Assessing the Value of Volunteer Activity

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One standard way to convert estimates of time volunteered into estimates of the dollar value of volunteered time is to multiply estimated hours by the average hourly compensation rate for paid labor. Economic theory suggests an alternative valuation strategy that acknowledges the importance of taxes, the provision of volunteer-assisted services at less-than-market prices, and the value of volunteer experiences captured by volunteers themselves. One conclusion is that the standard estimate overstates the value of volunteering to the recipients of volunteer-assisted services but understates the overall value of volunteering when the gains accruing to volunteers themselves are included.

Volunteer labor deserves a special place in discussions of philanthropy and civic renewal. Alexis de Tocqueville (1988), in his classic study of American democracy, saw voluntary association as the means by which a society of equals gathers the power to effect social goals. Aristocrats, with their enormous personal power, were gone from the scene, and “what political power could ever carry on the vast multitude of lesser undertakings which associations daily enable American citizens to control?” (p. 515). Volunteering is a form of civic engagement through which individuals can make meaningful contributions to their own visions of societal well-being.

The significance of the American tradition of voluntary action is not easily quantified, but it is substantial: Tocqueville (1988) saw “not only commercial and industrial associations in which all take part, but others of a thousand different types” (p. 513), and there are estimates suggesting that its dollar value today is at least on par with personal gifts of money and financial assets. Policy

Note: This article is a revision of one presented at the 26th annual conference of the Association for Research on Nonprofit Organizations and Voluntary Action, Indianapolis, Indiana, December 4-6, 1997. I gratefully acknowledge research support from the National Commission on Philanthropy and Civic Renewal. I would like to thank Matthew Hamilton, Paul Schervish, and, especially, John Havens for helping me to understand the Independent Sector data. I alone am responsible for all shortcomings of the views and analysis presented herein.
makers who fret over the impacts of legislative change on charitable giving might therefore fret over volunteering as well, but such debate is rare. There are two principal reasons for this comparative silence. First, whereas the tax system leads us to measure monetary giving, there is no data-generating tax law to spur accurate records of volunteer labor. Second, the numerous personal rewards to volunteering may overshadow government policy in the decision-making processes of potential volunteers.

There are good reasons to be interested in dollar measures of the value of volunteering. Such measures allow us to locate volunteering in the American landscape. With them, we can make such statements as, “The value of time volunteered exceeds the value of charitable money donations,” and “The value of volunteer labor is of the same order of magnitude as the federal government’s budget for income security programs.” Dollar measures can also help us to identify important trends in voluntarism. For example, the spread of computer technology has brought higher levels of productivity in a vast array of endeavors, raising volunteer productivity along with wages. Dollar values will capture this, whereas data on hours volunteered will not.

In this article, the conceptual and practical considerations involved in assigning a dollar value to volunteering are examined. The following section explores what economic theory can tell us about the dollar value of an hour of volunteering. Volunteer labor is argued to yield value to volunteers as well as value to recipients and that there are standard economic arguments for including both in an assessment of the value of an hour of donated time. The section titled “Defining and Measuring Volunteer Labor” looks at some of the issues involved in defining the limits of what counts as volunteering. The section titled “The Value of Volunteer Labor in the United States” contains some estimates of the dollar value of volunteer time in the United States, based on alternative methodologies and relying on data collected for Independent Sector (IS). Concluding remarks can be found in the final section.

ASSIGNING DOLLAR VALUES TO VOLUNTEER HOURS

To understand why assigning a dollar value to volunteer labor is tricky conceptually as well as practically, consider the way labor is valued in a smoothly functioning labor market. A profit-seeking employer estimates the additional revenue that can be generated if another worker is employed; this amount is the most the employer will pay for the extra labor. A worker thinks about the various options available for spending time and money, and works for however many hours are not more valuable in other pursuits than they are earning the available wage. The wage rate equates the benefits derived from using a little more labor to produce something demanded by consumers with the costs of using that labor, in terms of what the worker gives up in order to
work for pay. This market-determined wage rate is the economist’s notion of the (marginal) value of labor.

