorian NFP sector. In short, the PilchConnect program was considered to make a sustainable and pervasive contribution to the Victorian NFP sector — thereby leading to better social outcomes for the community.

Measuring the economic contribution

The economic contribution of PilchConnect legal services in 2010-11 was estimated to be approximately \$4.3 million. This involved a direct contribution from program delivery of around \$1 million, comprising about \$300,000 from in-house functions (for example, the provision of training and telephone advice) and approximately \$670,000 arising from brokering private sector legal advice provided on a pro bono basis (see Figure i). This contribution does not include the economic value of policy and law reform activity undertaken by PilchConnect.

Importantly, the reach of the PilchConnect program extends far beyond its direct economic contribution. As noted, it is the spillover impacts — generated as operational improvements to the NFP sector flow through to end clients and the wider community — which are the most fundamental dimension of the PilchConnect program. It is this effect which is the ‘efficiency dividend’ of the program. It was estimated that approximately 3,500 additional client services will be provided over the next three years as a result of efficiency gains in NFP organisations assisted by PilchConnect in 2010-11.

The overarching aim of activities undertaken by clients of the PilchConnect program is directed at providing the community with the opportunities and freedoms to lead healthy,

productive and meaningful lives. In this context, four channels are considered to capture the broader envelope of the social impacts arising from PilchConnect:

- benefits to productivity and workforce participation (measured as additional employment on a full time equivalence basis);
- improving the health of the community (measured via avoided health care costs);
- savings to the justice system (measured via avoided costs); and
- lower social service payments by government (measured on the basis of standard welfare payments).

These social impacts have been estimated under three envelope scenarios:

- High case — *prospective* social contribution.
- Central case — *potential* social contribution.
- Low case — *conservative* social contribution.

This scenario approach has been adopted due to the inherent uncertainties regarding both the level of service efficiency improvement provided by the program and resultant impacts of changed service delivery on different social outcomes over time. Each of the scenarios reflects the actual level of program delivery activities undertaken by PilchConnect in 2010-11 and the composition of its NFP client base.

Under the central case, the social contribution of the PilchConnect program in 2010-11 is estimated to be approximately \$3.3 million. The large majority of these social impacts are estimated to accrue via the assistance provided to NFP organisations which address social disadvantage. This is driven by two factors: (1) this group of organisations comprises the largest part of PilchConnect's client base; and (2) these organisations have a more direct linkage to the social outcomes measured in the assessment framework.

The social contribution is sensitive to the level of 'additionality' in service delivery attributed to legal support provided through the PilchConnect program and how this is translated into concrete social outcomes across the community. Where this service efficiency impact and its resultant social impacts are both 10% greater — a more prospective but not unrealistic case — the social contribution of the program could be in the order of \$4.0 million in 2010-11. This would yield a total economic contribution of around \$5.0 million over the year.

Some limitations

The availability of robust information — especially in relation to the longer term impact of PilchConnect services to NFP operations — was a limitation of the study. That said, many of these data issues are those typically confronted when measuring the efficacy of various forms of social service delivery and policy formulation.

It should be noted that the social impact scenarios have accordingly relied on a high degree of judgement, especially regarding the precise linkages between operational and social outcomes. They have been heavily informed by case study evidence and have been underpinned by a conservative approach to the analysis.

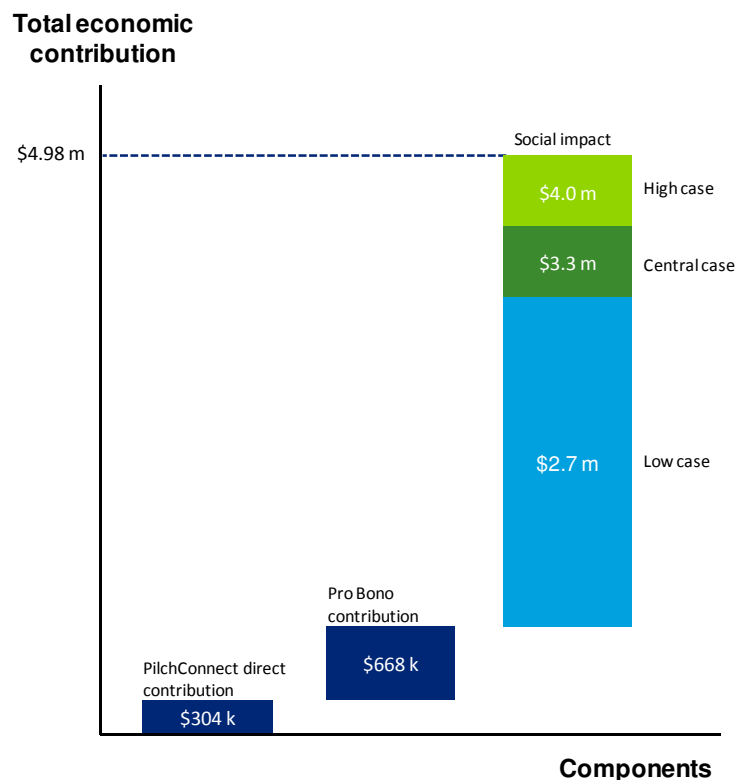
Further, while the estimates of the social impact have been designed to be wide-ranging, they do not encompass all important social benefits. Many community impacts such as

facilitating greater social inclusivity and advancing cultural values are very difficult, if not impossible, to quantify.

PilchConnect has also undertaken a significant amount of Victorian and national law reform and policy work during 2010-11, including various public submissions. This study has not sought to estimate an economic value for this work or assess its wider economic implications.

In respect of these issues, the estimates of social contribution are best considered illustrative and representing the scale of potential benefits generated through the PilchConnect program.

Figure i: Economic contribution of PilchConnect



Concluding comment

The PilchConnect program is estimated to make a meaningful contribution to the Victorian NFP sector and the broader community. Indeed, the program's positive contribution to the sector was strongly emphasised during consultations.

As noted, the estimated economic contribution is directly related to the actual level of service delivery provided under the PilchConnect program. The program has gradually expanded over the last few years, largely underpinned by greater funding investments including by philanthropic grants and a one year grant from the Victorian Government. On the basis of this assessment, should the PilchConnect program be moderately expanded (say by around 10%), these additional services could potentially equate to a further

\$2 million over the next five years (in net present value terms), over and above a central economic contribution of about \$20.4 million.

The program has already demonstrated a capacity for innovation, with training activities and direct telephone legal advice playing a greater role in effectively dealing with more standard legal matters. Over time, and with further institutional experience, this form of service delivery could be expected to play a larger role in supporting pro bono legal functions and enhancing overall capacity in the NFP sector. Further expansion could extend these benefits across Australia.

Deloitte Access Economics
August 2011

1 Introduction

The Public Interest Law Clearing House (VIC) Inc. (PILCH) has engaged Deloitte Access Economics to evaluate the economic contribution of one of its core services, PilchConnect, a specialist legal service for Victorian not-for-profit community organisations (NFPs).

Based in Victoria since its inception in 1994, PILCH works to address unmet legal need by facilitating pro bono legal services, with a focus on assisting marginalised and disadvantaged people. PILCH provides a brokerage service, matching individuals and organisations that are otherwise unable to access legal support with legal professionals who provide free legal advice. PILCH also runs three targeted programs: the Homeless Persons' Legal Clinic; the Seniors Rights Legal Clinic; and PilchConnect.

PilchConnect was launched in 2008 to formalise and better coordinate the pro bono referral services that PILCH had provided to NFPs and to expand its sector capacity building and law reform work in this area. It provides free or low-cost support to NFPs on a range of legal and regulatory matters, encompassing areas such as incorporation, taxation, insurance and volunteer-related issues. PilchConnect works to support NFPs to be better run so they can achieve their mission and the public can have trust and confidence in them. To accomplish this, PilchConnect aims to: (1) enhance the capacity and efficiency of the Victorian NFP sector by providing appropriate and accessible legal support; and (2) to improve the regulatory framework for Australian NFPs via law reform and policy work.

This report evaluates the economic contribution of PilchConnect, using a measurement framework developed specifically for the study (see Access Economics 2011). The measurement framework was reviewed and broadly endorsed by a number of external stakeholders, including the Victorian Treasury and parties with expert knowledge in social enterprise evaluations.

Designing a robust and practical framework was important, given the measurement challenges faced in quantifying PilchConnect's various service delivery activities and their broader impacts:

- Since PilchConnect operates in a 'non-market' environment — that is, its services are offered free of charge (or at very low cost) to consumers — the standard economic contribution methodology is unlikely to capture the full economic value of PilchConnect's activities.
- As PilchConnect essentially 'helps the helper', the social impacts which flow from more efficiently operated NFPs are effectively one step removed, making measurement a more indirect proposition. Crucially, it is these spillover benefits which comprise the more significant part of PilchConnect's economic contribution.

The economic contribution relates to legal services provided by PilchConnect — the facilitation of pro bono legal assistance, telephone advice and training. PilchConnect's policy and law reform work, aimed at improving the regulatory framework for the NFP sector, has not been measured.

