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# SPECIAL REPORT

## TD Economics



December 2, 2014

# THE IMPACT OF VOLUNTEERISM AND CHARITABLE GIVING

## Highlights

- Americans are overwhelmingly willing to give both money and time to the causes that matter most to them.
- More than a quarter of all Americans volunteered in 2013, donating the equivalent of \$185 billion in unpaid hours.
- More than 95% of households donate to charity. The value of this giving was \$385 billion, equal to nearly 2% of 2013 GDP.
- Religious organizations receive the largest share of charitable donations, while education and human service groups are also popular.
- Charitable giving creates positive, lasting impacts for our communities and society as a whole. Two examples show these impacts:
  - Programs that provide access to music education for low-income youth result in higher academic achievement and reduced behavioral issues among participants.
  - Youth organizations provide a safe, positive space for at-risk youth. Participation in homework clubs, mentoring programs, and other activities is associated with higher grades, improved self-esteem, and increased high school completion rates.

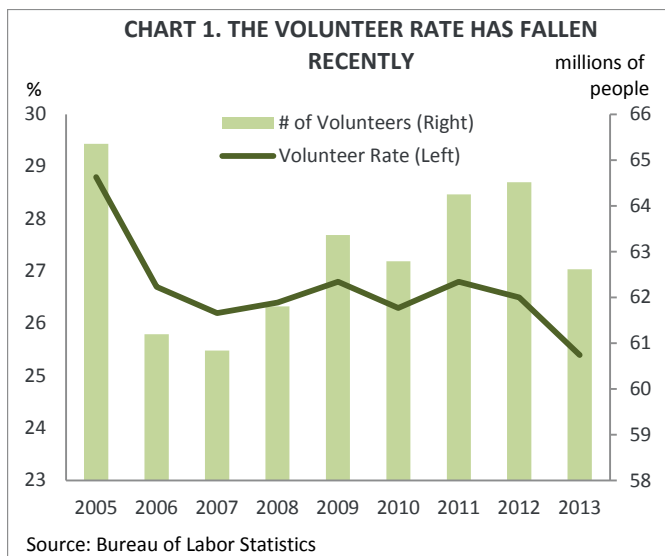
Every year, millions of Americans take time out of their day to volunteer in their communities. Millions more donate regularly to their church, schools, community organizations, or other charities. This special report looks at how and why people volunteer their time and money, and the lasting impact that charitable giving makes.

## The State of Giving in America

### *Giving Time*

In 2013, more than 62 million people in the U.S. performed volunteer work. This represents more than a quarter of all Americans aged 16 and over. What kinds of organizations are people giving their time to? The most common are religious organizations, which attracted 33% of volunteers. Educational or youth service groups were the second most popular, accounting for 25.6% of total volunteers. Other popular organization types include social or community service (14.7%), hospital and other health groups (7.3%) and civic, political, professional, or international groups (5.1%).

Although more than a quarter of Americans volunteered in 2013, there is a disappointing trend in the volunteer rate. The absolute numbers of volunteers have been generally rising since 2006, but a rising population has meant the share of the population that has been volunteering has been edging lower



(see Chart 1). In 2013, both the number of volunteers and the volunteer rate declined sharply. Reasons for the fall in the volunteer rate are unclear, but the decline is a continuation of the general downward trend in volunteer rates seen since data collection began in 2002. It is worth pointing out however, that volunteer hours have remained fairly steady throughout this time, at around 8 billion hours per year. This implies that remaining volunteers are filling in the gap in created by falling participation by giving more hours.

Data on the number of hours given in 2013 are not yet available. In 2012, volunteers gave 7.9 billion hours of their time. Assuming the same number of hours was given in 2013, the value of the time dedicated to charitable work is approximately \$190 billion, or about 1.1 per cent of GDP.

The rate and intensity of volunteering changes as a person ages, illustrated in Chart 2. The likelihood that a person volunteers is highest among those aged 35 to 44 years, and declines as one progresses through the higher age groups. The high rate of volunteerism among those aged 35 to 44 is likely due to the presence of school-aged children in the household, as this age group also has the highest volunteer rate for educational or youth service activities.

While volunteerism peaks at ages 35 to 44, the number of hours given tend to rise as one ages. Volunteers aged 65 and over give the highest number of hours, donating at a median rate of 86 hours per year. So a key trend to look for in the years ahead is the possibility of a continued decline in the volunteering rate but an increase in volunteering hours reflecting the aging of the baby boom generation.

