



Knowledge Development

Canada Volunteerism Initiative

How to Assign a Monetary Value to Volunteer Contributions

A M A N U A L

**Laurie Mook
Jack Quarter**

**Ontario Institute for
Studies in Education
University of Toronto**



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Knowledge Development Centre
Canadian Centre for Philanthropy
425 University Avenue, Suite 700
Toronto, Ontario
Canada M5G 1T6
Tel: 416.597.2293
Fax: 416.597.2294
Email: kdc@ccp.ca

www.ccp.ca | www.kdc-cdc.ca

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The logo for Canada, featuring the word "Canada" in a serif font with a small crown over the letter 'a'.

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How to Assign a Monetary Value to Volunteer Contributions:

A MANUAL

Introduction

Volunteers in Canada are playing an increasingly important role alongside paid labour. This phenomenon is referred to as coproduction (Brudney, 1990; Ferris, 1984). Despite the important contribution of volunteers, the benefits that they generate seldom appear in the accounting statements of voluntary organizations that rely on the services of volunteers. A recent national survey of 156 nonprofit organizations showed that over one third (37%) kept records of volunteer contributions, but that only 7% took the next step and assigned a monetary value to these contributions, and only 3% included a monetary value in their accounting statements (Mook & Quarter, 2003). Survey respondents gave many reasons for not attributing a monetary value to volunteer contributions. The barrier cited by the largest percentage of respondents (35%) was lack of resources, including tools and information. This manual addresses that barrier by showing readers how they can approach the task of assigning a monetary value to volunteer contributions.

There are a variety of ways to assign monetary value to the contributions of volunteers. The predominant approaches are based on replacement costs — that is, how much it would cost if an organization had to pay for the service provided by a volunteer.

A replacement cost approach looks at volunteer value from the perspective of the nonprofit organization. This approach, which is favoured by the accounting profession in cases where an estimation for volunteer value is permitted, assumes that volunteers could be replaced by wage earners as perfect substitutes in terms of skills and productivity. To decide on the replacement costs of a particular volunteer, you need to answer this question: if our organization had to pay for this service, what would the hourly rate be?

This manual discusses three approaches to estimating replacement costs:

1. Generalist Approach
2. Specialist Approach
3. Modified Specialist Approach

Although each approach attempts to estimate what a volunteer contribution is worth, they vary in the degree of specificity that is applied to the task. This manual explains the assumptions behind each approach, the procedures for using each approach, and the strengths and weaknesses of each approach. Additional readings and resources are suggested.

Generalist Approach to Replacement Costs

The generalist approach assumes that there is one rate for all volunteer tasks; that is, a gross average. To calculate the dollar value of volunteer time, the Independent Sector (2003) in the United States takes the average hourly wage for non-agricultural workers, as published annually in the U.S. Economic Report of the President, and adds 12% for benefits.

The generalist approach makes the assumption that all volunteer tasks should be treated equally. This approach is simple to use, but it seems more appropriate for applying a value to volunteer contributions when they are part of a broad survey involving many organizations. In this situation, organizational variations would be expected to average out. However, when volunteer value is calculated for a single organization, this approach may not be appropriate unless there is limited variation between the types of tasks undertaken by volunteers in a society. Our recommendation is not to use this approach when making an estimate for volunteer value in your organization unless no other option is available.

Specialist Approach to Replacement Costs

This approach targets the value of a volunteer's role to the market value of the exact task. Therefore, the choice of task that is used for comparison is a crucial factor. The Volunteer Investment and Value Audit (VIVA), developed in the United Kingdom, uses market comparisons based on both job titles and the component parts of the job; it also considers pay scales (Gaskin 1999; Gaskin and Dobson 1997).

In our own research with Junior Achievement of Rochester (Quarter, Mook, & Richmond, 2003), we used U.S. Department of Labor, Bureau of Labor Statistics' hourly wage rates from the National Compensation Survey (www.bls.gov/data), plus 12% for benefits, as

suggested by the Independent Sector (2003). The rates for July 2000 (in U.S. dollars) were as follows:

- board of directors — the \$31.30 hourly wage rate for “executives, administrators, and managers;”
- company co-ordinators — the \$26.85 hourly wage rate for “managers in service non-profits, not elsewhere classified;”
- teachers of the Junior Achievement curricula — the \$25.86 hourly rate for “teachers, not elsewhere classified;” and
- special event volunteers — the \$12.22 hourly rate for “administrative support occupations, not elsewhere classified.”

