

The Real Wealth of Nations: A Case Study in Valuing Volunteer Services at a Community Radio Station

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ABSTRACT

In “the Real Wealth of Nations,” Riane Eisler proposes an alternative economics that gives visibility and value to the most important work of all: the efforts of individuals as caregivers, parents and volunteers (Eisler, 2008). Eisler notes that our current economic measures – the Gross National Product (GNP) and the Gross Domestic Product (GDP) – do not consider either the value of human work or the value of the environment.

This paper applies the alternative economic model outlined in Eisler’s work to valuing volunteer services at a community radio station located in Everett, Washington. This case study outlines several models for determining the economic value of volunteers for this community organization, and argues for the application of Eisler’s approach to obtain a more complete picture of a nonprofit’s resources.

INTRODUCTION

Winston Churchill stated that we make a living by what we get, and we make a life by what we give. A considerable amount of the value created by nonprofit organizations arises from the contributions of volunteers. Reliance on volunteers efforts for tasks such as service delivery, office support, and fundraising is a defining characteristic of nonprofits, along with the guidance provided by volunteer boards of trustees.

Volunteer activities represent a significant contribution to the ongoing work done by nonprofit and charitable organizations. In the United States in 2009, 8.1 billion hours of volunteer service, with an estimated value of \$169 Billion, was given by over 63 million Americans, representing almost 27% of the population (Corporation for National and Community Services, 2010). And, the 2010 Deloitte Volunteer IMPACT Survey results show that corporate America believes that volunteerism is very important in helping nonprofit organizations achieve their long-term goals (Deloitte, 2010).

The world community is recognizing the importance of economic measures that go beyond traditional GNP and GDP values. In November, 2010, the United Nations Development Programme released the Human Development Report 2010, titled “The Real Wealth of Nations: Pathways to Human Development”. This report broadens the understanding of what a “developed” nation actually means. The Human Development Index (HDI) typically has considered primarily health and education, but the new measure includes three indices that represent the impact of income inequality, gender inequality and poverty. While overall progress in human development was noted, the new HDI measure points out that

there are many people being left behind: evidence that is not clear in traditional economic measures (United Nations Development Programme, 2010).

VALUING VOLUNTEERS

Laurie Mook, director of the Toronto Social Economic Centre, noted that "sometimes what happens when you don't put a value on something is it is perceived to be valueless or not having a value." (Higgs, 2009). The value of volunteer contributions is currently not explicitly considered by most nonprofit organizations, and it is not explicitly considered in traditional accounting reports. A survey conducted by the Canadian Centre for Philanthropy found that most Canadian nonprofit organizations did not keep records of volunteer contributions, estimate the financial value of those contributions, or include this value in their financial statements (Mook and Quarter, 2004).

In the United States, volunteers' contributions to the nonprofit sector were considerable, since volunteering is an important activity for Americans of all ages. The Corporation for National & Community Service has collected relevant data in their 2010 Volunteering in America survey. Their results show that the economic crisis in the U.S. has led to an increase in volunteer efforts, with approximately 1.6 million more adults volunteering in 2009 than in 2008 (Corporation for National & Community Service, 2010). They note that 8.1 billion hours of service were provided in 2009, with an estimated dollar value of \$169 billion.

Data from Canadian surveys echoes this U.S. data. Recent data show that the value of contributed services represented two and a half times more than individuals' financial contributions to these nonprofit organizations. (Mook et al., 2005). These volunteer contributions are not formally recognized in financial reporting, although they represent a significant contribution to those organizations and, ultimately, to the community and society as a whole.

KSER BACKGROUND AND HISTORY

90.7 is a community radio station, licensed to the KSER Foundation and broadcasting at 90.7 on the FM dial, and streaming on the web at kser.org. KSER began regular broadcasting on February 9, 1991, at 1000 watts with the studio and transmitter located in Lynnwood, Washington. In mid-1997, authorization from the Federal Communications Commission was secured to raise KSER's power to 5800 watts and move the transmitter to a site near its city of license: Everett, Washington.

KSER is the only full-power independent community radio station in Western Washington, and one of only three such stations in the entire state. As a non-commercial radio station, KSER relies on its listeners in the communities it serves for most of its operating budget.

