

How much are volunteers worth to my organization?

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Almost all nonprofit organizations use volunteers, and some nonprofits are completely defined by the way that they use volunteers as a labor source to deliver key services. Along with trusteeship and philanthropy, voluntarism is a defining characteristic of the nonprofit sector. Nonprofits typically count on volunteers to enhance the quality and quantity of services provided, help acquire resources, and build relationships. To nonprofit managers, volunteers are thus a benefit – but one that has costs, too. Knowing how to mobilize and deploy volunteers, and calculating the resources needed to manage a volunteer program are major strategic challenges and key skill areas.

This article lays out elements of the cost-benefit analysis that nonprofit leaders can use to validate their volunteer program activities. What are some key benefit and cost issues that nonprofit managers should consider when they contemplate establishing, increasing, shrinking, or abandoning their organization's volunteer programs?

Only a tiny number of nonprofits, whether charities or some other kind, do *not* use volunteers. Almost without exception, nonprofit boards of trustees or directors are made up of volunteers. These volunteers in governance roles provide legitimacy and a connection to community, along with their other virtues of wealth, work, and/or wisdom. Because volunteer trustees are so universal, their role is exempted from this current discussion, which focuses on volunteers who help in service delivery, resource development, outreach, and/or administration.

What are the benefits and costs?

Comparing benefits and costs should start by trying to put them into the same frame of reference. To calculate the value of volunteer activity, consider the time volunteers spend, the quantity of services they provide, the number of clients served, and the cost of a volunteer program (including overhead as well as the direct and indirect costs).

One method of accounting for the benefits generated by volunteers is to multiply volunteer labor hours by an hourly wage, such as the median wage earned by all workers in the community. Data on median wages for metropolitan areas are available from the Bureau of Labor Statistics at www.bls.gov. This site shows 2002 median hourly wages for all workers in the Allentown-Bethlehem-Easton area of Pennsylvania at \$13.06. More detailed listings account for differences in the tasks performed by certain specialized volunteers. Median wages in that region were \$14.54 for "Public Relations Specialists." An arts festival that uses volunteers in public service positions might use the general regional figure for most volunteers, but the higher wage for volunteers on a press committee. If you can't find data for your area, use the figure published by

Independent Sector at www.independentsector.org/programs/research/volunteer_time.html, which is \$16.54 per hour for 2002 (including benefits of 12%).

Calculating *hours x wages* helps you figure out the value of volunteer labor, but it may not reveal the *benefits* in the way that helps you to decide whether to grow, shrink, or sustain your volunteer program. Let's say that an organization receives just over 1,200 hours of volunteer service, for a value of \$20,000 of volunteer time using Independent Sector's figure. An organization like Big Brothers / Big Sisters, Meals on Wheels, or a chorus that is all-volunteer, might figure the benefit of volunteer labor not just in time spent, but in the number of services delivered or the number of people reached by that volunteer service. If that \$20,000 value has been offered to your organization for use, you can deploy that resource in a way that is valued by the "market" (i.e., in relation to your mission), or in a way that supports your function as an organization, and reduces some cost. Is it channeled to the service of your needy population? to further a mission of environmental remediation? to create more performances? Or, do volunteers deliver services within the structure, ranging from fundraising to administration?

There are explicit and opportunity costs of having volunteers. It's relatively easy to measure explicit costs with data from regular record-keeping. Having a staff member with responsibilities for recruiting and managing doesn't limit the cost to that person's salary and benefits. Other cost elements to be tracked include recruitment, training, supplies, insurance, and recognition programs. All of these should include explicitly budgeted line items, and a reasonable allocation of overhead. Additional explicit cost elements include other staff members' time for training, recognition, and the costs of IT to manage volunteers.

Adjusting the costs and benefits

Numerical calculations of cost and benefits aren't enough to tell a manager everything that's needed: Other perspectives are needed, too. Factors of quality and reliability have to be considered, as well as interactions between having volunteers and other areas of nonprofit management. One theory of competitive strategy says that organizations should seek resources that are rare, can't be imitated, and can't be substituted for. The more that your volunteers have these characteristics, the more (literally) "priceless" they are, and the more weight you could give to the benefits of the service. For example, Big Brothers / Big Sisters' mission explicitly relies on volunteer adult mentors. In many other organizations, key volunteers (including Board members acting as general volunteers) have critical knowledge or skills that no one else has.

In other cases, it is easier to substitute volunteers for staff and vice versa, using who is available. There are always concerns about whether volunteers can deliver services of the same quality as paid staff (although, truth to tell, the concern often goes the other way, too!). Decisions about volunteers wind up affecting other areas of nonprofit management, too: Outside stakeholders, especially funders, tend to like organizations that accomplish a lot with a small staff and many volunteers. Committed volunteers also tend to be loyal and persistent donors.

All of these are possible considerations for adjusting the figures you might come up with. Your adjustment can be one that increases the value because of one of these factors, or decreases it for

another reason. While adjustments for these factors are necessary, they make the job harder by asking you to place valuations on aspects of work that might seem arbitrary. For example: is volunteer A's performance twice as good as volunteer B? Or is it three times as good? Your assessment of the difference between A and B is basically the opportunity cost of using B in place of A.

Net benefit scenarios, present and future

The calculations and adjustments are not simple to do – this article only provides a framework for thinking about what to measure and how to use the measurements. For many managers, these aren't single decisions, but continual comparisons of the values used, the benefits created, and the costs. When you have the data from your measurements, you can make comparisons. The net benefit you can derive comes from subtracting costs from benefits and proceeding in the direction that the difference tells you is of most merit. You should come up with more than one scenario, to take into account different values and costs cost you would realize from one size volunteer program or another. You can figure out the net opportunity cost of a staff coordinator by considering (for example) how the time used to train volunteers could be used if there were no volunteers needing training.

Volunteer management is a dynamic process. An investment to mobilize and deploy more volunteers (or fewer if that's what you decide) may generate results over months or years. So, you should include future scenarios for volunteers in your analysis. As in any investment decision, make sure to discount the net impacts that you expect far in the future, as they're less certain, and should have less present value.

Conclusion

This article has focused on the economic benefits and costs that your organization may incur from having volunteers. But don't people give up their time for reasons of culture, ethical behavior, and social capital? Yes – but they also try to do what is best for them, if they are economically rational. That means that they also calculate the relative costs and benefits of volunteering with you compared to other uses of their time. The average wage data doesn't just reflect the value you're getting – it could also refer to the income that they're sacrificing. So, as you go through the process described here, remember: Your decisions, and the way that your organization welcomes volunteers and puts them to use, are inputs to your volunteers's cost-benefit decisions.

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