Although this approach has merit, practical problems could arise because there may not be exact comparisons for volunteer roles in the paid labour market. Nevertheless, where the information is available, it is precise and credible.

If you want to use this approach, follow these steps:

1. Categorize each volunteer role in your organization. If your organization has many volunteer tasks, you might choose to group those that are similar — for example, clerical tasks and governance tasks.
2. Once you have created your classifications of volunteer tasks, you need a market comparison for each one. Usually, the government organization for statistics in a country has economic data with market rates that could be used for comparison purposes. In the study of Junior Achievement referred to earlier, we used U.S. Department of Labor, Bureau of Labor Statistics' hourly wage rates from the National Compensation Survey (www.bls.gov/data).

In several of our case studies in Canada (see Quarter, Mook, & Richmond, 2003), we used Human Resources Development Canada data to make market comparisons for boards of directors (<http://lmi-imt.hrhc-drhc.gc.ca>). For example, as the market value for the Canadian Breast Cancer Foundation's board of directors' volunteer contributions, we used the Human Resources Development Canada category for senior managers of health, education, social services (Code 0014) — \$35.56.

3. Once you have assigned a market rate for each category of task, calculate a total value for each category by multiplying the number of hours contributed within each category by the dollar value.

Table 1 presents a task breakdown for volunteers in Junior Achievement of Rochester, the hours contributed by volunteers for each task, and the hourly rate for each type of task. To arrive at the total value for each task, multiply the hourly rate per task by the number of hours. The value of volunteer contributions for the organization is the sum of all the category totals. Then add 12% of the total benefits. For Junior Achievement of Rochester, the total volunteer value is \$345,606.

Table 1. Volunteer Hours Contributed for the Year Ended June 30, 2000

Junior Achievement of Rochester

Volunteer Activity	Hours	Rate	Value
Elementary school consultants	8,832	\$25.86	\$228,396
Middle school consultants	726	\$25.86	\$18,774
High school consultants	140	\$25.86	\$3,620
Company co-ordinators	990	\$26.85	\$26,582
Special events	525	\$12.22	\$6,416
Governance	792	\$31.30	\$24,790
Subtotal	12,005	\$25.70	\$308,577
Benefits (12%)			\$37,029
Total			\$345,606

Like most approaches to estimating volunteer value, this approach has both strengths and limitations. Its strength is its precision — comparisons are made for each volunteer task and the market rate for paid work in that category. The numbers that are used come from labour market data generated by government agencies. The comparisons can add credibility to the approach.

The limitations are that organizations may not have access to the information needed to make such comparisons and/or may lack the personnel to do the analysis. Also, there is a question as to whether volunteers doing a given task should be evaluated in the same way as paid labour doing the same task. Some argue that volunteer contributions should be discounted relative to the market and evaluated at perhaps half the rate or a bit more (Brown, 1999). This point of view is open to debate, but our view is that in the absence of evidence to the contrary, we should assume that volunteer tasks are worth the same as paid labour doing similar things.

Modified Specialist Approach to Replacement Costs

The modified specialist approach is also a replacement cost formula, but it targets the rate for a volunteer task to the nonprofit organization and the general skill level of the volunteer task. This approach is simpler than the specialist approach and, arguably, more practical.

For example, in our research study of nonprofit organizations in Canada, we used the North American Industry Classification System (NAICS), which classifies the labour force of all organizations including businesses, government institutions, and nonprofit organizations according to economic activity. This classification system (jointly developed by the statistics agencies of Canada, the United States, and Mexico) provides hourly wage rates for hourly paid workers and salaried workers. The rates are posted by Statistics Canada on a monthly basis (see

www.statcan.ca/english/Subjects/Standard/naics/2002/naics02-index.htm). This information is available through organizations that purchase the service, for example, universities.