KSER serves Everett, Washington and the other communities of Snohomish, and North Puget Sound counties. The station's news, public affairs programming and public service announcements emphasize the North Puget Sound region. KSER is adventurous listening, by design.

Like other public radio stations, 90.7 KSER is primarily listener-supported, meaning that it relies on donations from listeners for the majority of its operating budget. But, unlike public radio, 90.7 KSER is a community broadcaster, meaning that it uses volunteers to run most of its day-to-day operations. A small staff of paid professionals manages a large team of volunteer DJs, reporters, producers, engineers, web content creators, and office staff. Operation of 90.7 KSER is made possible by the dedication and efforts of over 100 volunteers who perform most of the on-air and many of the off-air functions of the station.

ADVANTAGES OF VOLUNTEERING

Volunteerism provides many benefits, not only to the organizations for whom the time is committed, but also to the individuals giving their time and efforts. Some of the advantages of volunteering are described

below.

-Community education

Just as a receptionist represents the voice of a business, a volunteer represents the voice of a nonprofit. Volunteers represent the nonprofit organization in the community in a personal way that the nonprofit itself can't, and they can generate more goodwill than is possible in the nonprofit's public relations efforts.

Involving community representatives as volunteers at KSER helps to educate the community about what the radio station does, and shows its value and importance. Listeners to KSER provide the primary support for the radio station, and so the station's music, news and public affairs programming needs to be relevant to the listeners to continue its operations.

-Building Community

When volunteerism is considered as a powerful means of building community and strengthening social capital, it can help reverse trends noted in the decline of civic engagement in the United States (Merrill Associates, 2005). Volunteers at 90.7 KSER may be attracted by the opportunity to become a part of a special and select community, comprised of others who are passionate about music or public affairs programming.

-Community Feedback

Members of the community can provide valuable feedback to the organization for which they volunteer their time and efforts. 90.7 KSER is primarily listener supported, and its continued operations rely on its relevance to its listening communities. The public affairs programming aims to improve the lives of the radio station's listeners, and feedback is valuable for assessing continuing relevance and informativeness.

-Public Relations

Interviews with dedicated volunteers can help the nonprofit learn stories about the impact of volunteering on their lives. Some of the volunteers' more compelling stories can be recorded and used as testimonials in fundraising, on the radio station's web site, on volunteer DJ blogs, or on Facebook or other social networking web sites. And, foundations understand that many nonprofit benefits cannot be quantified, so personal stories show an indirect value of the nonprofit in the community.

-Matching Funds

Volunteer hours may be able to be converted into matching dollars for a nonprofit organization. Large corporations may encourage volunteerism among employees by matching each employee's volunteered hours with a dollar contribution to the relevant nonprofit. KSER has benefited from the generosity of large local organizations who reward the radio station in cash for its employees' volunteerism.

-Improving Volunteers' Skill Sets

Accounting firms that have supported the volunteer efforts of their employees note that the participating employees have enhanced their skill sets - primarily in the areas of improved communications skills and other managerial experience - through their volunteer activities (Journal of Accountancy, 2010). KSER's volunteers learn and enhance many skills through their contributions of time to the radio station.

-Honoring Volunteers

Volunteers appreciate acknowledgment, and valuing their time is a way of indicating that their efforts are important. For KSER, volunteers are essential - the radio station would not be able to broadcast without the efforts of the volunteers.

For KSER, as for many other nonprofit organizations, there has not been a formal method of valuing the efforts of its many dedicated volunteers. Several alternative methods of providing a value for these

contributions are considered next.

INPUT-BASED MODELS

One approach - and the most widely used approach - to valuing the contributions of volunteers to nonprofit organizations is to use input-based measures. These measures focus on economic capital by calculating the economic value to a nonprofit of the efforts of their volunteers. These models measure how much volunteers contribute to organizations by evaluating how much time they give.

One model for calculating the value of the benefits that volunteers provide is to multiply the number of labor hours that were provided by an appropriate labor rate. The Independent Sector determines an annual value for an hour of volunteer time, based on Bureau of Labor Statistics data for the average hourly earnings of production and non-supervisory workers (Independent Sector, 2010). For 2009, the average dollar value of a volunteer hour is \$20.85, a value that includes 12 percent for fringe benefits.

