The economic equation of volunteering

The value of volunteering is widely recognised and promoted, but its economic value has rarely been explored. Nor has its cost, although organisations have argued for some time that recruiting, managing and supporting volunteers all require time and money. This study was designed to develop and pilot a method to measure these aspects of volunteering. It focused on twelve small voluntary organisations providing social welfare services, and produced estimates of their total expenditure on volunteers and the market value of their volunteers' work. This pilot study, by Katharine Gaskin and Barbara Dobson at the Centre for Research in Social Policy (CRSP), found that:

f Based on local rates of pay, the annual value of volunteering per organisation ranged from £2,000 to £14,000, with a total of £80,000 for the 12 organisations.

f Applying the National Average Wage (the only previous approach to estimating volunteer value) to the same organisations instead of local rates produced a figure 50 per cent higher, at £120,000. This highlights the advantage of the study's more precise method for calculating volunteer value.

f Adding volunteer management and organisational running costs of around £30,000 produced a figure of nearly £110,000 - a minimum 'replacement cost' of providing the twelve services.

f There is a return of between £2 and £8 for each pound invested by most organisations in their volunteers.

f The researchers conclude that this method of calculating the market value of volunteers' work and of organisational expenditure on volunteers is viable and straightforward to use. The basic principles and steps of the method are standard and have potential applicability to larger organisations and in other fields of activity.

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Background

The aims of this project were to test a method for calculating organisational investment in volunteers, valuing volunteers' contributions, and exploring the relationship between the two.

The context for the study was the 1995 National Centre for Volunteering estimate of the contribution of volunteering to the national economy. This suggested that at £41 billion, volunteering would be the third largest component of Britain's Gross Domestic Product. Formal volunteering alone (i.e. that connected to and organised by organisations) was valued at £25 billion per year, which would rank it fourth by industry sector. These gross figures were based on simple calculations of numbers of volunteers x average hours per week x average hourly wage (£7.83 per hour, taken from the New Earnings Survey of 1993).

This pilot project takes the next step in assessing the economic value of volunteering by developing a method that analyses more precisely the contribution of volunteers to organisations and values it at the appropriate market wage rates. In other words, if the organisation had to employ people at current local pay rates to provide their services, what would the wage bill be? Details of the methods used are given in the *About the study* section of this *Findings*. In essence, the study used two approaches: the first assessed the costs of individual roles (the 'job title' approach), the second looked at the value of actual tasks performed by all volunteers, regardless of individual responsibility.

The study also examines the other side of the equation, by quantifying the costs to organisations of involving volunteers. Voluntary activity has often been seen as a 'free good' with no accompanying costs. However, voluntary organisations have argued for some time that volunteering is not cost free, as recruiting, deploying, supporting and training volunteers all require time and money. The method combines direct expenditures on volunteers with the value of management time, whether provided by paid or unpaid staff. Finally, the relationship between the two is derived. This produces a ratio which describes the return on each £1 invested in volunteers by the organisation.

The value of volunteering

The study's analysis produced an annual 'volunteer wage bill' of between £2,000 and £14,000 per organisation, based on local rates of pay. The total value of the work done by the volunteers in all twelve organisations included in the study is substantial - between £70,000 and £80,000 per annum. When the National Average Wage Rate of £7.83 is applied, this figure increases to £120,145. Thus, analysing particular tasks and using appropriate local wage rates gave a quite different estimate of the market value of volunteering.

In general, the two methods of valuing volunteer activity produced comparable figures. Not