Using this system in our research, the Jane/Finch Community and Family Centre in Toronto was classified as NAICS subsector 624, social assistance, and the estimated market value of volunteer contributions for their fiscal period ending in 2000 was \$13.38 per hour. As shown in Table 2, all volunteer tasks within the organization, except those of the board of directors, were assigned that rate. In this case, members of the board of directors estimated a rate that they thought was appropriate for the tasks they performed, and the average of these rates was used.

For the Canadian Breast Cancer Foundation, Ontario Region, the NAICS subsector 813 “grant-making, civic, professional, and similar non-profits” was applied. The wage rate for hourly paid employees in this category for Ontario was \$14.51. For salaried employees it was

\$19.72. The midpoint between the two rates is \$17.11. Rates were assigned based on skill level, using the rate for salaried employees as the rate for volunteers who performed highly skilled tasks, the rate for hourly paid employees for volunteers who performed low skilled tasks, and the midpoint rate for volunteers who performed medium skilled tasks. For instance, grant and advisory committee members were assigned a rate of \$19.72, volunteers running regional offices were assigned a rate of \$17.11, and office assistance volunteers had a rate of \$14.51.

The total comparative market value for the hours contributed by core volunteers through specific programs is presented in Table 3. These values were obtained by taking the total hours contributed by volunteers within a program and multiplying them by the appropriate hourly rates. As seen in Table 3, the estimated market value of volunteer contributions to the Canadian Breast Cancer Foundation, Ontario Region, is \$1,898,635.

Table 2. Calculation of Market Value of Volunteer Hours Contributed

Jane/Finch Community and Family Centre

Volunteer Activity	Hours	Rate	Value
Board of Directors	502.5	\$22.50	\$11,306
Community office	450	\$13.38	\$6,021
Subtotal administrative	952.5		\$17,327
Mental health	2,340	\$13.38	\$31,309
Mental health practicum	1,350	\$13.38	\$18,063
Cambodian youth group	5,400	\$13.38	\$72,252
Community development	5,793	\$13.38	\$77,510
Child-parent program	2,250	\$13.38	\$30,105
Subtotal programs	17,133		\$229,239
Community development	5,793	\$13.38	\$77,510
Subtotal	5,793		\$77,510
Total	23,878.5		\$324,076

Table 3. Calculation of Market Value of Volunteer Hours Contributed

Canadian Breast Cancer Foundation

Volunteer Activity	Hours	Rate	Value
Board of Directors	1,369	\$35.56	\$48,682
Committees	1,876	\$19.72	\$36,995
Office administration	900	\$14.51	\$13,059
Regional offices	8,250	\$17.11	\$141,158
	12,395		\$239,893
Run planning	11,450	\$19.72	\$225,794
Run day	13,707	\$14.51	\$198,889
Runners	83,470	\$14.51	\$1,211,150
Awareness day	498	\$17.11	\$8,521
Great White North	841	\$17.11	\$14,390
	109,966		\$1,658,743
Total	122,361		\$1,898,635

As noted earlier, we used Human Resources Development Canada's Labour Market Indicators to determine the market value for the board of directors' volunteer contributions, as the NAICS rate does not take into consideration governance tasks.

The modified specialist approach is more practical than the specialist approach in that one rate can be applied to all tasks within an organization, other than the board of directors. However, for organizations with a broad range of volunteer tasks, the specialist approach may be more accurate, even though it requires greater research to establish the appropriate market comparisons.

Although we favour precision, as much as it can be attained, it is also important for organizations to be practical. For organizations without the resources to devote much time to estimating volunteer value, and particularly for those with a simple volunteer structure, utilizing a general estimate of volunteer value might be the simplest approach.

Table 4 below summarizes the three approaches to estimating volunteer value and the strengths and weaknesses of each.

Table 4. Input-Based Methods of Estimating Dollar Value of Volunteer Time

Approach	Feature	Advantages	Disadvantages
Generalist Approach to Replacement Costs	The general approach uses one global figure for all organizations.	Useful for surveys of volunteer value.	Too general for application to a particular organization or a particular task.
Specialist Approach to Replacement Costs	The specialist approach evaluates volunteer contributions to the organization by comparing them with similar jobs/tasks in the market.	Very precise and likely to result in the most accurate estimate.	Necessary information may be difficult to obtain for some organizations.
Modified Specialist Approach to Replacement Costs	The modified specialist approach evaluates volunteer contributions to the organization by comparing them to the general market value of jobs within a particular field of endeavour.	Not as precise as the specialist approach, but more practical.	For organizations with a broad range of tasks, could be too approximate.

