



April 23, 2013

AN ECONOMIST'S CASE FOR VOLUNTEERING

Volunteering creates \$50 billion in annual economic value for Canadians

This week is the 71st annual National Volunteer Week in Canada. Similar events have been established around the world to appreciate and recognize the billions of people who complete volunteer work despite their having increasingly busy and demanding daily schedules.

We have written in the [past](#) about the growing demands on charities and non-profit organizations for services. In most cases, volunteers are the life-blood that keeps these enterprises running: their actions and efforts effectively turn the gears of the non-profit turbine. Through their volunteer efforts, these individuals grow their communities, enhance community and civic engagement, and generate positive meaningful change in the social, political and environmental arenas. Activities can be undertaken either through a formal organization or informally at a community or local event. Volunteers bring about continuous societal change one hour, one service, and one activity at a time.

In the past, volunteering meant something different to each person. In an effort to clarify the language and interpretation, the International Labour Organization (ILO) has defined a volunteer as an individual who performs unpaid, non-compulsory work either through an organization or directly for others outside their own household. Two essential characteristics of volunteerism spring from this newly minted and universally-accepted definition. Monetary and/or in-kind compensation is not provided. There is no pecuniary obligation to perform the task, activity or service. It embraces work done both within and outside a formal organization or institution – thus a charity drive is given equal weight as assisting a neighbour with a snow-covered driveway. Volunteering, therefore, can take many forms, including performing a charitable service, fundraising, sitting on a committee or organizing an event.

In 2011, researchers at Johns Hopkins University estimated that almost one billion people in the world volunteer their time every year. This is a staggering figure. A number comes alive when one adds context around it. Essentially, the added perspective makes the picture morph from '2D' to '3D' before our very eyes: if every volunteer across the globe resided in the same country, they would live in the third most populous country in the world – behind only China and India. If we restrict the cohort to just the number of people aged fifteen and above, the aggregate volunteer community would represent the second most populous country in the world.

When volunteering is discussed in casual conversation, altruism, kind-heartedness, and selflessness are just a few of the words and/or characteristics that come to mind. But what if we looked at this form of service through the lens of an economist? Undoubtedly there is economic value in the volunteer services rendered. Although this economic value is very real, it is seldom noticed and rarely discussed.

The creation of economic value occurs in two ways. First, there is an opportunity cost for spending a limited resource – in this case, time – on unpaid work as opposed to paid work. Secondly, there is economic value from the social capital generated: the intangible benefits associated with volunteering. For example, a person can use the opportunity to develop or improve on skills that may be required for paid work in the future. This preparatory work helps ease the transition to the labour force. It also gives individuals the opportunity to try a job out before undertaking sometimes costly and time-consuming

courses and certifications. Community work also improves social cohesion and socio-economic outcomes. This can be hugely beneficial for vulnerable groups, such as low-income families and new immigrants to name just two. The greater knowledge about specific subjects like health and political issues that may result from volunteering heightens social awareness.

To illustrate the economic value of volunteering in more concrete terms, let us quantify the sum for Canada. In 2010, more than 13.3 million people completed volunteer work. Counting up the hours rendered, these Canadians devoted 2.1 billion hours to their activities. This time served is equivalent to 1.1 million full-time jobs, or 8% of full-time jobs in Canada.

The average hourly wage rate for 2012 is \$24. This figure lines up with the Independent Sector's approximation of the hourly value that volunteers provide. It is used by charities and non-profit organizations in communications about the importance of volunteering. Although individual volunteers may earn more during their regular jobs, they may not use these highly-paid skills in their volunteer activities. In turn, the average wage is a reasonable benchmark to use for our exercise. Based on the hours volunteered and an imputed average hourly wage, the economic value of volunteering in Canada is in the ballpark of an astounding \$50 billion each year. This figure, though undoubtedly impressive, is likely a conservative estimate that does not include any capital investment, nor improved skills and attitudes.

Put simply, \$50 billion represents a lot of value. It is too large to simply dismiss. It is equal to about half of Statistics Canada's estimation of the value add of the non-profit sector in Canada. As a share of the national economy, this figure represents slightly less than 3%. The economic value of volunteering is approximately the same size of the entire Manitoba economy. If the value of volunteer work were a company, it would be in the league of the largest firms in Canada listed in the S&P/TSX Composite Index – on the basis of market capitalization – sandwiched between corporate giants like Suncor Energy and the Canadian National Railway.

Many would argue that the benefit of volunteering goes far beyond dollars and cents. Some might even suggest that to try and quantify such a selfless act undermines the very basis of the activity in question – that it is distasteful and/or disrespectful to try and put a dollar figure on teaching someone a new language or helping out a neighbour or friend. It is short-sighted not to appreciate this perspective and to flippantly ignore the passionate rebuttal to economic valuation.

Despite the scepticism attached to the exercise, putting numbers to volunteering does help to demonstrate the societal and economic importance. A dollar figure is something policymakers and the public can relate to. We can feel its heft in our hands. It magically becomes clear and tangible as opposed to opaque and intangible. Comparison and context enable us to understand and protect volunteering which is generally overlooked and its importance dismissed at first glance. An economic lens fosters appreciation for a crucial element of the social fabric that binds the community together.

The economic value of volunteering demonstrates that it is possible to get more than what you pay for. Sometimes the return is leaps and bounds more. At minimum, attributing a dollar value to volunteering can prompt enthusiastic conversations around the water cooler. In our view, this is a fitting way to pay tribute to the many Canadians celebrating National Volunteer Week and the critical contribution that volunteers make.

Craig Alexander
Senior Vice President and Chief Economist
416-982-8064

Sonya Gulati
Senior Economist
416-982-8063





This report is provided by TD Economics. It is for information purposes only and may not be appropriate for other purposes. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. The report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.

