

State of Volunteering

Economic Concepts Explainer

DIRECT COSTS
Cash investments in volunteering

VIO EXPENSES
Cash investments made by volunteering involving organisations (VIOs) in support of their volunteers.

For example: The Bike for Disability Foundation is medium-sized VIO supporting 30 volunteers. In addition to purchasing uniforms, tools and equipment for their volunteers, they employ and resource dedicated personnel to recruit, roster and professionally develop their volunteer team.

VOLUNTEERS' TIME
It is assumed that the next best use of a volunteer's time is paid work. The benefit they forgo by volunteering for one hour is the money they would receive in their hand after one hour's work.

For example: Suraiya volunteers two hours per week toward an adult literacy program at her local library. As she is otherwise employed part-time, the opportunity cost of her volunteering would be her equivalent take-home pay, personnel to recruit, roster and professionally develop their volunteer team.

Note: If Suraiya was unemployed, there would be no opportunity cost to her time using our method.

COMMERCIAL BENEFITS
Benefits to employers and industry as a result of volunteering and its investments.

PRODUCTIVITY PREMIUM
The productivity premium is the self-reported extent to which a person's volunteering impacts (positively or negatively) their 'day job'.
Revealed here as a net benefit, it is enjoyed by employers, as they do not have to pay for the knowledge, skills and experience their employees gain through volunteering.

For example: Amy volunteers as an assistant director with a community theatre group. In that role she acquires and hones a range of organisational and leadership skills that are relevant and transferable to her paid employment as a project coordinator with a construction company.

Note: The productivity premium enjoyed by the beneficial recipients of acts of volunteering (for example, Amy's theatre troupe) are not counted in this study. As such, our productivity premium is likely to be a significant underestimate.

TAXES
Producers who supply goods and services to volunteers and VIOs necessarily pay taxes on those sales. Taxes here refer to the sum of local, state and federal taxes they incur.

For example: The retailer that sells Jabiri his uniform to referee weekend football matches allocates a direct and indirect percentage of each sale to the government in the form of taxes.

Note: The government redistributes these taxes to deliver benefits to the whole community through, for example, hospitals, roads and schools.

VOLUNTEER LABOUR
This is what it would take to replace the labour of all of Victoria's volunteers at a fair market rate. As a saving enjoyed by VIOs, government and the community, it is expressed here as a benefit.

For example: Taylor normally earns a gross wage of \$40/hour. With superannuation and other payroll expenses, this actually costs their employer an equivalent of \$46/hour. When Taylor donates their time as a volunteer to the Red Cross, this is what their time should truly be valued at (noting that this is not the only benefit realised).

Note: The variable effect of age on labour cost is allowed for in this study.

BENEFIT COST RATIO
Benefits divided by costs.
Using this method, we can see what each dollar of investment (cost) creates for the community; in this case, \$3.70 in benefits.

Socio-economic impact (in \$millions)

Costs (\$/M)			
<i>Direct costs</i>			
Volunteer expenses	3,876.3		
VIO expenses	4,807.7	8,684.0	
<i>Opportunity costs</i>			
Volunteer time	7,139.8		
Volunteering investments	78.2	7,218.0	15,902.0
Benefits (\$/M)			
<i>Commercial benefits</i>			
Producers' surplus	1,239.9		
Productivity premium	30,520.5	31,760.5	
<i>Civic benefits</i>			
Employment	5,018.0		
Taxes	1,931.6		
Volunteer labour	19,358.9	26,308.5	58,069.0
			42,167.0
Benefit: cost ratio	3.7 : 1		

VOLUNTEER EXPENSES
Cash investments made by volunteers in their volunteering activity

For example: Sara is a volunteer wildlife carer. Above and beyond the time she donates, she purchases specially training as well as foods, medicines and habitats for her injured charges. In 2019 she built a semi-permanent Stage 2 refuge in her backyard for animals on the path to release.

OPPORTUNITY COSTS
In choosing to invest time or money in volunteering, an individual or VIO misses out on the opportunity to spend that money on something else. The benefit that they would have received from the 'next best' use of their money is – in economic terms – an opportunity cost.

VOLUNTEERING INVESTMENTS
It is assumed that the next best – and safest – use of the money spent by volunteers and VIOs on volunteering (direct costs) would be to invest in Australian government backed 10-year bonds.

For example: Callum spends \$500 of his own money each year doing small jobs for his elderly neighbours. If he chose instead to invest that money in 10-year bonds, he would make \$4.50 profit. The opportunity to make \$4.50 has therefore been lost to him by his choice to volunteer.

Note: We can assume from this that Callum receives personal benefit from his volunteering that is at least equal to \$4.50.

PRODUCERS' SURPLUS
The money invested in volunteering (direct costs) is spent with producers and suppliers all around the State. The profit made on these transactions is known as the producers' surplus.

For example: Jabiri purchases a uniform to referee junior football games on the weekend. The profit made by the uniform retailer is a direct benefit to the State, as the producer will now re-spend it in the economy.

Note: The intermediate profits made within the supply chain, and those that occur outside the State, are not counted here as benefits.

CIVIC BENEFITS
Benefits enjoyed by the community as a result of volunteering and its investments.

EMPLOYMENT
Producers who supply goods and services to volunteers and VIOs necessarily employ people to fulfill this demand. Employment here refers to the jobs created by the investments volunteering.

For example: The retailer that sells Jabiri his uniform to referee weekend football matches allocates a percentage of each sale to her labour costs. As she and others sell more and more uniforms, this adds up to real part- and full-time equivalent jobs in the economy.

Note: Another way to look at this employment is as an equivalent welfare cost avoided by government.