Conclusion

As with many problems, there is no perfect solution. Nonprofit accounts are based on an organizational perspective; therefore, it seems logical to use a replacement cost formulation to place a value on volunteer contributions. Volunteer or unpaid labour has value to the nonprofit organization, regardless of whether or not it would normally pay for the services that its volunteers provide.

The choice of which replacement cost approach to use is similarly complex. The generalist approach is the simplest, but the least precise. The specialist approach is the most precise, but requires the most resources to compute — resources that many nonprofit organizations do not have.

The Johns Hopkins University (2002) Nonprofit Information System Project is struggling with these same issues. The recommended procedure for the Nonprofit Information Satellite Account is a form of replacement cost “that ideally uses as a shadow wage for volunteers the average gross wage for the occupational activities in which the volunteers are involved, taking account of known large discrepancies in the skill levels of paid employees and volunteers” (Johns Hopkins University, 2002, p. 70). However, the Johns Hopkins project also recognizes the complexity of creating a replacement formula that is targeted specifically to the task (“specialist approach”).

Therefore, it states:

Since that requires more detail on the activities in which volunteers engage than is likely to be available in most countries, we recommend a fall-back approach that assigns to volunteer hours the average gross wage for the community, welfare and social service occupation category. The logic of that approach is that the work of volunteers is more likely to resemble that occupational category, and the wage rate for that category is typically toward the low end of the income scale, but not at the very bottom. That conservative estimate of the value of volunteer labor seems appropriate given the current availability of data on the work actually performed by volunteers. (Johns Hopkins University 2002, p. 70)

In essence, our position is the same. A specialist approach to replacement costs is ideal, but a modified specialist approach seems more practical.

Suggested Reading

Brown, E. (1999). Assessing the value of volunteer activity. *Non-profit and Voluntary Sector Quarterly*, 28(1), 3–17.

Brudney, J. (1990). *Fostering volunteer programs in the public sector*. San Francisco: Jossey-Bass.

Ferris, J. M. (1984). Coprovision: Citizen time and money donation in public service provision. *Public Administration Review*, 44(4), 324-333.

Gaskin, K. (1999). Valuing volunteers in Europe: A comparative study of the Voluntary Investment and Value Audit (VIVA). *Voluntary Action: The Journal of Active Volunteering Research*, 2(1), 35-48.

Gaskin, K., & Dobson, B. (1997). The economic equation of volunteering. Retrieved May 24, 2002 from <http://www.jrf.org.uk/knowledge/findings/socialpolicy/SP110.asp>

Independent Sector. (2003). Value of volunteer time. Retrieved July 27, 2003 from http://www.independentsector.org/programs/research/volunteer_time.html

Johns Hopkins University. (2002, March). *Handbook on nonprofit institutions in the system of national accounts*. Retrieved April 5, 2002 from <http://www.jhu.edu/~gnisp/docs/Front&Chapters.pdf>

Mook, L. & Quarter, J. (2003). *National survey of non-profit accounting practices*. Toronto: Canadian Centre for Philanthropy.

Quarter, J., Mook, L., & Richmond, B. J. (2003). *What counts: Social accounting for non-profits and cooperatives*. Upper Saddle River, NJ: Prentice Hall.

Other Resources

Volunteer Value Added Web site
<http://home.oise.utoronto.ca/~volunteer>

North American Industry Classification System (NAICS)
<http://www.statcan.ca/english/Subjects/Standard/naics/2002/naics02-index.htm>

Board of directors' rates, see HRDC Labour Market Indicators
<http://lmi-imt.hrdc-drhc.gc.ca>

U.S. Department of Labor, Bureau of Labor Statistics
<http://www.bls.gov/data>

Independent Sector Dollar Value of Volunteer Time
http://www.independentsector.org/programs/research/volunteer_time.html