The report commences with an analysis of PilchConnect's operational profile, including an overview of its client base, service delivery activities and attendant flow-on impacts. The

measurement framework which underpins the economic contribution analysis is then outlined. Finally, PilchConnect's economic contribution is presented, with assumptions clearly stipulated and supporting information provided.

As part of the assessment, various discussions were undertaken with NFPs which had received legal advice and support through the PilchConnect program. Deloitte Access Economics wishes to thank these organisations (listed in Appendix A) and believes the study benefitted from the various perspectives and insights provided. Case studies of these organisations are provided in Section 2.

2 Operational profile

To provide context for the economic contribution analysis, this section highlights PilchConnect's operational profile, including its NFP client base and program service offerings. It also sets out the broad dimensions of the economic impacts generated by capacity building in the NFP sector, both directly and over the longer term.

2.1 PilchConnect's client base

PilchConnect's client base comprises a wide variety of NFPs from all parts of the community sector, with the types of activities undertaken by these groups ranging from social services to culture and recreation. Clients are located throughout Victoria — in metropolitan, regional and rural areas — and vary in size from small, volunteer-run NFPs to larger NFPs with paid staff.

The common thread is that PilchConnect's clients are public interest NFPs that are typically unable (or have substantially reduced capacity) to afford paid legal advice. In addition, clients tend to be groups confronting legal issues that raise matters of broad public interest or disproportionately affect disadvantaged or marginalised people. An overview of the type of clients assisted by PilchConnect in 2010-11 is provided in Table 2.1 below.

Table 2.1: Overview of PilchConnect clients, 2010-11

Characteristic	Number of clients assisted
Location	
Metropolitan Melbourne	92
Outer-metropolitan Melbourne	272
Regional Victoria	72
Nation-wide Victorian-based issue	6
Category of client	
Supporting marginalised, disadvantaged & needy people	202
Encouraging community participation & development	179
Protecting the environment & responding to disaster	26
Peak bodies, member-serving & advocacy based	35
Type of legal matter*	
Establishing an organisation	66
Internal governance	56
Regulatory compliance	131
Disputes / litigation	10
Contracts	20
Tax concessions	76
Property / leasing	12
Employment	20
Insurance / risk management	25
Privacy	6
Intellectual property	20
TOTAL CLIENTS	442

Source: Public Interest Law Clearing House

*Types of legal assistance have been consolidated in the contribution analysis

2.2 Service offerings

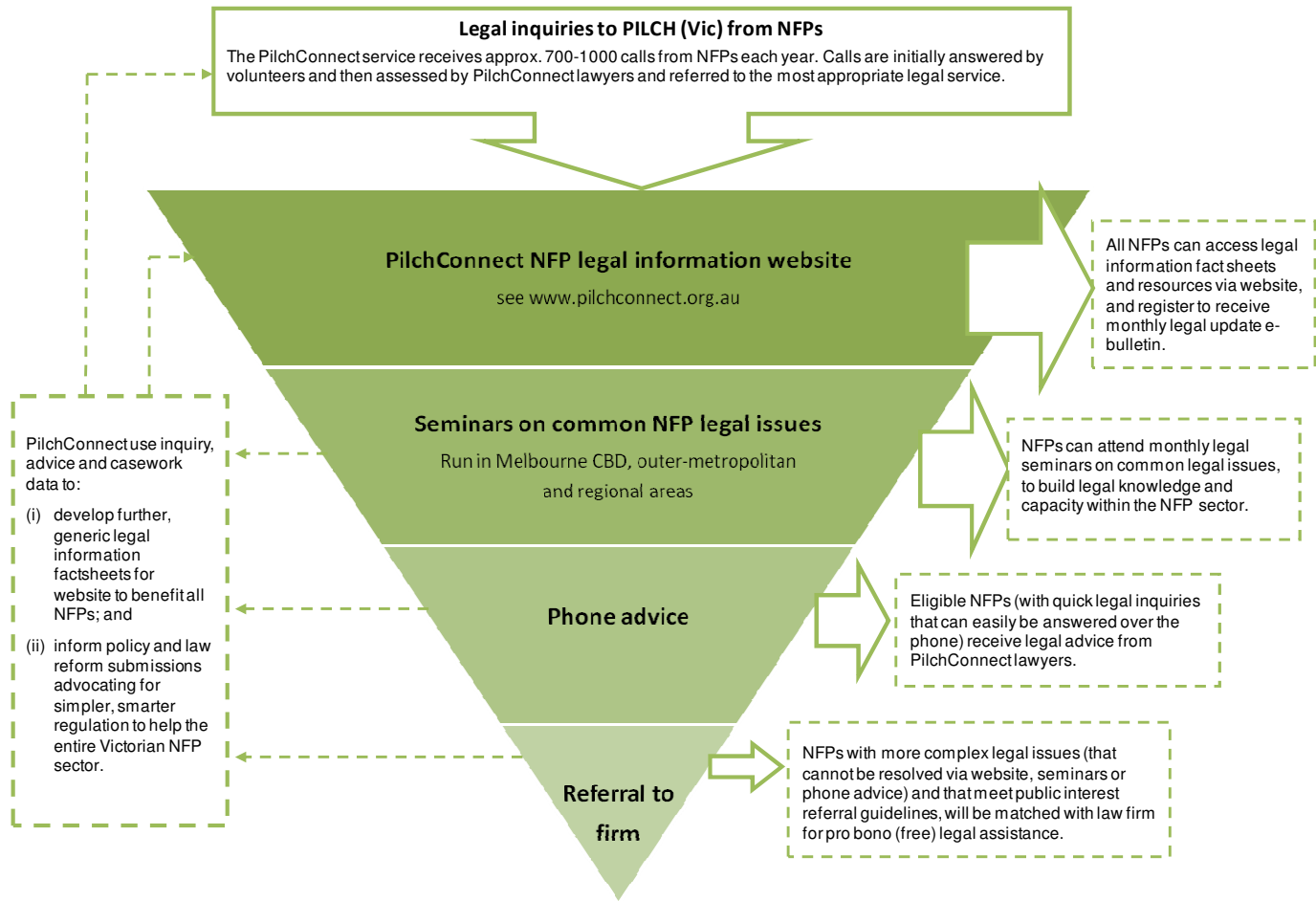
PilchConnect provides a range of services aimed at strengthening the operational capacity of the NFP sector. This encompasses both direct assistance to individual NFPs and broader advocacy and training services across the sector (see Box 1).

Box 1: The main types of PilchConnect's activities

- **Pro bono legal assistance** — This involves the matching and referral of eligible NFPs to PILCH member law firms for legal advice. Eligible NFPs are generally public interest NFPs (i.e. helping marginalised and disadvantaged Victorians) with more complex legal issues.
- **Telephone advice service** — This service involves the provision of advice to NFPs by PilchConnect lawyers. It is a call-back service for eligible NFPs with straightforward queries that are suitable to be dealt with over the phone. Where relevant, NFPs may be referred to other resources, such as the PilchConnect web portal (see below) or other service providers.
- **Training and seminars** — A variety of legal training for NFPs in metropolitan and regional areas, and training for Victorian lawyers (including CPD sessions and a Law Masters subject at the University of Melbourne) to build capacity in the sector and legal profession regarding NFP-specific issues.
- **Web portal** — PilchConnect maintains a publicly available website containing a range of relevant legal information resources for NFPs. This information is structured in a way that follows the life-cycle of an NFP — ranging from information specific to setting up a NFP to information applicable to well-established organisations. Legal e-bulletins are also sent to subscribers. PilchConnect also maintains a strong social media presence, disseminating information through platforms such as Twitter and Facebook.
- **Sector advocacy work** — PilchConnect makes formal submissions to federal and Victorian inquiries and reviews. It also participates in various law reform committees and groups, and undertakes research on sector-wide issues, such as streamlined regulation.

In terms of its specialised assistance, PilchConnect operates a triage model of service delivery in which minor NFP enquiries are resolved directly in-house by PilchConnect, with more complex matters referred for expert pro bono assistance as needed (Figure 2.1).

Figure 2.1: PilchConnect triage model



The types of assistance provided to clients is summarised in Table 2.2.

Table 2.2: Overview of assistance provided to PilchConnect clients

Type and detail of assistance	From 1 January 2009	2010-11 only
Pro bono legal referrals	194	81
Average law firm hours on referrals	19.94 (sample of 62)	18.9 hours (sample of 9)
Average financial value of referrals	\$6,389 (sample of 65)	\$6,742 (sample of 10)
Telephone advice service	545	361
Training — Outer metro/regional*		
Sessions	16	na
Participants	425	na
Training — CBD**		
Sessions	20	10
Participants	867	433
Financial value	\$184,099	\$85,505
Web portal		
Number of visits	222,118	114,466
Number of page views	669,625	340,568
Number of fact sheets produced	60	14
Monthly e-bulletin		
Number of subscribers	na***	1,901
Number circulated	29	12

Source: Public Interest Law Clearing House

* Delivered by PilchConnect lawyers. ** Usually delivered pro bono by lawyers from member law firms.