Figure 1: **The value of volunteer activity and the management costs per volunteer**
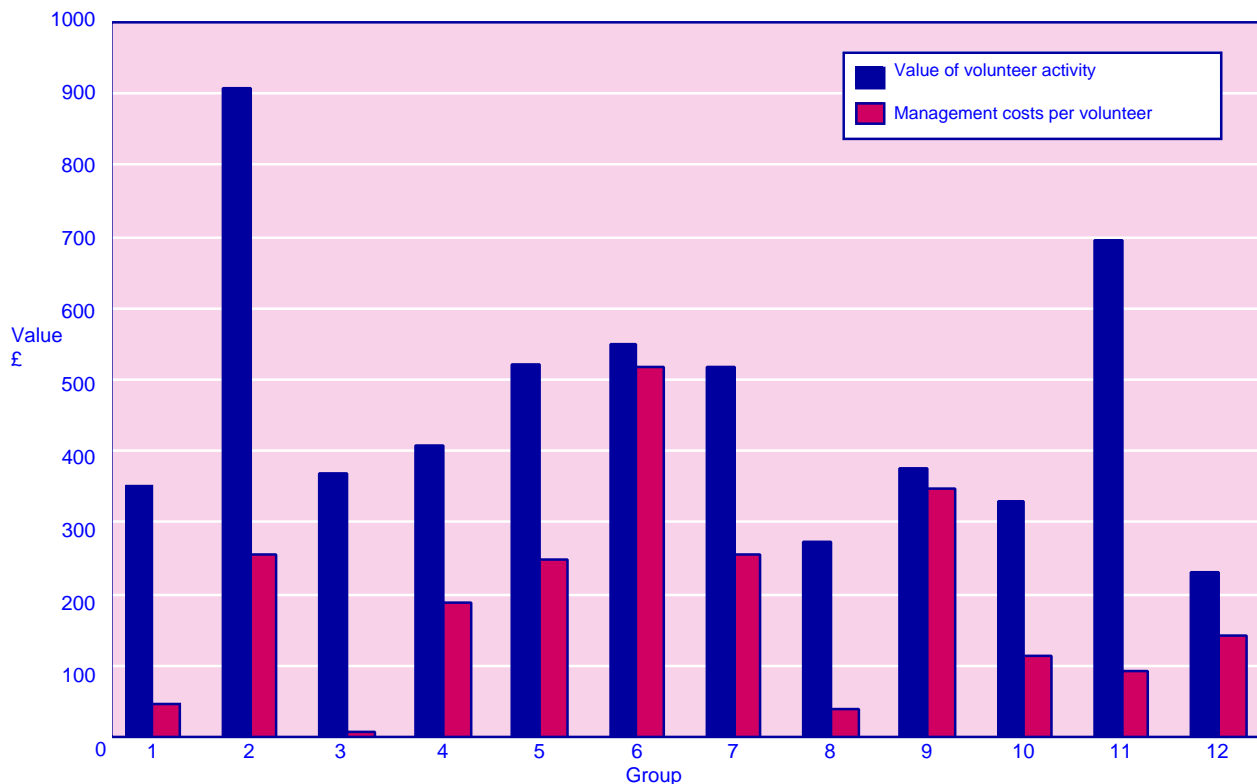
unexpectedly the 'job title' approach tended to produce slightly higher values as it included less skilled work being carried out by skilled workers. While this raises the overall estimate it is a true reflection of what occurs in the workplace. Using job titles required a high degree of accuracy in classifying work and in verification. However, it is potentially a simpler and quicker route to obtaining a market value as it requires only the number of hours and not a detailed analysis of volunteer activities.

The 'economic equation' represents the relationship between the investment by the organisation and the value of volunteer activity. The equation can be calculated in two ways:

- value of volunteer activity divided by the volunteer management costs alone
- value of volunteer activity divided by the volunteer management and organisational running costs

This equation estimates the return for each pound spent. The first method counterposes the value of volunteering to the costs to the organisation specifically associated with volunteer support and management (see Figure 1). The second includes organisational running costs in the second part of the equation. The rationale for this is that the volunteers' work is enabled by the overall functioning of the group or organisation, not just by its actual investment in volunteer management.

When only management and support costs are considered, all the organisations yielded a return of more than £1 for each £1 invested. Four groups gave a return of over £7 for each pound invested. Higher returns tended to occur where organisations 'practically run themselves', with volunteers doing a large amount of self-management and performing specific tasks that vary little from week to week. Of the three groups which give a return of less than £2 for each pound spent on management, one employed a highly paid volunteer co-ordinator and the other two devoted considerable time to planning and co-ordination.

Including running costs in the equation lowers the return on each pound spent. This was partly due to the inclusion of travel expenses and rent but it also highlights the importance of 'hidden' costs borne by the volunteers. These include buying prizes and/or presents, photocopying and the occasional telephone call. All these expenditures soon added up, although the volunteers themselves did not view them as regular contributions.

