

Independent Sector

Value of Volunteer Time: Methodology

How the Numbers Are Calculated

Charitable organizations most frequently use the value of volunteer time for recognition events or communications to show the amount of community support an organization receives from its volunteers. For decades, Independent Sector has been the primary source for state and national data on the value of volunteer time in the United States. To produce the 2019 estimates of the dollar value of an hour of volunteer work, Independent Sector partnered with Nathan Dietz (Do Good Institute, University of Maryland) and independent consultant Michael Sousane. The Do Good Institute team revisited the methodology used in prior years and updated the assumptions behind the method, and continues to do so. This document describes recent updates and revisions to the methodology behind the estimated value of an hour of volunteer service.

The state and national estimates of the value of volunteer time are based on the method used by Independent Sector in prior years. The primary assumption is that the value of volunteer service is based on the average earnings of private sector workers, excluding those who work on farms or in managerial occupations. The source data for Independent Sector's estimates is the same as in previous years: the estimates are based on the annual average hourly earnings (non-seasonally adjusted) for all production and non-supervisory workers on private non-farm payrolls. These annual earnings estimates come from the Current Employment Statistics (CES) database (<https://www.bls.gov/ces/>), which is available from the Bureau of Labor Statistics (BLS).

The use of sector-wide average earnings is justified by the fact that volunteers nationwide produce a large variety of services for organizations and communities. The assumption (which Independent Sector has traditionally used as the basis of their estimates) is that these earnings represent the cost to the organization of hiring paid workers to provide these services. The assumption is not based on the amount that the volunteers may earn in their paid occupations, but on the cost (or value) of the services they provide. Many doctors, lawyers, or others with specialized skills perform volunteer work, but this work does not always use their specialized skills.

The 2023 national estimate of the value of an hour of volunteer time is based on the hourly-earnings CES estimate for private nonfarm and non-managerial occupations, plus a 15.7 percent increase for the value of fringe benefits. The 15.7 percent fringe-benefit rate is a departure from Independent Sector's earlier practice, which was to increase the CES earnings estimate by 12 percent. The 12 percent rate was first calculated by Harold Wolozin in a 1976 article, based on compensation data from 1974. Today, according to data from the BLS National Compensation Survey (<https://www.bls.gov/news.release/pdf/ecec.pdf>), nonwage benefits constitute 31.1 percent of total compensation for private sector workers. However, data

from the BLS National Income and Product Accounts (<https://www.bea.gov/itable/national-gdp-and-personal-income>) indicates that only 50.5 percent of these nonwage benefits accrue for each additional hour of work for employees; for the other 49.5 percent of these benefits (which include health insurance and other employer-paid costs), the value does not increase for an additional hour worked. Thus, the appropriate fringe-benefit rate to use for the 2023 estimates of an hour of volunteer time is $(50.5 \times 31.1 =)$ 15.7 percent.

These updated assumptions about the fringe-benefit rate have the effect of increasing the estimated value of volunteer time. However, the estimates may still understate the full value of volunteer service, because they do not consider the many intangible benefits provided by volunteers that cannot be easily quantified. Volunteers often experience personal benefits from the satisfaction of helping others; in addition, they can increase the capacity and efficiency of service-providing organizations beyond the value of the work they do, which can help these organizations produce greater value to their communities.

According to the Financial Accounting Standards Board (FASB), the value of volunteer services can also be used on financial statements – including statements for internal and external purposes, grant proposals, and annual reports – but only if a volunteer is performing a specialized skill for a nonprofit. The general rule to follow when determining if contributed services meet the FASB criteria for financial forms is to determine whether the organization would have purchased the services if they had not been donated. Accounting specialists may visit FASB's website (<https://asc.fasb.org/1943274/2147478323/958-605-25-16>) for regulations on use of the value of volunteer time on financial forms. BLS also produces estimates of hourly wages by occupation (<https://www.bls.gov/oes/home.htm>) that can be used to determine the value of a specialized skill.

About the State Values

While the national estimates of the hourly value of volunteer time are produced using a reliable, up-to-date methodology, the national rate does not take into account state-by-state differences in labor conditions and the cost of living. To correct for these differences, the state estimates use a method that was originally recommended by BLS economist John Stinson. The state estimates are equal to the national value of volunteer time multiplied by a state-specific “hourly earnings index,” which is based on the average estimate of hourly earnings for private sector employees in nonagricultural occupations. The index value for each state is equal to the state hourly earnings estimate divided by the national hourly earnings estimate.