Because we do not observe wages in markets for volunteer labor, the problem of assigning a dollar value to volunteering may seem to be primarily a data problem. Because markets equate benefits and costs at the margin, it might seem as though we could look for data on either benefits or costs to estimate the value of volunteer time. If we had good information on the activities performed by volunteers, we could see how much markets paid workers performing similar tasks, and these wages would be good benefit-based proxies for the value of volunteer time. Alternatively, we could seek data on the wages volunteers earn in their work for pay; because this measures the value to them of their time, it could be the basis for a cost-based estimate of the value of volunteer time.

Unfortunately, the markets for volunteer labor and its products are not that simple. First, the fact that volunteers are not pursuing wages suggests that volunteering produces something of value to volunteers as well as to the recipients of volunteer-assisted services. Second, when volunteer labor is used to produce a good or service that is provided free of charge or at highly subsidized prices, the wage rate is not the only missing price. There is no market signal of the value of that good or service to the people who receive it. We may be able to measure the value of the inputs used or the value of similar goods and services purchased by a different clientele, but neither of these corresponds to the value of the services to those people who receive them.

These issues are tackled in turn. First, we note that volunteering produces value for (at least) two constituencies, volunteers and recipients. Second, we confront the limitations of using observed market measures to value the provision of goods and services to recipients who do not pay their full cost. It is worth noting that I have simplified my task by treating all volunteering as being aimed at clients; political and environmental activism are forms of volunteering, for example, in which it is much harder to quantify benefits. Third, we consider the range of motivations that inspire volunteers to give their time and some estimates of the hourly value of volunteering consistent with these motives.

SUMMING THE VALUE TO CLIENTS
AND THE VALUE TO VOLUNTEERS

Volunteering has value to volunteers as well as to the recipients of volunteer-assisted services. Volunteering is motivated by some combination of self-interest and of concern for the well-being of others. To the extent that volunteers and recipients alike derive satisfaction from the recipients’ consumption of volunteer-produced services, these services are what economists term public goods. The value of such services is the sum of the benefits accruing
to all concerned parties, recipients and volunteers alike. To the extent that volunteers are motivated by ancillary rewards stemming from volunteering, such as socializing or gaining work experience, there occurs what economists term *joint production*. Again, the value to volunteers of the experiences produced jointly with recipient-oriented services needs to be counted in measures of the value of volunteering.

There are lots of situations in life where one person cares about another’s consumption. Such is the nature of love and of envy. Economists tend to acknowledge such interdependencies when they affect the allocation of resources (for example, within a loving family; see Becker, 1981; Lundberg & Pollak, 1996) and to ignore them when they are unintended side effects (such as envy) that have consequences for utility but not for resource distribution. The allocation of time to volunteering cannot generally be explained without reference to the volunteer’s concern for others. We acknowledge and attempt to measure the satisfaction gained by volunteers because this satisfaction is a motivating force behind volunteering. Paid employment yields satisfaction, too, but economists ignore this because the wage seems to offer motivation enough. (Freeman, 1997, offers the hypothesis that volunteering does not bring satisfaction but is an onerous duty one would prefer to avoid. It is hard to reconcile this view with the large literature on volunteer motivation. [See Cnaan & Goldberg-Glen, 1991, for a review and extension of the literature.])

We know that volunteers receive a remarkable level of satisfaction from volunteering—so remarkable that they will perform work for no wage. In paid employment, when a job is unusually pleasant or noxious, economists measure the value of the special job characteristics through their effect on the wage. For example, forest rangers and firefighters may need similar levels of skill, and yet one occupation comes with an unusual level of danger; the wage premium paid to firefighters gives a measure of the remarkable danger involved in the job. To an economist, then, a job that one will perform at a wage of zero must offer remarkable levels of satisfaction, and the remarkable-ness of the volunteer opportunity is measurable by the difference between the volunteer’s ordinary wage and the zero wage accepted in the volunteer opportunity.