The study estimated the 'replacement cost' of providing the service by adding both sides of the equation. The figure produced combines actual costs (management and running) with the estimated market value of volunteers' work. The total cost of the services - which captures all of the inputs of money and time - provided by these 12 groups was £107,500 per year. This is a substantial amount of money; if it was to be extrapolated nationally, this economically invisible sector would appear as a key player in delivering care in the community.

Conclusion

The pilot was successful in demonstrating the viability of the method, and its usefulness for community groups and small voluntary organisations. Potentially, it could be used by all types of voluntary organisation, as well as statutory bodies with volunteering programmes. The basic principles and steps are standard but would require adaptation to the circumstances of larger organisations and in other fields. In large organisations, the increase in scale may simplify some aspects - because of more formal methods, better record-keeping, volunteer job classifications etc. - while complicating others - securing comprehensive diary completion, estimating irregular volunteering, more dispersed volunteer management functions, more hidden costs. Applying the method in different fields may mean accommodating different volunteering structures and patterns, relating to regularity, frequency and seasonality.

The data generated can be used by organisations in assessing the cost-effectiveness of their volunteer programmes, for internal planning and budgeting purposes. Figures on imputed volunteer value can be used in lottery and other funding bids, and may be useful in negotiating contracts for services. In the policy arena, accurate estimates of the value of volunteering can emphasise the true contribution of voluntary work to local economies and national life, while data on the costs of volunteering can help inform policy-makers of the financial implications of increased dependence on the voluntary sector and point to the importance of infrastructural costs.

About the study

Twelve small voluntary organisations operating in the social welfare field were identified through a database held by CRSP. These were community groups providing services to elderly people, people with cancer or recovering from a stroke, disabled adults and children, visually impaired and blind people, those with learning difficulties and recovering mentally ill people. Their structure varied from registered charities, organisations affiliated to national bodies and free-standing self-help or

community groups. The number of volunteers in the organisation ranged from eight to 27, with nine of the twelve groups being run solely by volunteers.

The organisations supplied data on the role of volunteers and the activities they perform. This information was used to design self-completion volunteer diaries. Working first with the organisation, the researchers identified all the types of volunteer activity. These were then sorted into a classification which was presented as a list on the volunteer diaries. Volunteers simply entered how much time they spent on each listed activity in each of their sessions of volunteering. They were also asked to write in a 'volunteer job title' describing their role. A two-week recording period was used. Periods of exceptional activity, such as Christmas and other holidays, were avoided, so that the period of recording was typical and reflected normal weekly volunteering in each of the groups.

The market value of volunteers' work - the 'volunteer wage bill' - was calculated using two approaches:

i) *by job titles*: derived from the volunteers' self-description in the diaries and validated by project co-ordinators. This approach estimates the cost of replacing volunteers by paid worker(s) using local pay rates obtained from the Job Centre and local employers.

ii) *by component parts*: derived from activities recorded in the diaries. This approach estimates the value of the work done, broken down into its component parts and then aggregated across all the organisation's volunteers. The component parts are valued at local pay rates as above.

Instrumentation was also designed to allow volunteers to record any additional volunteering they carried out between sessions as well as incidental expenditures. This captured hidden costs to the volunteers. If a volunteer's work was not captured during the recording period details of its nature, duration and frequency were collected and included in the study. In the case of management committees, the organisation supplied details of its composition and meeting cycle, so that a value could be derived.

The method required organisations to record all work related to the management of volunteers such as: recruitment, support, training, management and deployment. The wage rate of paid staff, or an equivalent market value for volunteer co-ordinators, was calculated. This figure was added to the cost of volunteers' expenses, insurance, supplies etc., as well as to any outlay on recruitment campaigns, advertising and training.

Organisational running costs were also collected. Where the organisation was subsidised or received free provision (for example, a rent-free room), the cost was estimated by identifying what charge would normally be made.

Further information

Related *Findings*

The following *Social Policy Findings* look at related issues:

51   The payment of volunteers (Jun 94)
74   Mixed fortunes: the funding of the voluntary sector (Mar 95)
75   The determinants of volunteering (Mar 95)
76   Managing the voluntary sector (Apr 95)
105   Involving volunteers from underrepresented groups (Oct 96)

For further information on these and other *Findings*, contact Sally Corrie on 01904 615905.