*** E-bulletin commenced February 2009 with number of subscribers growing over time.

2.3 Direct outcomes

PilchConnect aims to build a more sustainable NFP sector in Victoria by enhancing the sector's capacity and efficiency. This is achieved through the provision of legal services to NFPs, with the aim of:

- reducing commercial and legal risks for NFPs, including through longer term capacity, enabling legal support as well as addressing more immediate legal issues;
- improving the capacity of NFPs to attract external sources of funding, including from government programs and private donors (e.g. through deductible gift recipient (DGR) funds);
- facilitating reallocation of NFP resources to service delivery and away from administration;
- improving the ability of NFPs to attract and retain volunteer and paid staff, including Board and Committee members; and
- supporting ongoing innovation in the NFP sector.

While such outcomes can improve the viability and effectiveness of NFPs, it is important to note these benefits are not all 'additional' on account of PilchConnect. In other words, NFPs would still enjoy at least some of these benefits even if PilchConnect did not exist. For

example, the legal profession would continue to offer a certain level of pro bono services to NFPs — because of strong traditions in the legal profession or to meet requirements imposed by the Victorian Government and various corporate panels.

Nevertheless, a significant proportion of the benefits are likely to be additional, largely due to the nature of the PilchConnect service delivery and matching model.

On the *supply side*, PilchConnect helps harness latent suppliers of pro bono legal support through its industry profile and by offering an efficient matching service for NFPs and law firms. Essentially, PilchConnect's program can allow participating law firms to engage in focused and meaningful pro bono work within the NFP sector. This plays a particularly important role with smaller and medium-sized law firms which typically have less established processes and structures for undertaking pro bono work.

Even for large law firms that would undertake pro bono work regardless of PilchConnect's existence, there are potentially important incremental advantages. These can involve, for instance, time savings and other efficiencies for firms' pro bono coordinators through PilchConnect's triage and matching process and by directing NFPs to information on the website, providing telephone advice or directing them to upcoming training, rather than contacting firms directly. PilchConnect also helps by distilling the key, most urgent issue, often from a range of legal and non-legal concerns.

There may also be compositional effects on how pro bono services are provided through PilchConnect, compared with how these services would otherwise be delivered. There are indications that law firms are more likely to offer pro bono assistance to a smaller group of larger NFPs (which often have greater capacity to pay for these services) rather than a larger groups of smaller NFPs when PilchConnect is not involved.

On the *demand side*, PilchConnect effectively helps lower the search costs for NFPs in need of legal assistance due to its profile and linkages within the sector. PilchConnect's ability to direct queries to the most appropriate avenue for resolution also means that NFPs receive effective and timely service. For small or regional-based NFPs, which are generally less able to access affordable and appropriate legal support, the additional benefits provided by PilchConnect are more pronounced.

2.4 Longer-term impacts

In addition to direct legal assistance, PilchConnect's activities generate a range of longer term impacts across the stakeholder group (including the NFP sector itself) and more broadly. Key flow-on impacts and beneficiaries are described below.

- **Clients of NFPs** — The enhancement of an NFP's activities will ultimately benefit its clients through increased or more effective service provision — indeed, this is the central objective of PilchConnect. For example, a migrant resource centre that provides settlement and family services may be able to assist a greater number of new migrants. For NFPs with acute sustainability pressures, service enhancement can have broader dimensions and involve the continued operation of the NFP itself rather than more narrow efficiency benefits.

- **Government** — By boosting the capacity of the NFP sector to provide community services, the demand on government to provide these services is reduced. Further, where government already contracts social services to the NFP sector, these might be undertaken in a more cost-effective manner. This can increase the sector's overall capacity to undertake work out-sourced by governments, especially in rural and remote areas. In this regard, NFPs can often provide certain social services more efficiently than government, as they have greater flexibility and can more easily direct resources to areas of greatest need.
- **Law firms** — By providing pro bono services through PilchConnect, law firms and their personnel can secure some key branding and human capital advantages. At a commercial level, participation in the structured program can provide some reputational advantages and enhance a firm's ability to attract and retain staff. It can also reduce the costs for law firms of meeting mandatory legal panel requirements imposed by government and some major corporations. By building the capacity and professionalism of NFPs, PilchConnect also increases the likelihood of these organisations eventually becoming paying legal clients.

Legal professionals also gain knowledge and skill in legal issues specific to NFPs, and their relationship to other legal issues, thereby building human capital. This is particularly important given that the limited number of legal professionals who specialise in charity/NFP legal issues currently presents a barrier to accessing high quality legal services for NFPs.
- **Broader community** — Spillover benefits generated by NFPs include enhanced social inclusion and cohesion (including through increased volunteerism). These benefits have wider economic implications such as increased workforce participation and productivity, and lower health and welfare expenditures. Such impacts generate fiscal benefits for government (and taxpayers) and are a key area of reform focus, including through the Council of Australian Governments.
- **NFP sector** — Much of PilchConnect's advocacy attention is directed towards improving the regulatory framework applying to NFPs. Advocacy which actively contributes to socially beneficial policy or regulatory change represents a real economic contribution. For example, successful advocacy on the re-drafting of rules for incorporated associations into plain language can ultimately generate a range of administrative and compliance savings for NFPs and relevant agencies.

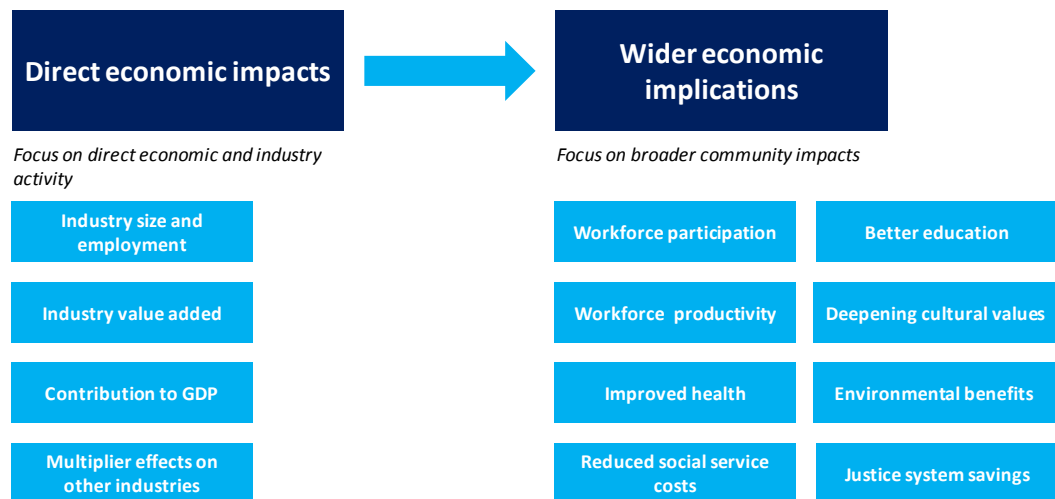
2.4.1 Determining wider economic implications

Flow-on benefits to the economy and society, as a result of increased capacity in the NFP sector, constitute an important aspect of PilchConnect's overall contribution. Consideration of these benefits is crucial as these impacts represent the largest part of PilchConnect's total economic contribution.

PilchConnect's role in 'helping the helper' facilitates wider economic and social impacts resulting from contributions made by NFP organisations. The NFP sector is incredibly diverse, hence so are the services provided by NFP organisations and the wider economic benefits that these services help to generate. A number of potential flow-on benefits arising from the activities of NFP organisations have been identified in Figure 2.2 and these are outlined in further detail below. Case studies of PilchConnect's NFP clients are also provided in relation to some of these wider economic implications, highlighting the nature

of activities undertaken by these NFP clients and the type of legal assistance received through PilchConnect.

Figure 2.2: General economic and social contribution framework



Source: Deloitte Access Economics

There is likely to be significant cross-over between a number of these wider economic impacts. For example, where better education is an expected outcome, this is likely to also lead to improved workforce productivity. Similarly, improved health may help to increase workforce participation — in turn, increased workforce participation may reduce social service costs, and so on.

It is important to note that these wider economic implications are unlikely to occur in isolation and that many benefits overlap. In such cases, it is important to avoid double-counting of related outcomes.

Workforce participation

Increased workforce participation is an important flow-on impact arising from the provision of services by NFP organisations that influence human capital development or support people who are otherwise unable to participate in the workforce. This may include direct efforts targeting human capital development; such as through education initiatives, teaching of skills to different groups or, perhaps, helping those who are marginalised or disadvantaged to gain stability and confidence. Ultimately, such efforts to increase human capital should lead to greater workforce participation.

Alternatively, organisations may influence workforce participation in an indirect manner. A number of organisations that have sought assistance from PilchConnect provide support for people who are carers for their family members. Such support may allow informal carers to move back to, or increase their time spent at, work. Palliative Care Victoria and the Cerebral Palsy Support Network both work to support carers in this way, and are discussed in more detail below.

Case study: Palliative Care Victoria and Cerebral Palsy Support Network

Palliative Care Victoria is the peak body representing palliative care providers, consumers and families. They provide support, education, information and referrals for people suffering life-threatening illness and their families. Palliative Care Victoria aims to optimise quality of life for their consumers, empowering them to retain control of their lives through knowledge and information. This work can play an important role for the wellbeing of people suffering from life-threatening illness and their families.