A similar point is made about money giving in Kaplow (1995). Economists think of citizens as receiving no pleasure from paying taxes, just as we think of workers as deriving no particular pleasure from work. It follows, therefore, that part of the value of the charitable deduction in the income tax code is that it allows taxpayers to enjoy giving money away instead of grudgingly paying it to the government.

I consider, in turn, the questions of measuring value to recipients and value to volunteers. The examples will focus on low-income recipients of volunteer-assisted services, but the principle that volunteers subsidize goods that are “too expensive” applies broadly: Opera guilds subsidize the cost of opera, and telethon staffers raise money for universities to bring the price of tickets and tuition down to manageable levels.
VALUE AND WILLINGNESS TO PAY

For economists, “value” reflects the willingness of people to pay for something. This is a problematic starting point for a discussion of the value of volunteer labor. Volunteer labor and philanthropic nonprofit organizations are generally dedicated to filling in gaps in service provision that markets do not reach. They exist, in other words, because their supporters are not satisfied with the market outcomes that reflect people’s willingness to pay.

Any discussion of the value of volunteer labor to those who receive volunteer-assisted services must, therefore, begin on a cautionary note. The standard economic notion of value is based on willingness to pay. When nonprofits and volunteers are motivated to provide services to clients who lack the willingness to pay (out of what may be a very meager personal resource base) for those services at prevailing prices, the value of those services to the clients is not observed directly.

This does not mean that the services have zero value. First, recipients may be willing to surrender some resources in exchange for volunteer-assisted services, but this level of willingness to pay is too low to be registered in markets with relatively high equilibrium prices. If a person cannot pay the going price, there is no market transaction and hence no record of how much that person was willing to pay. Second, if we could observe the clients when they had a greater ability to pay, we might observe them willing to pay for the services in question.

There are conceptual ways to measure the value to recipients of services provided free of charge. Instead of asking, as a market does, how much money they would pay for the services, one can think about how needy clients would trade off the services provided to them against (hypothetical) gifts of cold hard cash. This is a well-defined experiment that allows us to measure willingness to pay at a higher level of income than the recipients currently command.

Suppose, for example, that a poor person is given one week’s housing in a single-room occupancy (SRO) hotel. Comparable lodgings rent for $100 per week, making the market value of the housing equal to $100. If housing were the recipient’s only unmet need, then we could guess that the value of the provided service was $100. But if the recipient has other pressing needs that are not met, he could well prefer an outright gift of $100. Part of the $100 would be devoted to housing, but some of it would be parcelled out to address other needs. For example, he might choose a housing option with less privacy that cost only $70 per week, leaving $30 per week for food and making him better off than he is with just the SRO housing. The privacy afforded by the SRO has some value, but he is in no position to trade $30 for it. He might be indifferent between receiving the SRO housing and the alternative of receiving a cash gift of, say, $75. If so, then the value of the housing to this recipient is $75 because the housing makes him just as much better off as would a gift of $75. This measure of value lies between the impoverished recipient’s willingness to pay
in the market, which may be zero, and the market value of the services (purchased by people with more income), which is $100.

This measure of the value of services is known as the *equivalent variation*. It measures value according to a willingness-to-pay criterion in which that willingness is measured at a particular augmented level of income. It is not in any sense “the right” measure of a recipient’s valuation of services provided at no cost. It is one measure that is defined with precision—it is the amount of cash that would yield the same addition to the recipient’s utility as the service provided—and recognizes that the poor value the subsidized services they receive, even when they are unable to pay for them.

Because our client in this example is not registering his preferences in markets, we need some way to estimate his preferences if we want to try to calculate such measures of value as the one described above. One approach is to see how people with just slightly more money spend it. We also need to know whether the service being provided is the only one the recipient has access to. An efficient network of agencies designed to help the needy may do a reasonable job of providing approximately the “market basket” of goods the recipients would choose for themselves. Looking at government programs for the poor, for example, Michael Murray (1994) finds that poor recipients of a market basket of government-supported services—Aid to Families with Dependent Children, housing, Medicaid, and food stamps—value the combined services at about 73% of their market value.

