

The Dollar Value of Volunteer Time

By Susan J. Ellis

We live in a culture that assigns “value” to things predominantly in monetary terms. A rain forest appears on the accounting ledgers only when it has been chopped down into “lumber.” Caring for children or older parents becomes part of the economy only when a stranger is paid a salary to do what a family member might have done before without cash payment. In short, until there is a way to assign a dollar value to an activity or product, it is invisible to the society’s decision makers.

The volunteer community has long debated the practice of assigning a dollar value to volunteer time. Apart from any consideration of the difficulties of collecting data or of finding appropriate dollar amounts, the arguments against measuring volunteer contributions against a monetary standard boil down to: it doesn’t feel right. There is a sense that the value of volunteering is intrinsic and that any attempts to measure it - particularly with a crass a tool as money - will, in fact, de-value the activity. Many resent the hold that the dollar has on our thinking and would prefer to live in a world in which human activities would be assessed and esteemed on the basis of their contributions to others. But we don’t live in such a world yet. Only things we value in dollars and cents get the attention of decision-makers.

Generally, volunteers have simply not been mentioned on nonprofit agency financial reports. To report that it cost \$7,200 to winterize ten homebound elderly peoples’ homes without mentioning the \$4,000 worth of volunteer services or the \$2,000 worth of donated supplies risks the reader forming some false conclusions about the actual value of the service. From a management perspective, never having to “account” for the utilization of volunteers can result in wasting volunteer effort or in discounting its cost to the volunteer and its value to the organization.

Too many nonprofits have not kept accurate records of volunteer time and have made only a minimal attempt to assign a dollar value of such time. During the 1990s, the Financial Accounting Standards Board (FASB), the accounting profession’s rule-making group, issued several new rules that pertain to nonprofits. One of the most important new rules, FASB Statement No. 116, requires nonprofits to report certain contributions received from donors, including volunteer services. These rules mean that, for the first time, your agency may need to include the value of certain volunteer services in its external financial statements.

In order to generate the most useful data, take the time to estimate the dollar value of volunteers as fairly as possible. Do not fall into the common trap of using the minimum wage or the national median wage as a basis for your computation. The vast majority of volunteer assignments are worth a great deal more than minimum wage and probably more than the median, too.

Another trap is to confuse the dollar value of the service provided by volunteers with the earning power of the people who are doing the volunteering. If someone is a doctor and volunteers to do glaucoma tests for your organization, then you are justified to estimate the dollar value of that donated service at the hourly rate normally charged by that volunteer. But if that same doctor volunteers to paint your rec hall, drive clients to a picnic, or play chess with residents, the dollar value of that volunteer work has nothing to do with his or her regular earning power. You must assess the value of each volunteer assignment based on what it would cost you to purchase that type of work in the marketplace.

The best system for determining the true dollar value of volunteer services was developed by G. Neil Karn while he served as director of the Virginia Department of Volunteerism. For a more complete discussion of the Karn method and the subject of dollar value, see *From the Top Down: The Executive Role in Volunteer Program Success* by Susan J. Ellis (Energize, 1996). His key points are:

1. It is possible to find an equivalent salaried job category for every volunteer assignment, even if it means a little creativity and searching. Each volunteer assignment should be given its own dollar equivalency, without trying to find an average rate for all volunteers.
2. The cost of paying an employee includes fringe benefits that raise the total value of the “annual employee compensation package” considerably.
3. We routinely pay salaried staff for hours they do not work, while we credit volunteers only for hours they actually put in.
4. Volunteers should be “credited” with the dollar equivalent of the hourly amount an employee would earn for actual hours worked.

Whatever method you use to calculate the dollar value of the work volunteers have contributed to your agency, never use the phrase “volunteers save us money.”

This statement implies that you had resources you did not need to spend because volunteers are free. A better and more accurate way to make the same point would be that volunteers allow you to spend every cent available and then do more. Or, volunteers extend the budget beyond anything you could otherwise afford.

For further information, the Independent Sector provides an average dollar value for volunteers at -

www.independentsector.org/programs/know.html

Excerpted from *Focus on Volunteering KopyKit*, 2nd Edition. By Susan Ellis, © 1999, Energize, Inc. Available through Energize, Inc., <http://www.energizeinc.com>