PilchConnect has assisted Palliative Care Victoria by facilitating pro bono support for the review of a contract to carry out a comprehensive survey of palliative care services across Victoria regarding patient satisfaction. Palliative Care Victoria was required by the Victorian Department of Health to undertake the survey within a tight timeframe. Advice provided through the PilchConnect program was critical in helping ensure that the commercial risks of engaging a private survey company were effectively managed.

The survey was considered to provide an important contribution to building a better evidence base in the delivery of effective palliative care across the state, with Victoria being the first jurisdiction to conduct this form of assessment. The outcomes of the survey will inform future government policy and funding initiatives, in addition to having identified a need for greater support of carers for terminally ill patients. Advocacy by Palliative Care Victoria may lead to greater support for informal carers in the future (allowing them to return to, or increase, their workforce participation).

The **Cerebral Palsy Support Network** supports families with children with cerebral palsy in Victoria, providing services such as telephone advice, programs that encourage children to socialise and administrative support to families for the payment of carers (including a brokerage program to help families find carers). The brokerage program is particularly important as the rate of children with cerebral palsy is rising, making it difficult for many families to source carers. This program helps families to find an appropriate carer.

Similarly to Palliative Care Victoria, the support offered by the Cerebral Palsy Support Network to families of children with cerebral palsy acting as informal carers may help them to return to, or increase, their workforce participation.

The Cerebral Palsy Support Network sought assistance from PilchConnect to examine how the organisation was best structured going forward in light of its expanding support network. Assistance on governance matters was provided in the context of a new strategic direction being considered by the Board. Issues which required specialised legal advice centred on the nature of employment arrangements of carers and associated public funding arrangements which are attached to the individuals receiving care. The advice supported strategic decisions regarding the scope of service delivery and how to reduce potential legal risks.

Workforce productivity

Many NFP organisations will contribute to improved workforce productivity outcomes, in a similar fashion to their potential impact on workforce participation (as described above). Initiatives that help to build human capital should lead to broader impacts on productivity. Initiatives targeting the development of human capital can capture a broad array of services; particularly those aimed at improving health outcomes, education or skills development.

Case study: Victorian Council of Social Service (VCOSS)

VCOSS is the peak body for the social and community services sector in Victoria. VCOSS has a strong, long-standing collaborative partnership with PilchConnect that includes: (i) working together on policy and law reform issues; (ii) VCOSS engaging PilchConnect to deliver training to NFPs in regional Victoria; and (iii) PilchConnect brokering pro bono assistance for low-cost VCOSS community guides. VCOSS advocates on behalf of and supports the community sector — in particular on behalf of its 600 members and other NFP organisations that it represents. It plays an important role in raising awareness of the existence, causes and effects of poverty and inequality, as well as advocating for the development of a sustainable, fair and equitable society. In particular, VCOSS helps to build the capacity of its member organisations and, through them, the capacity of people suffering from social disadvantage.

The resulting benefits for workforce productivity are potentially two-fold: (1) an increase in the productivity of the community sector through enhanced capacity; and (2) an increase in the productivity of the broader workforce through enhanced individual capacity as a result of services provided by the community sector.

VCOSS has partnered with PILCH to provide a range of regional governance training to the Victorian NFP sector. A focus of this training has provided broader professional development for the sector — an area where there is considered to be substantial scope for improvement, especially for rural and regional NFP organisations. These activities have recently been complemented by a practical employment manual for the sector which was developed in conjunction with PILCH. Providing general support services via appropriately targeted training and legal material has often lead to more detailed follow-up inquiries via the PilchConnect service.

Improved health

A number of NFP organisations work to improve health outcomes through the direct provision of services or through education that increases awareness of certain health issues. Where health services are provided by NFPs, there is a clear and direct link to improved health outcomes for those receiving treatment. Many NFPs also provide education and information regarding health-related issues, which may encourage people to alter risky health behaviour, or to seek appropriate medical advice. Less directly, certain organisations may advocate on behalf of particular health-related issues, leading to changes in government policy that facilitate improved health outcomes (as with Harm Reduction Victoria, discussed in further detail below).

Case study: Harm Reduction Victoria and the Stroke Association of Victoria

The mission of **Harm Reduction Victoria** is to advocate for the health of people who use drugs and to provide education and harm reduction services. Its members include people who currently use illicit drugs, former illicit drug users and people aiming to increase information and education about illicit drug use. Services provided by Harm Reduction Victoria include services that directly affect health outcomes, such as assistance to people suffering adverse effects of drugs at music festivals and overdose prevention programs. Other services that have an indirect effect on health outcomes include education, health promotion, research collaboration, advocacy, policy advice, raising community awareness and support and referral.

Harm Reduction Victoria was considering its options for relocating into new larger premises. Legal advice was sought through PilchConnect to help with this process, including engagement with landlords and meeting community consultation processes. It was considered that this advice was crucial for allowing the organisation to weigh up the various legal risks associated with the relocation such as the prospects of gaining community acceptance at the new site and the implications for its recurrent funding base.

The **Stroke Association of Victoria** provides peer support for survivors of stroke and their families by establishing support groups around Victoria. Services provided include provision of support counselling, guidance and referral; provision of respite gateways for stroke victims; participation in state-wide education on all aspects of living with stroke; and the promotion and encouragement of rehabilitation for stroke survivors. This suite of services will increase wellbeing of stroke survivors and their families as well as facilitating certain improved health outcomes, for example by facilitating rehabilitation.

The Stroke Association was seeking to engage an additional officer to undertake outreach work in the community. As a very small NFP organisation, advice was sought from PilchConnect regarding its obligations as an employer and to prepare relevant employment contracts. Without such direct assistance, it was considered that the additional officer may not have been engaged, or that the engagement may have raised new legal risks for the organisation. The advice provided a level of comfort for the Board that allowed them to have confidence in the new employment arrangements.

Reduced social service costs

Reduced social service costs are likely to result from increased capacity or efficiency of NFP organisations that provide services to government or from organisations that help build capacity of individuals from disadvantaged backgrounds, thereby reducing their need to draw on social services in the future. As a number of NFPs provide services to the government, any increase in their efficiency or capacity may lead to more cost-effective service delivery, thereby reducing social service costs. At the other end of the spectrum, services that support people who are marginalised or disadvantaged may help reduce the extent that these individuals must rely on social services in the first instance. This will help to reduce social services costs over the long-term.

Case study: Travellers Aid Australia and Women's Information, Support and Housing in the North (WISHIN)

Travellers Aid Australia (TAA) assists with mobility needs of people experiencing disadvantage, including those with mobility needs or people in crisis or emergency shelters. This assistance predominantly occurs for travel within Victoria, but also includes travel outside the State. Services provided by TAA include assistance to people travelling to Melbourne for medical treatment; provision of a secure online travel booking service (currently in its pilot stage); free personal care to travellers with a disability at Flinders Street and Southern Cross Stations and free buggy transport or personal guidance assistance to seniors and people with mobility issues at Southern Cross Station. In 2010, approximately 10,000 clients were assisted through TAA's emergency relief program alone.

The services provided by TAA help to reduce stress associated with travel. In particular, the online booking service has improved efficiency and created better pathways for clients. As an organisation that is partly funded by the Victorian Government, this has resulted in a less bureaucratic process for clients and a more effective provision of this social service.

TAA received pro bono legal advice, brokered through PilchConnect, in relation to the pilot of its online travel booking service. The advice covered areas such as tendering requirements and protection of client information. TAA and the pro bono legal firm have had an ongoing relationship over the length of the piloting phase. During discussions, TAA emphasised they would not have been able to run the pilot had they not received pro bono legal assistance through PilchConnect (due to cost restraints). They also highlighted other benefits such as the timely nature of PilchConnect's service and the effectiveness of the match with the pro bono legal firm, who were described as 'very accessible'.

WISHIN, on the other hand, may help to reduce the long-term cost of social services by creating sustained improved outcomes for its clients, thereby potentially decreasing reliance on social service in the future. WISHIN works in the Darebin and Moreland areas to ensure provision of safe, secure and affordable housing for all women, with or without accompanying children. This includes provision of housing, support and outreach services, as well as a broader goal of working towards social change.

A recent example of the assistance provided to WISHIN through the PilchConnect program involves dealing with court issues as they pertain to their direct clients. Many individuals supported by WISHIN are 'high risk' and sometimes are caught up in the justice system. PilchConnect has helped WISHIN effectively deal with court requests for client information, including by ensuring that client privacy issues were sufficiently protected in accordance with the law. This advice has often been needed at short notice to meet legal proceeding requirements.

Better education

Different NFP organisations may facilitate better education outcomes in different ways. Some organisations may work directly with people in the provision of education services or skills development. Other organisations may facilitate improved education outcomes for disadvantaged or marginalised groups by working with them to gain the life skills that allows the future pursuit of a formal education, for example through the provision of stable accommodation, case management or improved English language skills. In some cases, NFP organisations may help students from disadvantaged backgrounds to continue their education by providing support financially or in a mentoring or counselling role.