**RECIPIENT-ORIENTED MEASURES OF THE VALUE OF VOLUNTEER TIME**

When a rocket scientist serves food in a soup kitchen, it is likely that she does not bring to her volunteer activity the specialized skills that command a high salary in the labor market. The opportunity cost of her time is high; the market value of her volunteer product, which could have been produced by much cheaper labor, is low. How do we account for the difference? It must be that she derives enormous satisfaction from being there, serving food. Otherwise, she would spend another hour in her laboratory; if she simply wanted the homeless to be fed, she could donate that hour’s wages to the soup kitchen and allow them to expand their services by far more than her hour of soup serving does.

As in this example of the rocket scientist in the soup kitchen, value to clients is linked more closely to the value of the volunteer task performed than to the value of volunteer labor in its paid employment. If volunteers cared only about the help they gave to the agency providing the service, these two values would be close together: Volunteers would consider the alternative of spending a little more time working and then devoting their earnings to the agency. But given the myriad motives that underlie volunteering—from oversight of the agency to developing job skills to socializing—there may be a considerable amount of joint production going on. Only part of what is produced is going to
clients, and the rest accounts for the gap between a volunteer’s productivity at
work and her productivity as a volunteer.

There are reasons to believe that volunteers are generally less productive in
generating client-oriented services than paid employees. Because the wage
represents a powerful motivator for workers to perform well on the job and to
stick with it, employers would rationally reserve for paid employees those
jobs that involved extensive training and for which absenteeism and turnover
would be costly. This suggests that volunteers have lower levels of task-
specific training than do paid employees.

On the other hand, volunteers may have higher levels of general training
and knowledge than the average member of the workforce. One demographic
characteristic that is associated with high values of time is educational attain-
ment. The volunteer workforce is more educated on average than is the
employed civilian workforce (Hodgkinson & Weitzman, 1996, p. D151; U.S.
Bureau of the Census, 1995, p. 158). From this perspective, average hourly
wages may tend to understate the value of volunteer time. This effect is accen-
tuated by the distribution of volunteer time among volunteers: Those with at
least a bachelor’s degree contribute more hours per week than volunteers with
a high school diploma, who in turn volunteer more time than volunteers who
did not finish high school (Hodgkinson & Weitzman, 1996, p. D151; U.S.

Volunteers have an advantage in performing some tasks, however. There
are occasions on which a trust relationship between volunteer and client is
especially valuable. Some tasks are best performed with generous doses of
caring and respect. Because these attributes are not easily measured or moni-
tored, these tasks may be best performed by people who are not pursuing the
ulterior motive of seeking a livelihood. Hospice care is an example. Another
example is the common volunteer activity of fund-raising; paid fund-raisers
may have no faith at all in the institution on whose behalf they solicit funds,
making their appeals considerably less convincing than those of volunteers.

If we believe that volunteers are, on average, as productive as members of
the paid labor force, we can use hourly compensation rates to estimate the
hourly value of volunteer output. In 1995, the average hourly wage for civil-
ian, nonagricultural, nonsupervisory workers was $11.44 (Economic Report
of the President, 1997, p. 352). To generate an estimate of the average hourly value
of volunteer time, IS calculates average hourly compensation as the average
nonagricultural hourly wage, increased by 12%, to include the average value
of fringe benefits. Nonwage compensation in 1995 represented a somewhat
higher fraction of wages than the IS adjustment factor. For domestic indus-
tries, nonwage compensation equaled 23.0% of wages (U.S. Department of
Commerce, 1997, Table 8.15), yielding an estimate of the hourly value of work-
ners’ time, based on what employers are willing to pay for it, of $14.07.

The tasks undertaken by volunteers do not mirror the distribution of jobs
people have for pay, so we may want to look at market wages in industries
most like those in which most volunteers work. Narrowing our attention to
the service sector (very little volunteer labor goes to the production of goods rather than services) makes a difference due largely to a lower nonwage compensation rate of 18.3% (U.S. Department of Commerce, 1996, p. 74). Basing our productivity measure on average compensation in the service sector, we get $11.41 \times 1.183 = $13.50 (U.S. Department of Labor, 1996, p. 49). Further restricting attention to social services would drop average hourly compensation to $8.44 \times 1.169 = $9.87 (U.S. Department of Commerce, 1996, p. 74; U.S. Department of Labor, 1996, p. 117).

