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# Monthly Letter

A Management Tool for Nonprofits

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## “Volunteers Are Not Free”

*Though personnel costs may be low, the volunteer program's budget needs in other categories can be substantial because of the additional people being put to work.*

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Most nonprofit executives know the mantra that “volunteers are not free labor.” But, in practice, too many agencies treat volunteers as *cheap* labor. This can become a vicious circle: we don't have enough money so we ought to get volunteers to help; volunteers shouldn't cost us too much so we won't budget to support them beyond the minimum; when we keep the volunteer budget low (including the salary we pay to the staff member who coordinates volunteers), we don't do what is needed to attract the best volunteers; we end up with a moderately-successful volunteer effort which does not contribute as much help as we need.

Think about the fact that we willingly “spend money to make money” by budgeting for fund raising. If you consider volunteer involvement as people raising, the principle may become clear. Ironically, the more satisfied volunteers are, the more likely they are to also be financial donors. In every sense, paying attention to volunteer

involvement means increasing your agency's “community resource mix.”

### Costs to the Agency

Volunteers are a human resource that costs substantially less in hard cash than any other resource, but funds, space, supplies and other materials must be allocated to support their work. The “cost effectiveness” of such allocations is easy to prove: the expenses incurred by a volunteer component are “leverage” money that translates into contribution of services valued at many multiples of the original expenditure.

Avoid the mistake of seeing the volunteer program as “small” simply because there are few salaried staff assigned to it. Though personnel costs may be low, the volunteer program's budget needs in other categories can be substantial because of the additional people being put to work.

As you review the expenditures necessary in the personnel category, consider both direct and indirect costs. The number of full or part-time staff you designate or hire will depend upon many factors, including the number and types of volunteers in the program, hours of operation, etc. You should also estimate the



*The Volunteer: She may not be paid for her time, but she is not without cost to your nonprofit organization.*

cost of the time devoted by other agency staff to the training and supervision of volunteers.

While this will not be a direct budget line item, it may help you in identifying the true value of the resources you are allocating to support volunteers.

### Director's Salary

Determining the salary of your director of volunteers should be based on one criterion only:

What are you presently paying other department heads or key administrative employees?

The director of volunteers is a management position and the only valid measure of appropriate salary is in comparison with other positions at the same level in your agency. In fact, this is one indicator of how much value you place on the position and, ultimately, on the importance of the contribution of

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## **"Volunteers Are Not Free"**

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volunteers. The job requires decision-making, leadership, and a great deal of public contact on behalf of the agency. If you place the salary on a level with line or clerical staff, you cannot demand management-level credentials or performance. You should therefore budget for the position on the basis of its professionalism—and hire accordingly!

To allocate funds for volunteer program needs, some agencies use a FTE (full-time equivalency) formula to determine certain costs, such as the budget for supplies.

But comparing 100 volunteers working 4 hours a week (400 hours) to 10 full-time-employees (also 400 hours) does not always work. For example, the volunteer office still needs to maintain 100 applications, folders, and other records and 100 people will need to be thanked at the end of the year.

### **Line Items**

Some budget line items needed to support volunteers:

- Reimbursement for out-of-pocket expenses (often referred to as "enabling funds").

- Printing costs for recruitment materials, application and other recordkeeping forms, training manuals and handouts, recognition certificates, etc.

- Expenses to cover orientation, training and continuing education for volunteers.

- Excess liability insurance coverage for volunteers, possibly including excess auto insurance if volunteers are transporting clients on your behalf.

- Supplies and equipment to allow volunteers to do their work. (To state the obvious, if you recruit volunteers to coach basketball, have you budgeted for basketballs?)

- Recognition costs. It is not obligatory to buy a steak and lobster dinner for every volunteer, but any token of appreciation (food, gift, whatever) will cost some money.

The volunteer program will also need access to agency resources such as meeting and storage space, daily supplies, computers, copying machines and the like.

### **The Balance Sheet**

For those who would like to balance the expenses of volunteer involvement with a dollar amount in the revenue column, it is indeed possible to establish a dollar value for volunteer participation. Options range from using annually-calculated median value figures published by such sources as Independent Sector or the Points of Light Foundation, to a more accurate figure calculated specifically for your organization. The new FASB nonprofit accounting guidelines now require the reporting of the value of some donated time, so it is legitimate to reflect the costs, as well. For the board, seeing the dollar "balance sheet" for volunteer involvement transforms a formerly invisible resource into a tangible asset.

### **Costs to the Volunteers**

Apart from any expenses incurred by the agency, everyone who volunteers gives personal time, talent, and also money.

Rarely do organizations reimburse the full cost of mileage, parking, child care, uniforms, meals, and other volunteer-related expenses. Frequently volunteers will purchase items for clients or as supplies for an activity. The IRS is far from generous to volunteers. For example, an adult mentor who takes an assigned child to the movies may deduct the cost of the child's ticket but not his or her own! And unreimbursed mileage may only be deducted on an itemized income tax return at the rate of 12 cents per mile.

Most volunteers happily accept these expenses as part of their contribution to the organization, but it is important to assess whether such "assumed" costs are an obstacle keeping some people from volunteering with you. Providing reimbursement for out-of-pocket costs is

a way to enable more people to give their time and talent—worth far more than such expenses.

Finally, it is also important to recognize that there are psychic and emotional "costs" in volunteering as well as financial ones. Stress, witnessing serious illnesses or poor living conditions, hassles with authorities, and other less-than-pleasant aspects of being a volunteer can affect anyone.

The point is to make sure the benefits to the volunteer outweigh any of the costs all the time. The same is true for the agency: develop a program that recruits competent and committed volunteers, put them to work at the most meaningful tasks, and the money spent on volunteer support will multiply many times over in quality client service.

### **About the Author**

Susan Ellis is the President of Energize, Inc., an international consulting, training and publishing firm specializing in volunteerism. Founded in 1977, the Philadelphia based firm is now in its twentieth year. Ellis has conducted training sessions across North America and Europe for an extremely diverse group of nonprofit, government and for-profit clients in every type of setting and is the author of nine books on volunteer program development.

*For a more complete discussion of budgeting for a volunteer program, accounting issues related to volunteers, and ways to calculate the dollar value of volunteer service, see **FROM THE TOP DOWN: THE EXECUTIVE ROLE IN VOLUNTEER PROGRAM SUCCESS**, revised edition (1996), by Susan J. Ellis, available for \$21.75 plus \$4.75 shipping from Energize, Inc., 5450 Wissahickon Avenue, Philadelphia, PA 19144 or place your order by phone at 1-800-395-9800. Call to receive your free copy of the "Volunteer Energy Resource Catalog."*

*Also, visit the Energize Web site at <http://www.energizeinc.com>*