Case study: 10thousandgirl Campaign

The **10thousandgirl Campaign** aims to help (10,000) young Australian women by improving their financial literacy and inspiring them to pursue their life plan with confidence and independence backed by financial security. 10thousandgirl conducts a range of workshops focused on creating life goals, building financial skills and security, and building a network. Not only do the workshops conducted by 10thousandgirl provide direct education opportunities for young women, but they indirectly increase the ability of participants to access formal education in the future as they receive assistance to plan for their life goals.

10thousandgirl sought assistance through PilchConnect to constitute their organisation and put in place an effective governance structure. This matter was not straightforward and specialised advice was brokered through a private sector legal provider on a pro bono basis. A core aspect of the advice centred on ensuring that 10thousandgirl could access various tax concessions, enabling the organisation to diversify and strengthen its funding base and rapidly expand its program delivery. Under this more sustainable footing, the 10thousandgirl campaign has been rolled out across capital cities and many key regional centres in Victoria.

Deepening cultural values

NFP organisations that work with particular cultural groups help to form a sense of community and identity, and also to educate broader society about Australia's diverse cultural values. This work may take a variety of forms, ranging from support to recently settled refugee communities, to social groups and artistic endeavours.

Case study: Ilbijerri Theatre Company

Ilbijerri Theatre Company is Victoria's only Indigenous Theatre company and is the oldest Indigenous Theatre company in Australia. Ilbijerri tells Indigenous stories, by initiating and developing performances in collaboration with the community and artists. The work performed by Ilbijerri teaches Indigenous and non-Indigenous audiences about the need for family, history and heritage and explores a range of issues from a uniquely Indigenous perspective. Undoubtedly, Ilbijerri plays an important role in deepening Indigenous cultural values for all Australians.

As an extension of its core theatre productions, Ilbijerri also undertakes specially commissioned productions for government aimed at raising awareness of Indigenous health issues such as reducing risks of contracting hepatitis. These tailored productions are then taken to various communities.

A major aspect of Ilbijerri's mission within Australia's broader creative landscape is to employ Indigenous creative artists and directors. To help ensure that this mandate can be met, especially in the case that Ilbijerri seeks to expand its operations, advice was sought through the PilchConnect program concerning the application of the Victorian Equal Opportunity Act.

Environmental benefits

Environmental benefits may arise from the work of NFP organisations targeting improved environmental outcomes. This may be achieved through the provision of education and information about actions that benefit the environment (e.g. land management) or about taking action to prevent or reduce environmental damage (e.g. saving energy or reducing waste). Other organisations may work directly with volunteers in the community to undertake activities that improve environmental outcomes (e.g. clearing waste from natural environments, planting trees etc).

Justice system savings

NFP organisations that work with people who may be at risk of breaking the law may generate flow-on impacts resulting in savings to the justice system. In the case of some NFPs, support may be provided to individuals at risk of criminal behaviour, effectively helping to prevent future arrests or incarceration. Not only does this have tremendous benefits for the individual in question, it also represents a significant saving to the broader community in terms of the potential legal costs avoided.

3 The measurement framework

This section sets out the framework for measuring the economic contribution of PilchConnect, recognising some of the measurement challenges presented by PilchConnect's operational profile. The measurement framework is regarded as systematically capturing, albeit at a high-level, the value of PilchConnect's activities, outcomes and longer-term impacts.

To ensure the economic contribution analysis is both robust and credible, several key principles have informed the development of the measurement framework.

- **Conservatism** — Taking a conservative approach to the analysis, and the myriad of judgements required along the way, is integral to building a plausible and dispassionate analysis.
- **Transparency** — It is crucial that the basis for analytical inputs, decisions and conclusions are properly explained and documented. This enables more robust scrutiny of the analysis by other (independent) parties, in turn facilitating more informed debate and continual improvements over time.
- **Flexibility** — By developing a flexible framework for measuring the economic contribution, additional future data can be incorporated as they become available. The framework can also be used as the foundation for future analyses, allowing PilchConnect to track its contribution over time.

3.1 Measurement challenges

Measuring the economic contribution of PilchConnect presents several challenges, related to the large non-market component and wide social dimensions of its operations and causality complications. These challenges are not unique to PilchConnect — they are often inherent to quantifying impacts of social services and advocacy work.

Non-market nature and social dimensions

Economic contribution studies typically measure the value of economic activity generated by an entity or industry in a historical reference year. They quantify measures such as value-added, exports, imports and employment associated with the given entity or industry. Effectively, economic contribution studies are historical accounting exercises.

However, as PilchConnect operates in a 'non-market' environment — that is, its services are predominantly offered free of charge to consumers — the standard economic contribution methodology would be unlikely to capture the full economic value of PilchConnect's activities.

Further, the narrow national accounting framework approach used in traditional economic contribution studies does not capture the wider social and economic implications of an entity's activities. Given the significant social dimensions of PilchConnect's operations, encompassing spillover benefits such as greater workforce participation and reduced social

services costs, adopting this methodology to establish its contribution would considerably understate its impact on the NFP sector and the community more broadly.

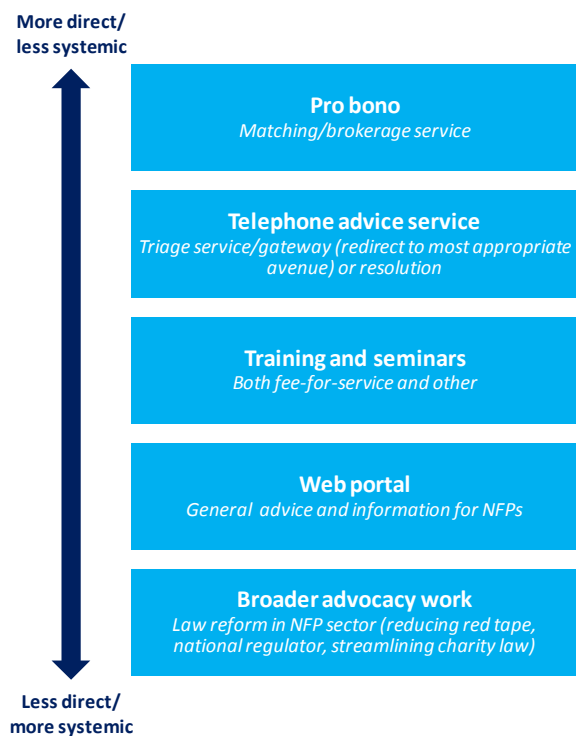
Causality

As Figure 3.1 below illustrates, PilchConnect’s activities can be placed on a spectrum highlighting the general nature of their impact. For example, one-on-one service provision through pro bono legal assistance has a more direct influence — in other words, there is a relatively straightforward link between actual service delivery and the scope and extent of any impact (although such impact may still be difficult to measure).

In contrast, at the other end of the spectrum, impacts flowing from sector advocacy work are more systemic. This has been recognised in relevant research. For instance, it can be difficult to attribute the systemic impacts of advocacy work to any one organisation. Rather, the impact of such work tends to arise from networks of organisations and individuals working in concert over an uncertain period of time (see Ebrahim and Rangan 2010).

Intuitively, as the nature of the impacts become less direct and more systemic, they become harder to measure, since it is harder to identify specific beneficiaries and the extent to which benefits can be attributed to PilchConnect.

Figure 3.1: PilchConnect activities



As a further complication, PilchConnect essentially ‘helps the helper’, which means the social impacts which flow from more efficiently operated NFPs are effectively one step removed. In other words, measurement becomes a more indirect proposition. Crucially, it

is these spillover benefits which comprise the more significant part of PilchConnect's economic contribution.

3.2 Framework for evaluating PilchConnect's economic contribution

To address these measurement challenges outlined above, the framework for the economic contribution analysis comprises two components:

- standard economic contribution analysis to estimate the direct economic impacts of PilchConnect; and
- an 'efficiency dividend' approach to capture the wider economic implications of PilchConnect, as they flow from NFPs to end clients.

3.2.1 Standard economic contribution component

The direct economic contribution of PilchConnect is quantified using the national accounting framework to provide a range of measures to capture its immediate economic profile and impacts. These measures include PilchConnect's size and employment, value-added and contribution to national income.

Value-added measures the value (at market prices) of output generated by an entity's factors of production (i.e. labour and capital), as calculated through the income accruing to those factors of production. The sum of value-added across all entities in the economy equals gross domestic product (GDP) — or national income over a particular year. Given its relationship to GDP, the value-added measure can be usefully considered as the increased contribution to welfare.

As noted above, PilchConnect largely operates in a non-market environment, as it generally provides its services on a non-fee paying basis, including facilitating legal assistance through private law firms. Consequently, within a national accounting structure, most of the income to the factors of production (mostly labour) will be through wages paid to PilchConnect employees and wages paid to pro bono lawyers (which come from PILCH member law firms), to the extent these wages can be attributed to PilchConnect's activities.

Such returns to labour contrast with low (perhaps zero) returns to capital because legal advice and relevant support functions involve few direct revenues. Where such returns do exist, these are generally measured through gross operating surplus.