Another input-based model is the wage replacement method. The U.S. Bureau of labor statistics develops occupational employment and wage estimates annually. These statistics estimate value based on the specific tasks performed by the volunteer. For example, a manager's time is valued at \$45.38 per hour, representing the cost of replacing a volunteer manager with a paid staff person. The Points of Light Institute's Economic Impact of Volunteers Calculator provides a valuable tool that a nonprofit can use to value volunteer hours, using specific task data (HandsOn Network, 2010). Calculations can be made by type of volunteer and for the total volunteer hours per year. This tool can provide a more realistic estimate of the economic valuation of volunteer time.

COST-BENEFIT MODELS

Managers of nonprofit organizations recognize the volunteers represent a benefit - and yet, that benefit comes at a cost. While it is important to measure the inputs of volunteers in terms of the hours of work they provide, other models consider the value of volunteers in a cost-benefit framework.

One such cost-benefit model is the Volunteer Investment and Value Audit (VIVA). VIVA was designed by the Institute For Volunteering Research and has been used in Europe and the United Kingdom (Gaskin, 2003). It computes the cost benefit ratio for volunteer efforts (Merrill). VIVA compares the "inputs" or costs of a volunteer program (the costs incurred to recruit, train and manage their volunteers) with the "outputs" or value of the volunteer time donated, which is calculated by using an input-based model. Proponents of the model indicate that it provides an easily understood measure of both the scope and importance of volunteerism for a nonprofit as well as the organization's payback on its volunteering investment. They note that it can help with recruitment and retention of volunteers and with improving accountability with funding agencies.

OUTPUT-BASED MODELS

Criticisms of the Input and Cost-Benefit Valuation Models usually focus on the limited information provided by the focus on the financial value of volunteer work (Graff, 2009). While these models create what they term "total volunteer value," Graff and others argue that more comprehensive models are needed to capture the monetary value of the quality of life, improved morale of employees and more favorable public image.

The output-based approach to valuing volunteers' work can be termed social accounting, and it moves beyond considering only the dollar values that may be calculated as a basis of value. This approach considers volunteerism in a broader context of the nonprofit in a larger community. It focuses on the effect of volunteers on outcomes, or the impact of these efforts on those served by those efforts. These models are developing measures of the value created by volunteer efforts and the difference those efforts are making in their communities.

The Expanded Value Added Statement (EVAS) is one approach to social accounting, and it was developed by Laurie Mook as a method of showing the broad scope of strengths that a nonprofit organization brings to its community (Higgs, 2009). While for-profit businesses focus on the wealth created for one stakeholder -- the owners and investors of the firm -- the EVAS considers the many stakeholders that benefit from a nonprofit's services. From the total income received, the outside supplies (direct costs and expenses) are subtracted to calculate the value added, or the wealth created for the period. The distribution of this value added amount is then outlined, showing the role of the organization in providing employment, direct benefits to its "shareholders," and indirect benefits to society and its volunteers.

CONCLUSIONS

This research paper primarily considers the economic benefits and costs of using volunteers in a nonprofit organization and uses a community radio station as its focus. Other benefits accrue to a nonprofit from the efforts of volunteers, considered here as social capital.

Current financial reporting guidelines in the U.S. are limited in their ability to provide information on the value of volunteers. By focusing on the costs expended by nonprofits without assessing the benefits, nonprofits are considered simply as users of economic resources instead of being considered as creating value by providing benefits to society. Alternative measures can provide a more comprehensive picture of the value of volunteers for nonprofit organizations.

We propose here that an alternative economics is necessary to place a value on efforts that are currently not explicitly valued: the efforts of individuals as caregivers, parents and volunteers. As Eisler notes, the current economic measures - the GNP and the GDP - do not consider either the value of a considerable amount of human work or the value of the environment. And, when a value is not placed on something, it can be perceived to have no value at all.

Especially in these challenging economic times, the time and efforts provided by volunteers gives critical assistance to nonprofit organizations. Service provided by volunteers is considered vital to the economic recovery of the nation. Valuing that service in some form - whether based on input, cost-benefit, or output measures - provides a clearer picture of this important contribution to the national and global economies.

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