



Investigator

Encouraging research in volunteerism and the management of volunteers

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Placing a Value on Volunteer Time

Introduction

The inherent value of volunteers is unquestionable. Yet the task of quantifying the value of volunteers for the purpose of press releases, annual reports, and grant proposals presents many obstacles. Calculating the number of volunteer hours completed by volunteers is one approach, but this does not take into account the dollar value of their work nor the more intangible impacts that they make in an organization. In other words, there is no one approach to measuring the impact of volunteers for every organization.

In the *2003 Handbook on Non-Profits Institutions in the System of National Accounts*,¹ the United Nations Department of Economic and Social Affairs provides an overview of several methods for valuing volunteer time. The handbook divides such methods into two categories: input approaches and output approaches. Input approaches calculate the value of labor that a volunteer donates (average wage, replacement wage, opportunity cost). Output approaches, on the other hand, focus on the goods and services that a volunteer produces (social benefits, value to volunteer). In general, the calculation of output-based valuations tends to require more careful consideration than input-based valuations.

In this issue of the *Investigator*, we introduce five different methods for measuring the value of volunteers that broadly fall under the UN's categories as listed above. In order for these approaches to be of use, we would encourage organizations to first clarify their purpose for placing a value on volunteer efforts. We then invite you to explore and test out some of the approaches that we are presenting in this publication. Additional resources for volunteer valuation tools can be found online at

www.rgkcenter.org/investigator/ or at www.serviceleader.org/investigator/.

Average Wage

The most straightforward method for measuring the value of volunteers is to assign a dollar amount to the number of hours that they donate. This approach uses the average wage paid to an American worker at a national, state, or city level to estimate a value for a volunteer's time. The Independent Sector,² a coalition of nonprofits that favors this method, uses the average wage from Bureau of Labor Statistics employment surveys and adds 12% to account for fringe benefits (see Table 1). This Average Wage method is easy to use and provides a standardized way to assign a value for volunteers' work. Its weakness, however, is that it does not distinguish between the work performed, nor between the skill levels of the people performing the work. For example, with this approach, the value of a professional tutor who offers free service in a 4th-grade class would be the same as that of a teenager who volunteers in an after-school program.

Replacement Wage

Endorsed by the Financial Accounting Standards Board (FASB),³ the Replacement Wage method differs from the Average Wage method by taking into account the type of job that a volunteer performs. Stated more simply, the value of the volunteer's time equals the amount that it would cost the organization to pay someone to complete the same task. In the case of the volunteer who tutors 4th-grade students, the value of the volunteered time is equivalent to the amount it would cost to hire a professional tutor for a 4th-grader. This places a more realistic value on the work that is completed by a volunteer. However, the Replacement Wage method is less consistent than the Average Wage method because it does not assign a clear-cut wage for each job (see Table 2). Instead, it requires more research to determine what the average pay for each type of job would be. An additional

weakness is that it assumes that the organization would have been willing to purchase the service were it not donated.

Opportunity Cost

The Opportunity Cost method for calculating the value of a volunteer takes into consideration the qualifications of the person who is volunteering. In other words, it estimates the salary that the individual volunteer makes in his or her professional life and uses this as a means of assigning a value to the volunteer work that he or she performs. For example, if a medical doctor volunteers to tutor in the 4th-grade classroom, his or her opportunity cost will most likely be much higher than that of a social worker who also volunteers as a tutor. The thinking behind the Opportunity Cost method is that for every hour that a volunteer contributes to an organization, he or she is forgoing that hour's worth of income. In addition, this method puts forward the assumption that a volunteer with more creden-

Table 1
Growth of the National Average Wage Per Hour + 12%

Year	Avg. Wage per hour + 12% (in \$US)
1990	12.97
1991	13.36
1992	13.69
1993	14.03
1994	14.41
1995	14.83
1996	15.31
1997	15.90
1998	16.55
1999	17.15
2000	17.82
2001	18.49
2002	19.02
2003	19.53
2004	19.94

Source: Bureau of Labor Statistics, *Current Employment Statistics 1990-2004*.



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Table 2
Sample Replacement Wages

Occupation Title	Mean Hourly Wage
Substance Abuse and Behavioral Disorder Counselors	\$16.91
Educational, Vocational, and School Counselors	\$23.12
Marriage and Family Therapists	\$20.89
Mental Health Counselors	\$17.61
Child, Family, and School Social Workers	\$18.40
Health Educators	\$20.74
Social and Human Service Assistants	\$12.64
Clergy	\$19.81
Directors, Religious Activities and Education	\$16.19
Preschool Teachers, except Special Education	\$11.81
Adult Literacy, Remedial Education, and GED Teachers and Instructors	\$20.91
Self-Enrichment Education Teachers	\$17.30
Museum Technicians and Conservators	\$17.42
Librarians	\$23.42
Education, Training, and Library Workers, All Other	\$16.26

Source: Bureau of Labor Statistics, *National Occupational Employment and Wage Estimates*, November 2004.

tials can provide better services than someone who may have less experience or education. This measure, therefore, is most useful for assessing the time value of high-skilled volunteer work such as the value of a medical doctor who volunteers in a free medical clinic once a week. It is not as applicable, however, for more general volunteer work such as tutoring, serving food in a soup kitchen, etc. Yet it should also be noted that people who responded to surveys on volunteer identification were more likely to identify professionals as volunteers if they provide free services outside of their regular occupation.⁴ A medical doctor who serves food at a soup kitchen, therefore, is more likely to be seen as a volunteer than a medical doctor who presents a paper at a conference for no remuneration.