If these estimates reflect the market value of services produced by volunteers, do they represent the value of these goods to the clients to whom they are provided? As discussed above, for those services provided free or at discounted prices, there is no evidence that clients value these services at their market price. Indeed, in instances in which volunteers are helping to provide services available in the market—from education to food to medical care—the fact that the clients have not purchased these products is evidence that they do not value them at market prices. Accordingly, we use the factor of proportionality between market price and client value of 0.73 estimated by Murray (1994) to discount the value to clients of volunteer-assisted services. This says in essence that valuable services are being provided but that clients may have other pressing needs going unmet that would have led them to allocate resources differently if they had had the chance (as in the example with SRO housing). Discounting the range of hourly compensation rates in the previous paragraph yields an adjusted range of client-based value estimates of $7.21 to $10.27 per hour of volunteer labor.

MOTIVATIONS FOR VOLUNTEERING: JOINT PRODUCTION AND PUBLIC GOODS WITH VALUE TO VOLUNTEERS

Volunteers also derive value from volunteering, and the rewards from volunteering can take many forms. People may care about the value to the employing agency and/or its clients of the time they contribute. People may value the skills they develop while volunteering. They may enjoy the social atmosphere in which volunteering takes place. They may care about participating, preferring to give time even if the money they might have earned in an equivalent number of hours spent working might have been more valuable to the agency. And they may prefer volunteering over donating money because volunteering lets them keep an eye on how an agency is run.

Whatever the motives, the cost of volunteering is time that could have been spent in other ways, including earning money that could, after taxes, be spent on desired goods and services. Because time might have been spent generating income, the “opportunity cost” of volunteering is tied to hourly compensation in the labor market.

There are several manageable ways in which an hourly compensation estimate of opportunity cost might be refined. First, the opportunity-cost rationale for using wages suggests that the volunteer weighs the benefits gained by
volunteering against the benefits given up by not using that time to earn spending money. Unless the volunteer gets satisfaction from paying taxes, it is the after-tax wage that should be used to measure the opportunity cost of volunteering. In 1995, most American taxpayers faced marginal federal income tax rates of either 15% or 28%, on top of which many paid state income taxes as well. Social Security and Medicare are also financed through taxes on wages. The distribution of income in the IS data suggests that the majority of households in that sample probably faced a 15% marginal federal income tax rate. Roughly a third of volunteers were not employed, making it likely that their volunteering came at the expense of another untaxed use of their time. If we assume that 15% is a representative marginal federal income tax rate for volunteers’ labor market opportunities and we add to that 10% for payroll taxes and state income taxes, we have a “tax price” or opportunity cost of giving time of 75% of the person’s wage (because the remaining 25% would not be theirs to spend).

Volunteers also give up any marginal fringe benefits that would have accrued with another hour’s work. Some fringe benefits increase with an extra hour’s work; for example, contributions to pensions are often a set fraction of earnings, and the amount of unemployment insurance a worker can collect often depends on overall earnings. Other fringe benefits do not increase with an extra hour’s work; workers’ medical plans, life insurance policies, and workers’ compensation are examples. Data on nonwage compensation for 1994 suggest that about half (51%) of the cost of fringe benefits accrues to the examples in which there is benefit derived from another hour’s work (U.S. Department of Commerce, 1996, Table 8.15). Using economy-wide average values for wages and fringe benefits, we estimate a representative opportunity cost of an hour’s time as ($11.44)(.75) + ($11.44)(.23)(.51) = $9.92. (Note that the fringe benefit calculation here adds 11.7% to the wage, an adjustment very close to the 12% adjustment used by IS.)