This approach to measuring the direct forms of PilchConnect's economic contribution is consistent with the ABS national accounts measurement approach as specified in the *Australian National Accounts: Non-Profit Institutions Satellite Accounts*. This has formed the basis for further research undertaken by the Productivity Commission in its major 2010 report on the NFP sector, *Contribution of the Not-for-Profit Sector – Research Report*.

Given that most of the value provided by PilchConnect lies not in its direct economic impacts (i.e. the 'transactions' that occur in the facilitation of pro bono legal support and other forms of assistance to NFPs) but rather its wider economic impacts (i.e. benefits for NFPs and other stakeholders), the quantified measures that emerge from this component

of the analysis are likely to be small and greatly exceeded by PilchConnect's overall economic and social contribution.

Limitation of economic contribution studies

It is important to bear in mind that economic contribution studies are essentially static — that is, they measure the economic 'footprint' of an entity at a particular point in time and do not take account of dynamic displacement or 'crowding out' effects on other sectors of the economy. In this sense, they do not reveal any 'what-if' or counterfactual inferences, such as 'what would happen to national income or welfare standards if the industry or firm disappeared?'. Indeed, the use of economic resources (land, labour and capital) in production or service delivery represents a cost to the economy; and such resources are not for the exclusive use of any particular activity. They have other (possibly more worthwhile) uses which are simply excluded from this form of analysis. Consequently, results should be interpreted in light of this limitation.

3.2.2 Efficiency dividend component

To capture the wider economic implications of the PilchConnect program, where the substantial proportion of its value is derived, an 'efficiency dividend' approach is used.

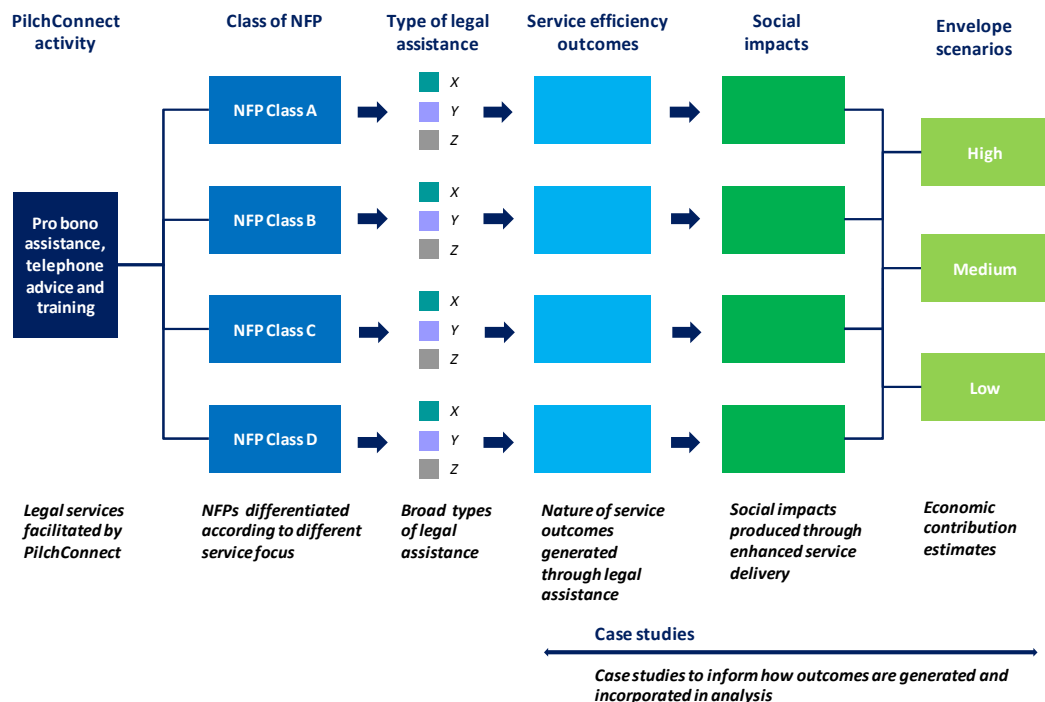
By gaining access to legal services that may otherwise be unobtainable because of financial constraints, NFPs can operate on a more stable and effective footing, offering additional services to the community — in effect, there is an 'efficiency dividend'.

Under this approach, both the enhanced NFP service delivery that is unlocked through the consumption of PilchConnect's services and the related social impacts are accounted for at a high-level. The framework aims to work along the entire sequence of impacts from the initial service function provided by PilchConnect, through the immediate operational enhancements for NFPs, and then to the resultant spillover impacts accruing to end clients and the broader community.

Policy and law reform work undertaken by PilchConnect, which contributes to a better regulatory framework for NFPs, also leads to spillover impacts — as noted previously, however, this advocacy work is not included within the analysis.

Figure 3.2 below sets out the framework for this approach.

Figure 3.2: Efficiency dividend framework



Framework elements

The elements of this framework are outlined below.

- PilchConnect activity** — The three activities undertaken by PilchConnect that can be most readily linked to impacts are the facilitation of pro bono legal assistance, telephone advice and training. PilchConnect has a range of output data in relation to these activities.

The more systemic aspects of PilchConnect's activities, principally its broader advocacy work, are not measured through this framework and are therefore not discussed in our report. However, their impact and value is measured by PilchConnect using a range of qualitative and quantitative measures.

- Class of NFP** — Due to the diversity of PilchConnect's client base, and for the analysis to be workable, NFP clients are categorised into a discrete number of classes. These are:
 - Class A — organisations supporting marginalised, disadvantaged and needy people;
 - Class B — organisations encouraging community participation and development;
 - Class C — organisations protecting the environment and responding to disaster; and
 - Class D — peak bodies, member-serving and advocacy based organisations.

- **Type of legal assistance** — The type of legal assistance and other support received affects the nature of the service outcomes for NFPs. For tractability, the types of legal assistance are categorised into a discrete number of classes:
 - governance matters;
 - regulatory compliance;
 - disputes and litigation; and
 - contracts and risk management.

Such categorisation also captures, where possible, the assistance provided through telephone advice and training seminars.
- **Service efficiency outcomes** — For each category, this measures the additional service flow (or the ‘efficiency dividend’) of NFP clients following receipt of PilchConnect services, such as an additional community sports event each month. Essentially the framework seeks to distinguish two key effects:
 - that a certain form of legal assistance provided to two different types of NFP organisations can have dissimilar operational impacts; and
 - different types of legal assistance provided to NFPs within the same class can also have varying operational consequences.
- **Social impacts** — For each category, the potential social or longer-term impacts produced through enhanced service delivery are ascertained. These impacts are broad ranging and relate to end clients of NFPs, government, law firms, the broader community and the NFP sector itself (as described in Section 2.4).
- **Envelope scenarios** — This frames the various dimensions of the social impacts across PilchConnect’s NFP base into various overarching scenarios and captures: productivity and participation; avoided health care costs; justice system savings; and reduced social services costs.

Case studies

Case studies form a crucial aspect to the analysis (as highlighted in Figure 3.2), helping frame the nature of the impacts from legal support and how this assistance potentially translates into practical improvements to on-the-ground service delivery.

Consulted organisations were selected in order to provide a wide cross-section of the PilchConnect client base (covering the four main classes of NFP organisation examined in the quantitative analysis). Discussions demonstrated the diversity in the NFP sector and the various challenges, legal and otherwise, confronted by organisations in front line service delivery.

Bringing the analysis together — establishing the contribution ‘envelope’

The final and crucial stage in the approach involves translating the efficiency enhancements across PilchConnect’s NFP client base into more concrete, and quantifiable, social impacts. This necessarily involves delicate judgements about flow-on impacts, including their scale and timing and the extent to which benefits will be depleted over time. These factors are heavily informed by case study evidence.

In order to estimate the potential bounds of these social impacts, a multi-criteria scenario approach has been used. This involves framing the various dimensions of the social impacts across PilchConnect's NFP base into various overarching scenarios. Each scenario combines quantifiable elements attributable to the specific activities being examined such as: productivity and participation; avoided health care costs; justice system savings; and reduced social services costs.

Importantly, these forms of potential impact can be incorporated in a national accounting framework and therefore readily combined with the direct economic contribution estimated to form a complete profile of PilchConnect's economic and social contribution.

Appropriate scenarios are also devised to explore the potential bounds of the contribution envelope, articulating high, central and low cases.

It is important to note the evaluation of PilchConnect's economic contribution under this approach is undertaken at a high level and in a static framework. Where significant effects occur into the future, it is necessary to discount these to a common (reference) year, but prolonged year-on-year impacts are not included (consistent with the conservative approach taken in the analysis). In this way, the approach does not involve many of the detailed assessments typically adopted to measure the costs and efficacy of particular interventions (for example, alleviation of disadvantage provided by NFPs). Indeed, such assessments, applied over the breadth and scope of the relevant NFP activities, would be severely impractical and could lead to issues of spurious precision.