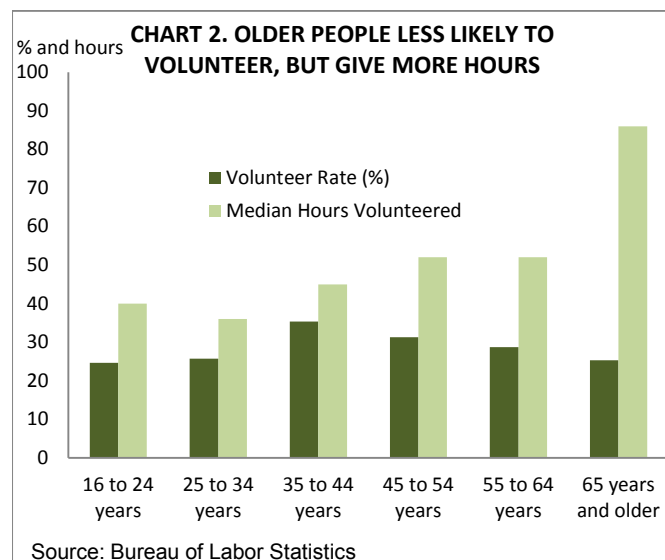
The decision to volunteer is associated with a number of different factors. One of the biggest factors is simply

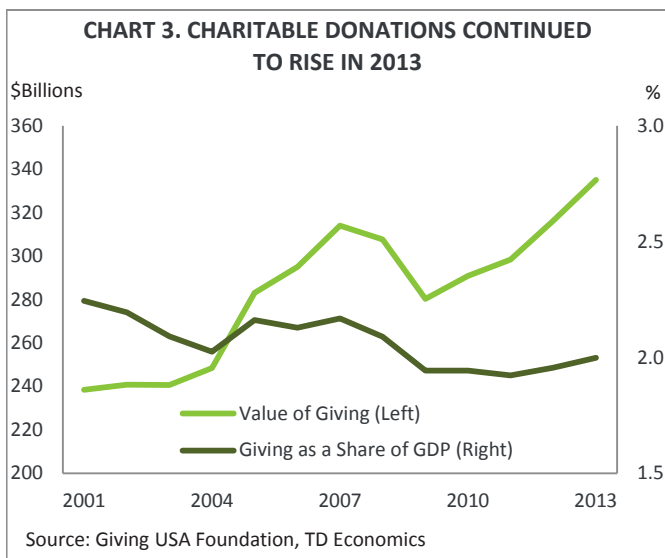
being asked to contribute. Receiving a request for help greatly increases the odds that a person will volunteer – the so called “power of the ask”.<sup>1</sup> Beyond simply being asked, however, volunteers cite two main reasons for volunteering. The first reason is altruism; among volunteers, more than 90% of those surveyed reported compassion towards those in need, giving back to the community, and the idea that those with more should help those with less as motivations for their volunteer activities. The second reason for volunteering is a personal connection, either because the activity is important to someone the individual respects, or because someone close to them is involved or benefits from the volunteer activity.

Beyond altruism, volunteering is also a great way for people to network and broaden their skills. Indeed, while only a small share of volunteers cite employment opportunities as a motivation for their activities, it may be benefiting them anyway. A 2013 government study found that volunteering is associated with a 27% higher probability of finding employment.<sup>2</sup> For the many people currently unemployed, volunteering not only provides a way of keeping and enhancing skills it may also help get them back to work.

### Giving Money

While about a quarter of the population gives their time to volunteer each year, nearly everybody donates to charity. Over 95% of American households donated to charity in 2013, giving about \$2,900 on average. Charitable giving totaled \$335 billion in 2013, an increase of about 6% over 2012. The dollar value of donations has risen over the four years since 2009, as the economy has slowly improved.





However, as a share of GDP, giving remains below its pre-crisis levels. This may reflect the still fragile state of the job market.

Individuals remained the drivers of charitable giving in 2013, providing 72% of total donations (Chart 4 provides a complete breakdown). The bulk (17.5%) of charitable donations are typically given in December, coinciding with the holiday season and associated charity drives. The way in which people give appears to be changing, with an increasing share of donations now occurring online. In 2013, the value of online donations rose 13.5% from 2012.

There are more than 1.5 million charitable organizations in the United States, and over 320,000 religious congregations. The majority (62%) of these organizations are relatively small, with less than \$100,000 in assets.

Religious organizations are the most common recipients of charitable giving, receiving about one third of total donations.<sup>3</sup>

Education and human service groups are also popular, each receiving about 12% of the giving pie. Other popular causes include health organizations (10%), umbrella organizations which redistribute funds (6%), and groups focused on international affairs (6%).