Alternatively, we can turn to the transportation economics literature for estimates of how people value their nonwork time relative to their wage. To reduce commuting time, people are willing to spend at a rate of about half their wage; to avoid walking to and from transportation or waiting for transportation, people would pay 1.0 to 1.5 times their wage (Small, 1992). In other words, the average job seems to be a bit more pleasant than standing at a bus stop, but the economists’ view of paid work as a source of money and not as directly utility or disutility producing is suspect. The stress and other negative attributes of the workplace make the net return to paid work substantially less than the wage. The opportunity cost of time is therefore substantially less than the wage. If behavior in choosing transportation modes is used as an indication that free time is valued at about half the wage, then the appropriate value for an hour of volunteer time is $11.44 \times 0.5 = $5.72. Implicit in this calculation is the judgment that time spent volunteering is more pleasant than time spent on the job.
Some volunteer activities are likely to be as stressful as paid employment. If volunteers are motivated to provide services to clients or to develop marketable skills, they may well endure stressful environments to do so. In such cases, the wage, properly adjusted for fringe benefits and taxes, is the measure of the volunteer’s cost of volunteering. This would seem relevant to the case in which volunteers are providing professional services on a pro bono basis. This is an example of how understanding the motivation of the volunteer might inform the estimate of the value of volunteer time.

In summary, looking at the motivations of volunteers suggests that their time be valued at roughly one half to six sevenths of the average hourly wage. The lower values are most appropriate if volunteer activities are less unpleasant than for-pay work environments. The higher values reflect after-tax hourly rates of compensation and are appropriate when volunteers face levels of responsibility and stress comparable to those experienced at work. The higher values also reflect that the distribution of volunteers, and even more so the distribution of volunteer hours, contains a higher level of educational attainment than the distribution of workers whose time values are reflected in statistics on average wages.

DEFINING AND MEASURING VOLUNTEER LABOR

This section discusses, in turn, the issues of what to count as volunteer labor and what data to use as the basis for estimates of the nationwide level of volunteering. There are multiple perspectives from which to approach the question of what counts as volunteering. Cnaan, Handy, and Wadsworth (1996) identify four dimensions along which actions can be ranked and that affect the extent to which people classify them as volunteering. The dimensions are (a) the extent to which one’s participation is freely chosen, (b) the extent to which the one is remunerated, (c) the extent to which the context of the action is structured rather than informal, and (d) how far from the center of one’s personal sphere the beneficiaries of the action lie. Our valuations assume that the choice is made freely; other costs and benefits may not balance at the margin. Our valuations also assume that monetary remuneration is negligible, with volunteers deriving benefit directly from volunteering and not indirectly through payment for services.

The issue of whether one’s volunteering serves oneself is an important one. In particular, if the volunteer is also the client, then it is reasonable to assume that the volunteer does not derive benefit from volunteering per se but simply from the service made available. But a volunteer is seldom the only beneficiary of the volunteering; entirely output-driven volunteering may yield benefits to many. The provision of a public good for one’s own sake benefits others, as when parents volunteer in their children’s classrooms or coach their children’s soccer teams. The distinction between altruism and self-interest is not always observable; neither is it particularly relevant.
The toughest call in drawing a line around what can legitimately be called volunteer work comes along the personal-civic axis, and this is related to the third and fourth dimensions identified by Cnaan et al. (1996). If I care for my own children, or pick up groceries for my parent, that is not volunteer work. If I volunteer in a Head Start program or work with Meals on Wheels to deliver food to shut-ins, that is volunteer work. But what if I baby-sit for my neighbor or pick up something at the grocery for an invalid friend?

There are at least two forces at work to limit what counts as volunteering. First, personal responsibility makes certain tasks expected behavior, and performing these tasks does not count as volunteering. Braking for pedestrians and raising one’s children are examples. Second, personal connections often imply some form of reciprocity. Parents raise their children; children visit their parents in nursing homes. I baby-sit for my neighbor; if my car breaks down, I can call that neighbor and ask for a ride. Informal networks of bartered favors and safety nets are an important part of the social fabric, but they differ from volunteer labor freely given. Their inclusion or exclusion from the definition of volunteer labor will affect the nature of what we are talking about.