The estimates generated under this approach are indicative and represent the scale of potential impacts generated by PilchConnect. It will always be the case that some important impacts such as those which involve broad cultural benefits are extremely difficult to quantify.

4 Economic contribution

This section discusses the economic contribution estimates of the PilchConnect program. It encompasses the direct economic contribution provided by delivery of the program activities (including provision of pro bono legal services from private sector lawyers), as well as the broader spillover benefits which result from greater operational capacity in the NFP sector.

4.1 Standard economic contribution component

As outlined above, the standard component of PilchConnect's economic contribution is quantified using the national accounting framework and a range of measures such as PilchConnect's size and employment, value-added and contribution to national income.

An estimate of the value-added of PilchConnect's activity in 2010-11 measures the value of its output, generated by its factors of production (labour and capital). As outlined in Table 4.1, this gives a total value added of around \$304,000, comprising \$362,000 generated by labour (measured by wages).

Table 4.1: Standard economic contribution, 2010-11

Direct	\$
Wages	325,350
Operating revenue	311,810
Operating costs	391,176
GOS [^]	- 79,366
Direct value added	245,984
Indirect	
Total intermediate inputs	65,826
Multiplier	0.87
Wages	37,436
GOS [^]	20,099
Indirect value added	57,535
Total value added	
Wages	362,786
GOS [^]	- 59,267
Value added	303,519

Source: Deloitte Access Economics estimates, PilchConnect

[^]GOS = Gross operating surplus. GOS represents the value of income generated by an entity's direct capital inputs, generally measured before interest, tax and depreciation. For 2010-11, PilchConnect's costs exceed its revenue and a negative GOS is recorded for that year. This is an anomaly for that year and a trading account surplus (albeit small for a NFP) would be expected for most periods.

4.2 Value of services

The value of services provided or facilitated by PilchConnect was also estimated. This comprises telephone advice provided by PilchConnect lawyers and pro bono legal advice provided to NFP organisations as a result of PilchConnect's brokerage service (but does not include policy or law reform activities). As outlined in Table 4.2, the approximate value of the former was calculated based on the average cost of a pro bono case and the total number of cases referred in 2010-11.

The approximate value of the latter was calculated based on an average hourly rate of legal advice and the number of telephone advice services provided in 2010-11 (assuming that each of these represents one hour of legal advice).

Table 4.2: Total value of legal services, 2010-11

	Value
Total value of legal advice (\$)	546,102
<i>Average cost of pro bono (\$)</i>	<i>6,742</i>
<i>Number of cases</i>	<i>81</i>
Total value of phone advice (\$)	121,641
<i>Hourly rate of legal advice (\$)</i>	<i>357</i>
<i>Number of telephone advice services</i>	<i>341</i>
Total value (\$)	667,743

Source: Deloitte Access Economics estimates, PilchConnect

The total value of legal advice provided on a pro bono basis was estimated to be around \$546,000, while the total value of phone advice was estimated at about \$122,000. Combined, these give a total value of legal services provided of approximately \$668,000.

In the context of the broader NFP sector and the Victorian economy, the direct economic contribution of PilchConnect and the pro bono services it brokers through the private sector are modest. However, most of the value of the program's economic contribution arises from its wider economic implications — that is, the spillover impacts generated through operational improvements to the NFP sector which flow-on to their clients and the broader community. The estimate of this efficiency dividend component of PilchConnect's activities is outlined below.

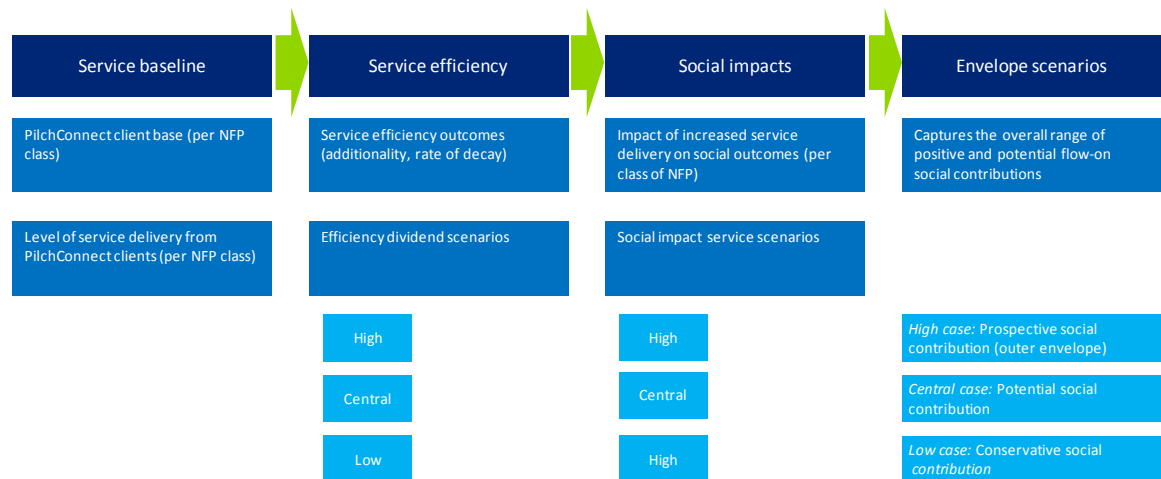
4.3 Efficiency dividend component

As outlined in Figure 3.2, estimation of the wider economic implications of PilchConnect's activities is undertaken using an efficiency dividend approach. This involves a multi-staged approach that takes into account the class of NFP organisation receiving assistance from PilchConnect, the type of legal assistance provided and a sensitivity analysis based on envelope scenarios.

The framework involves estimation of both the service efficiency outcomes generated by PilchConnect's assistance, as well as the social impacts associated with that increase in

service output. Both these effects are accounted for at a high level and in a largely static manner. The key steps undertaken in the assessment are shown in Figure 4.1.

Figure 4.1: Economic contribution estimation process



4.3.2 Service efficiency outcomes

The first step in determining the efficiency dividend component was to estimate the service efficiency outcomes generated as a result of PilchConnect’s legal assistance to NFP organisations. These service efficiency outcomes allow NFP organisations to provide additional client services to the community.

Assumptions were made about the degree of efficiency gains achieved over time following receipt of legal assistance from PilchConnect. These were informed by case study discussions. On the basis of consultations, a 10% operational efficiency improvement was considered to represent an appropriate benefit across the PilchConnect client base. These benefits were taken to reduce over a three year period. As outlined in Table 4.3, this stream of benefits equates a total efficiency saving of 15.8% in present value terms.

Table 4.3: Service efficiency assumptions

	Present value	Year 1	Year 2	Year 3
Service efficiency assumption (%)	15.8	10.0	5.0	2.5

Source: Deloitte Access Economics estimates, using a social discount factor of 7%

This service efficiency improvement was then applied to the estimated client baseline for each NFP organisation class serviced by PilchConnect, in order to determine the number of additional client services that could be provided as a result of operational improvements (see Table 4.4). The estimated client baseline was determined based on the number of organisations assisted by PilchConnect in 2010-11 in each organisation class and the average number of clients assisted by organisations in each class.

It was estimated that approximately 3,500 additional client services would be provided over the next three years as a result of efficiency gains in NFP organisations assisted by PilchConnect in 2010-11.

Table 4.4: Client services

Organisation class	PilchConnect organisations (2010-11)	Clients per organisation	Client baseline	Additional client services
A — Supporting marginalised, disadvantaged and needy people	202	82.5	16,660	2,625
B — Encouraging community participation and development	179	19.6	3,511	553
C — Protecting the environment and responding to disaster	26	35.7	929	146
D — Peak bodies, member-serving and advocacy-based	35	28.9	1,012	159
	442		22,112	3,483

Source: Deloitte Access Economics estimates, PilchConnect operational data, ABS Cat. No. 8106.0, Productivity Commission 2010

4.3.3 Social impacts

Social impacts were estimated for a sub-set of the benefits outlined previously (see Figure 2.2). This sub-set includes those benefits that could be most practically quantified:

- participation and productivity benefits;
- health costs avoided;
- justice system savings; and
- social service costs avoided.

Potential rates of effectiveness in achieving each of these four social impacts were then estimated for each NFP organisation class (see Table 4.5). Class A of organisations (those supporting marginalised, disadvantaged and needy people) were assumed to have the highest rate of effectiveness in achieving the potential social impacts as they have the most direct interaction with the community.

On the other hand, Class D organisations (peak bodies, member-serving and advocacy-based) were taken to have a somewhat lower rate of effectiveness, as measured according to the selected social impact channels. While they play a vital and important role in the NFP sector, their interaction with the community is less direct.

Table 4.5: Service scenarios (central case)

Organisation class	Participation and productivity	Avoided health care costs	Justice system savings	Reduced social services costs
A — Supporting marginalised, disadvantaged and needy people	10%	10%	10%	10%
B — Encouraging community participation and development	5%	5%	5%	5%
C — Protecting the environment and responding to disaster	5%	5%	5%	5%
D — Peak bodies, member-serving and advocacy-based	1%	1%	1%	1%

Source: Deloitte Access Economics assumptions

The next step was to estimate the ‘spillover’ benefits generated by NFP organisations assisted by PilchConnect. A monetised benefit was estimated for each of the above four social impacts, in terms of the benefit or cost avoided on a per case basis. This is an estimate of the dollar benefit that would likely be achieved for a typical successful case of support by an NFP organisation. This ‘successful case’ should be viewed as a stylised example representing the average effect on the population in question.