### The Legacy Giving Creates

The term “charitable legacy” is commonly associated with the extremely wealthy, who often leave behind significant charitable trusts bearing their family name. But a charitable legacy can also include a life changed, a stomach filled, or a child’s memory of a kind gesture. A volunteer coach

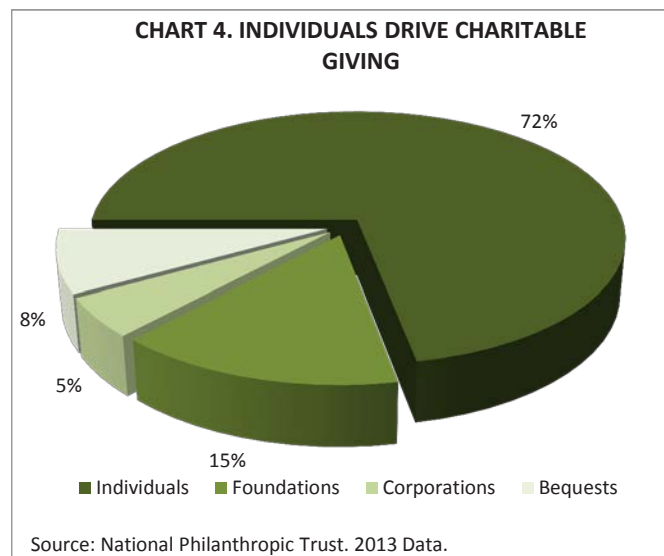
can leave a lasting impression on one of his or her players. A basket of food can make a big difference in the lives of a struggling family. Job training may help an unemployed worker get back on their feet and back in the workforce.

There are countless different ways that volunteering and charitable giving can deliver positive change. Looking at a few examples helps show how charitable giving can leave a lasting impact.

### Access to Music Education

Childhood music lessons are a fond memory for many people, providing a life-long skill, and helping increase our appreciation of the musical arts. There are many benefits that arise from music lessons, beyond learning to play or appreciate an instrument.<sup>4</sup> For pre-school aged children, music training can result in significant gains in non-verbal IQ and numeracy. School-aged children who participated in after-school music and arts programs have higher school attendance rates, and less behavioral issues. Moreover, among low-income students, participation in an arts and music program was found to eliminate the academic achievement gap relative to higher-income students.

Music education is also associated with improved language abilities, increased empathy and self-confidence, and longer attention spans. However, despite the many lasting benefits of youth music programs, many children are unable to participate due to financial reasons. Renting or buying an instrument for a child is financially out of reach for many low-income families. To fill this gap, many charitable organizations exist dedicated to ensuring that all children are able to reap the benefits of a music program. When you give



money or time to one of these organizations, you're helping ensure that low-income children are able to receive all of the benefits described, making a lasting change in their life.

### *The Impact of Youth Organizations*

The mission of most youth organizations is to provide a positive space for young people to develop and grow in positive ways, through activities like sports, homework clubs, mentorship, and others. There are countless youth organizations operating across the country, including groups such as the Boys and Girls Club and the YMCA. For many at-risk youth, these organizations provide a safe environment for socialization and development. Participants receive countless lifelong benefits from their involvement. Benefits vary by activity type, but some activities offered by youth organizations, and their impacts include:<sup>5</sup>

- **Mentoring** programs, which have been found to improve attitudes related to drug use, and result in an improved sense of well-being and outlook on school. Participation in these programs is also associated with improved grades.
- **Homework clubs** are linked to higher grades across most academic subjects, with particularly large gains among low-income students.
- Youth who attended **drop-in clubs**, which provide space for sports, games, and other activities in a less-structured environment, were found to have improved school at-

tendance and academic effort.

Participation in one or more youth club supported activities clearly has a positive impact on a young person's life. The impact can be long-lasting. Improved school attendance and higher grades are both associated with a higher probability of high-school completion. In turn, high school graduates have higher long-term economic productivity, earn more, and are more likely to be employed than those who did not graduate. It is clear then, that giving time or money in support of youth programs creates more than immediate impact, resulting in a brighter future for at-risk youth.

### **Bottom Line**

Americans have demonstrated that they stand ready to help those in need. The value of charitable giving, whether through time or money, is significant, at more than half a trillion dollars or about 3.1% of GDP. However, the value of charitable giving goes beyond dollars and person-hours. We looked at two areas where people can give their time or money. The impacts are significant, creating positive, lasting change, particularly for young adults. There exists a wide variety of charitable organizations and activities, which means that almost anybody can find a way to give that suits their desires and abilities. The benefits generated by charitable giving have the potential to last a lifetime, meaning that an hour of time or dollar given today can resonate for a lifetime.

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## ENDNOTES

- 1 Independent Sector, 2001
- 2 “Volunteering as a Pathway to Employment: Does volunteering increase odds of finding a job for the out of work?” Corporation for National and Community Service, June 2013.
- 3 Giving USA, 2014
- 4 An excellent summary of the benefits can be found in the report “The Arts and Human Development” National Endowment for the Arts, November 2011.
- 5 Source: “The Impact of Youth Development Programs on Student Academic Achievement” National Collaboration for Youth, March 2011.

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