One way to excise personal networks of obligation or support is to count only volunteer labor that is mediated by an organization, as reflected in the third dimension of volunteering. This criterion has two advantages. First, it removes the necessity of judging whether personal favors involve too much implicit reciprocity or personal responsibility to be counted. Second, it links volunteering to the civic sphere. There is a burgeoning interest among social scientists in the impact on citizens’ political participation of their engagement in apolitical associations. Volunteering that is mediated by an organization is an important example of civic engagement that holds the potential to “link substantial sectors of the community and span underlying social cleavages” (Putnam, 1995, p. 665). Among several forms of engagement, including belonging to religious congregations, secular organizations, living with a partner, having finished college, and working outside the home, only volunteering has been found to contribute significantly to the likelihood that a person is both compassionate and trusting of others (Brown & Speakman, 1997).

On the other hand, “love thy neighbor as thyself” is a fundamental part of the American social ethic. If we want volunteering to measure our willingness to reach out into our community, we want to include as volunteer labor the informal helping we offer to neighbors, friends, and persons in need.

The distinction made here can be approximated within the data collected by Gallup for IS. This data set distinguishes between informal volunteering, which includes all work not mediated by an organization, and formal volunteering. Their definition of informal volunteering also includes volunteer work done for an organization but on an ad hoc basis, such as making cookies for a school bake sale. Rather than being based on a distinction between the civic and personal spheres, this demarcation is more about the implied level of commitment.
In the IS data, excluding informal volunteering has a big impact on the measured volume of volunteering. IS reports that informal giving represents about 23% of volunteer hours in their survey (Hodgkinson & Weitzman, 1996, p. 3).

Once we have chosen what counts as volunteering, there remains the task of counting volunteers. Estimating the number of volunteers is an enormously complex task (see, for example, Weitzman [1983] and Smith [1997]), and a review of the practical and methodological challenges it faces lies beyond the scope of this work. In the absence of a consensus on the number of hours volunteered, I use the estimates prepared by IS. These projections are higher than those based on the Census Bureau’s Current Population Survey (Hayghe, 1991) and lower than those estimated by Smith (1997). IS projects that 20.3 billion hours were volunteered in 1995 (Hodgkinson & Weitzman, 1996, p. 3).\(^3\) Removing hours devoted to informal volunteer activities reduces the estimate of annual hours to 15.7 billion hours.

### The Value of Volunteer Labor in the United States

As discussed earlier in this article, volunteering has value both to the volunteers, measured by what they willingly give up to volunteer, and to clients, measured by what they might have been willing to pay for volunteer-assisted services had they been given a choice between those services and cash. The opportunity cost faced by volunteers is measured by hourly compensation rates adjusted for taxes and perhaps for the disutility of paid employment. The value of services to clients is approximated through wage-based estimates of the market value of volunteer-produced services adjusted for the inefficiency of in-kind resource transfer.

For each of these two components of the benefits received from volunteer labor in the United States, there is a range of plausible hourly values that can be assigned. Looking at the value to the volunteers themselves of volunteering, the lowest value is obtained when we assume that volunteers value their nonmarket time at roughly half their wage rate. This assumption arises from the transportation literature and is consistent with a worldview that says that a substantial part of people’s paid wages compensates them for the stresses of their jobs. The lowest values to clients arise when the productivity of volunteers is estimated by the wages of social service workers. Combining these two low-end assumptions yields an estimated value of volunteering in the United States in 1996 of $203 billion. Including informal helping in the definition of volunteering raises this to $262 billion.

Higher estimates are generated when after-tax economy-wide average hourly compensation rates are used to estimate the opportunity cost of time to volunteers, and the same (pretax) hourly rate is used in the calculation of
value to clients. With these high-end hourly rates, our estimate of the value of volunteering in the United States in 1996 is $317 billion, or $410 billion when informal helping is included.