Social Benefits

The Social Benefits method moves away from a purely wage-based value of volunteers by factoring in the social benefits of volunteer time. Conceptually, this method tries to capture the role that a volunteer plays in the larger picture of improving the lives of beneficiaries and of bettering society. To quantify social benefits, this method looks at both the direct and indirect outputs of a volunteer program.⁵ A direct output would include ways in which a volunteer’s services impact the beneficiaries of the program. The value of direct outputs can be calculated by applying the fees that are charged for comparable services. Using the tutor as an example again, the direct output value is the price a

nonprofit would charge parents for a tutorial program. In other words, this cost is the value that parents would place on providing tutoring for their children. In assigning comparable output values to volunteer services, it is important to find programs that are reasonably matched (i.e., it is better to use fees that nonprofits charge rather than a charge levied by a for-profit company that may be doing similar work).

The indirect outputs of a volunteer program take into account social benefits that are more loosely linked to the volunteer’s efforts. Such outputs would include ways in which a volunteer impacts the beneficiary’s life beyond the goals of the services provided. For example, in addition to helping a student understand his or her homework, a volunteer tutor might encourage a parent to work more with their child, or the attention from the tutor might result in the child being absent from school for fewer days. Indirect outputs also include the impact that a volunteer’s efforts have on the greater community. Examples of such societal-level benefits would include lowering the costs of community policing by providing after-school activities for teenagers, or decreasing hate crimes through cultural sensitivity programs. Indirect outputs can also be extended to volunteering in environment-related work such as stream clean-ups. These efforts contribute to the beautification of an area while also ensuring cleaner water and creating a better habitat for wildlife.

Calculating indirect social outputs is more complicated than for the direct out-

puts yet is an equally important component of volunteer work. Police records, for example, can be used to determine if crime has decreased in the community where a volunteer is working. However, even if crime rates have gone down, it is often difficult to make the link with a nonprofit’s efforts. A better way to take indirect outputs into account is to use anecdotal evidence. Most foundations are aware that nonprofits cannot quantify all of the work they accomplish. Therefore, collecting stories of impacts or surveying beneficiaries may be a more effective means of assigning value to the more indirect aspects of volunteer contribution.

Value to Volunteer

The Value to Volunteer method measures the benefit that the volunteer receives in exchange for their time and efforts. One clear example of this method relates to students who do unpaid summer internships. This volunteer experience benefits the students by giving them real-world experience as well as the possibility of future employment with the company or organization. A less straightforward example of this method would be the benefit that a parent reaps from volunteering in his or her child’s school. According to the researcher Mark Pocock, on average the performance of children of parents who volunteer in their classroom is 10% better than students whose parents do not volunteer.⁶ By recognizing such benefits, this method provides a more volunteer-centered approach to measuring the value of volunteering. To quantify the value requires an evaluation of how volunteering affects the life of the volunteer. Not surprisingly, this method poses potential complications since the benefits that a volunteer says he or she is gaining from volunteering may be difficult to quantify. In addition, it is based on highly subjective determinants that do not necessarily allow for comparison among volunteers or among volunteer programs. In this case, anecdotal information from volunteers or surveys of volunteers may be more useful in describing the level to which volunteers gain personal value from their experiences.

Conclusion

The five methods for measurement presented in this *Investigator* share the goal of assigning a value to volunteer time. To accurately estimate the contribution of volunteers, an organization must determine how to most effectively describe their volunteers’ contributions to their programs. Our

presentation of different types of methods that are already in use should help to facilitate this valuation process. In addition, organizations that rely on volunteer work can adapt these methods to their particular volunteer programs.

More resources and tools on how to employ these five methods for measuring the value of volunteers (volunteer value calculator, average wage method, etc.) can be found on the RGK Center and Service Leader websites: www.rgkcenter.org/investigator/ or www.serviceleader.org/investigator/.

Notes

1. UN Department of Economic and Social Affairs, Statistics Division. *Handbook on Non-Profit Institutions in the System of National Accounts*. New York: United Nations, 2003.
2. For more information on the Independent Sector, go to <www.independentsector.org>.
3. Bechtold, Bruce W., and Sharon L. Worley. "Meeting the New FASB Standards." Energize Inc. (www.energizeinc.com)
4. Cnaan, R., Handy, F., and Wadsworth, M. "Defining Who Is a Volunteer: Conceptual and Empirical Considerations." *Nonprofit and Voluntary Sector Quarterly*, vol. 25, no. 3, September 1996 (pp. 354-383).

Average Wage	Total number of volunteer hours x Average Hourly Wage (x12%)
Replacement Wage	Total number of volunteer hours x Average Hourly Earnings for the Position
Opportunity Cost	Total number of volunteer hours x Estimated Hourly Professional Wage of the Volunteer
Social Benefits	<ul style="list-style-type: none"> • Fee charged for comparable work at another nonprofit • Dollar assessment of direct and indirect outputs • Survey of beneficiaries to determine direct and/or indirect benefits • Anecdotal evidence for direct and/or indirect benefits
Value to Volunteer	<ul style="list-style-type: none"> • Survey of beneficiaries to determine direct and/or indirect benefits • Anecdotal evidence for direct and/or indirect benefits

5. For more information on the definition and use of the Social Benefits method, refer to: Quarter, J., Mook, L., and Richmond, B.J. *What Counts: Social Accounting for Nonprofits and Cooperatives*. New Jersey: Prentice Hall, 2002.
6. Pocock, M. "Working for Nothing? Classroom Parent Volunteers." Working Paper, 2005.

Placing a Value on Volunteer Time is the fourth in the *Investigator* series and was first published on eVolunteerism.com. The *Investigator* series is designed to promote research and interest in volunteerism and volunteer administration. More information is available online at www.rgkcenter.org and www.serviceleader.org.

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