For participation and productivity benefits, a successful case of support was taken to increase a person’s total days at work by 12 over the period of a year (around 1 day per month). At a daily wage of \$201, this generates a total benefit estimate of \$2,413 per case.

Table 4.6 : Participation and productivity benefits

	Daily wage (\$)	Increase in days	Total benefit (\$)
FTE	201	12	2,413
Total per case			2,413

Source: Deloitte Access Economics assumptions, ABS Cat. No. 6302.0 - Average Weekly Earnings, February 2011

Health care costs avoided were based on a number of health conditions and their direct health care costs, coupled with the likelihood of those health conditions being avoided (Table 4.7). This likelihood was based on two factors: the chance of the condition occurring in the profile of clients assisted by NFP organisations; and the probability of the condition being avoided as a result of support by an NFP organisation.

It was taken that mental health conditions would be the most commonly avoided health condition on this basis, with a likelihood of 40%. On the other hand, cancer would be less common (involving longer term interventions) with a smaller likelihood of attributable avoidance — for example, if assistance by an NFP organisation was to lead someone to quit smoking.

Table 4.7: Health costs avoided

Health condition avoided	Associated costs (\$)	Likelihood (%)	Total cost avoided (\$)
Mental health	2,064	40	826
Cardiovascular	1,720	15	258
Type 2 diabetes	1,465	20	293
Injury (serious)	11,757	10	1,176
Cancer	9,374	5	469
Musculoskeletal	765	10	77
Total per case		100	3,098

Source: Deloitte Access Economics assumptions, Productivity Commission, Potential Benefits of the National Reform Agenda, 2006

Estimates of justice system savings are presented in Table 4.8. These are based on the cost attributable to someone entering the justice system on a per day basis, and cover court costs, prison costs and community corrections.

The days avoided in each of these three elements of the justice system as a result of NFP organisation assistance were estimated, giving total justice system savings of \$4,616 on a per case basis.

Table 4.8: Justice system savings

Costs type	Costs per day(\$)	Days avoided	Total cost avoided (\$)
Court costs	452	1	452
Prison costs	256	15	3,844
Community corrections	21	15	320
Total per case			4,616

Source: Deloitte Access Economics assumptions, Australian Institute of Criminology, 2011

Social service costs avoided were assumed to relate to claims on unemployment benefits. As outlined in Table 4.9, the Newstart Single allowance was used as a benchmark to estimate this social service cost saving. It was assumed that, as a result of support provided by NFP organisations, two fortnightly claims on unemployment benefits could be avoided on a per case basis. This would lead to a total cost saving of around \$950 per case.

Table 4.9: Social service costs avoided

Costs type	Costs per fortnight (\$)	Fortnights avoided	Total cost avoided (\$)
Newstart Single, no children	475	2	950
Total per case			950

Source: Deloitte Access Economics assumptions, Centrelink 2011

4.3.4 Envelope scenarios

These estimates of the dollar benefit achievable across the four social impacts were combined with projections of impact effectiveness and the efficiency gain achieved as a result of PilchConnect's legal support. Combining these factors gave an estimate of the efficiency dividend component of PilchConnect's economic contribution.

The benefits associated with the four social impacts were estimated under a low, central and high scenario. As outlined above, these estimates were based on a number of key parameters:

- The efficiency outcome and additional client services achieved through PilchConnect's activity.
- The effectiveness of the different NFP organisation classes in achieving benefits for the four social impacts.
- The dollar benefit associated with a 'typical' case of successful support by an NFP organisation.

The estimates outlined below reflect assumptions made under the central case. All three of the major assumptions (service efficiency, service scenarios and social impact parameters) outlined above were estimated at 90% for the low case estimates and at 110% for the high case estimates.

Table 4.10: Service scenarios — social impact projections (2010-11)

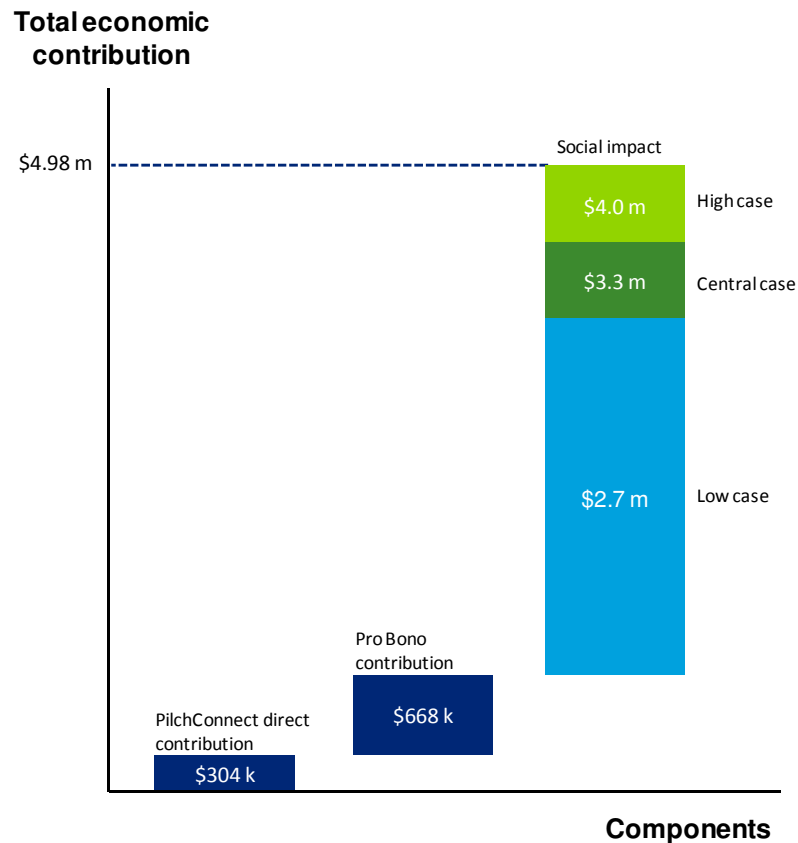
	Participation and productivity	Avoided health care costs	Justice system savings	Reduced social services costs	Total
Low (\$ million)	0.6	0.8	1.1	0.2	2.7
Central (\$ million)	0.7	0.9	1.4	0.3	3.3
High (\$ million)	0.9	1.1	1.7	0.3	4.0

Source: Deloitte Access Economics estimates

Under the central scenario, the efficiency dividend component of PilchConnect's economic contribution was estimated to be \$3.3 million at 2010-11. Under more conservative assumptions in the low scenario, it was estimated at \$2.7 million and in the high scenario, it was estimated at around \$4 million.

Including the standard economic contribution of PilchConnect and that involving pro bono services provided, the total economic contribution of PilchConnect in 2010-11 was estimated to be approximately \$4.3 million under the central case social impact scenario and \$4.98 million under the high case.

The overall economic contribution estimates are set out in Figure 4.2.

Figure 4.2: Economic contribution of PilchConnect

4.4 Some limitations

Assessing the broader benefits generated through the PilchConnect program is far from straightforward. The evaluation of the social impacts of the program flowing via enhanced capacity in the NFP sector has been undertaken at a high level and has not involved many of the more detailed assessments typically adopted to measure the costs and efficacy of particular social programs (for example, in conducting comprehensive program reviews).

PilchConnect uses a range of monitoring and evaluation indicators to measure the social impacts it seeks to achieve — over the short, medium and long term.

With respect to our analysis, some key constraints should be noted:

- The availability of robust information — especially in relation to the longer term impact of PilchConnect services to NFP operations — was a limitation of the study. That said, many of these data issues are those typically confronted when measuring the efficacy of various forms of social service delivery and policy formulation.
- The social impact scenarios have accordingly relied on a high degree of judgement, especially regarding the precise linkages between operational and social outcomes. They have been heavily informed by case study evidence and have been underpinned by a conservative approach to the analysis.

- While the estimates of the social impact have been designed to be wide-ranging, they do not encompass all important social benefits. Many community impacts such as facilitating greater social inclusivity and advancing cultural values are very difficult, if not impossible, to quantify.

Given these issues, the estimates of social contribution are best considered illustrative and representing the scale of potential benefits generated through the PilchConnect program.

Appendix A: Consultations

Direction consultations were held with the following organisations:

10thousandgirl

Cerebral Palsy Support Network

Harm Reduction Victoria

Ilbijerri Theatre Company

Palliative Care Victoria

Stroke Association of Victoria

Travellers Aid Australia

Victorian Council of Social Service

Women's Information, Support and Housing in the North

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Contact us

Deloitte Access Economics
ACN: 49 633 116

Level 1
9 Sydney Avenue
Barton ACT 2600
PO Box 6334
Kingston ACT 2604 Australia

Tel: +61 2 6175 2000
Fax: +61 2 6175 2001

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