There may well be policy questions for which it is relevant to have estimates of the value of volunteering to the recipients only. The range in the estimated value of volunteering to the recipients of the services provided is $113 billion to $161 billion in the narrower definition of volunteer labor and $146 billion to $208 billion when informal volunteering is included.

SUMMARY AND CONCLUDING REMARKS

Volunteer labor is an important resource in the American economy, producing rewards for both the clients who enjoy volunteer-assisted services and the volunteers themselves. Volunteers produce services for others worth $113 billion to $161 billion annually. In addition, volunteer activities were worth roughly similar amounts to the volunteers themselves, yielding estimates of the value of volunteering in the United States of $203 billion to $317 billion.

These estimates are produced using data on hours volunteered from the 1996 IS survey. The traditionally calculated, wage-based dollar value of this volunteering is $201.3 billion. One interpretation that could be given to this wage-based estimate is that it reflects what users of volunteer labor would have had to pay if they had had to hire the labor that instead was freely given to them. This article argues that economic notions of value should direct our attention to the value resources have to individuals rather than to economic intermediaries, such as volunteer-using agencies whose well-being is not an end in itself. The calculations in this article suggest that the familiar wage-based estimate of the value of volunteer labor lies above its value to clients, exceeding our high-end estimate by about 25%, and lies below the overall value of volunteering, including the value to volunteers, falling just below our low-end estimate.

In generating these measures, volunteering was limited to regular volunteer work for an organization; as a result, we are measuring volunteering that extends beyond the personal sphere and into the civic arena. When informal helping is included, the range of estimates of the value of volunteering increases to $262 billion to $410 billion, of which $146 billion to $208 billion accrues to clients.

These numbers do not account for the benefits third parties—fellow citizens—may enjoy when time is devoted to people or causes they care about. Nor do these numbers account for the less tangible benefits that flow from volunteering. Volunteer activities bring together people who might not otherwise have contact with one another. The social fabric of so diverse a country as ours can only be strengthened by practices that bridge our socioeconomic divides.
Notes

1. Independent Sector (IS) collects data on the tasks performed by volunteers. Although the task data are not complete enough to invite an attempt to base an estimate of the value of volunteering on them, they provide some insight into the mix of activities undertaken. In some cases, volunteer activities can be matched with the market wages of persons who do similar work for pay. Activities that might reasonably be matched with for-pay jobs include clerical work (reported by 5.8% of volunteers as their principal volunteer activity), coach or recreational volunteer (4.4%), driver (2.2%), and cleaning or janitorial work (1.6%) (Hodgkinson & Weitzman, 1996, p. I-34). Many volunteer activities do not have paid counterparts, such as serving as a committee member (3.2%) or as a parish visitor or missionary (0.9%). The IS tabulation has no category for professional work done pro bono, a category that would help give a sense of how much volunteering makes use of high-wage skills. We do get a sense that high-profile opportunities to serve on boards of directors or as a trustee are fairly rare, reported as a principal activity by just 1.6% of the IS sample. Information is missing on somewhat more than 10% of volunteers.

2. IS is careful to alert its readers that its data and estimation procedures are designed to illuminate “patterns or trends” (Hodgkinson & Weitzman, 1996, p. xiv). One independent check on patterns of volunteering can be found in a 1984 telephone survey conducted by the University of Florida’s Bureau of Economic and Business Research; the volunteer profile there is quite similar to that found in the IS data (see, for example, Brown & Lankford, 1992). This suggests that we accept the IS data as a plausible cross section of the adult population and focus our attention on the question of how to move from sample data to population estimates.

3. An earlier draft of this article included a substantial reduction in the estimated number of hours volunteered annually. IS data allow one to calculate annual hours from either a question about volunteering in the past month or a question about volunteering in the past 7 days. The past 7 days seems a short enough period to yield more precise recall than the past month, and on those grounds initially seemed a better choice. However, there is evidence that people reporting high monthly hours are underrepresented among the smaller number of respondents answering the weekly hours questions. This suggests that the weekly hours data are tainted by selection bias. I am grateful to John Havens for bringing this to my attention.

References

The Value of Volunteer Activity


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