

# the future role of voluntarism in CREDIT UNIONS

The rapidly changing environment of credit unions, coupled with their phenomenal growth during the past ten years, has prompted a great deal of discussion concerning the basic principles of credit unionism. Renewed and penetrating attention is being focused on the questions of common bond, large or small credit unions, tax-exempt status, competition with other financial institutions, and EFTS. The attention has begun to arouse some concern for one of the most fundamental and traditional aspects of credit union philosophy: namely, voluntarism, the principle that overall policy decisions, operational controls, audit supervision and, for some credit unions, part or all of the operations themselves, are the direct responsibility of volunteer members.

One example of this questioning of the viability of the volunteer concept became evident in NCUA's special study on *Trends in Chartering and Operating Credit Unions* published in 1972. A significant finding of that study was that many credit union leaders felt that the volunteer spirit was declining. This was one of the principle reasons they gave for a noticeable slowdown in chartering and an increase in liquidations during the late sixties and early seventies. Moreover, there is still a distinct impression, although not thoroughly documented, that some credit union leaders are beginning to wonder about the relevance of voluntarism in the modern credit union world.

These are some of the reasons which motivated NCUA to study the question of voluntarism in more depth. In the summer of 1975, NCUA's Research Office developed and conducted a survey of a carefully selected representative sample of Federal credit unions. The questionnaire focused directly on a number of important aspects of voluntarism. We asked for significant detail on the activities, tenure, qualifications, and availability of volunteers in a variety of credit unions - large, medium, and small - associational, residential and occupational.

Considering that the survey was basically an opinion survey, and only voluntary in nature, the response was quite good, with about one-third of the selected Federal credit unions responding. Although the results cannot be represented as statistically significant in a strict scientific sense, the fact that the responding credit unions followed the same pattern as the random sample design - as equally distributed as the total population - lends a great deal of credence to the results.

As in most opinion surveys which do not rely on standardized internal records carefully kept by respondents, our analysis of the results is principally descriptive in nature, indicating general patterns of responses based on clear majorities. Except where noted otherwise, this report will only state a conclusion when the reported agreement to a response is two-thirds of those Federal credit unions reporting.

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With these qualifications in mind, there is no reason to believe, however, that the survey is completely lacking in either representation or validity. We selected the sample in strict adherence to principles of random selection stratified by size and field of membership. Although the response rate was low according to commonly accepted practice for exact statistical measurement, there is no reason to believe that Federal credit unions which did not respond would have responded in a markedly different way than those Federal credit unions which did respond. The mere fact of non-response does not imply anything significant either in agreement with, or in opposition to, the opinions of respondents. Therefore, as a further limitation on our analysis, we are assuming that non-respondents would have responded in a random pattern with respect to the respondents. Technically, this means that if two-thirds of the respondents agree with a statement, the sampling design and process would permit the conclusion that significantly more than one-half of all Federal credit unions would have agreed with the statement. It should be noted that we requested the President of the Board to fill in the questionnaire and not the Treasurer/Manager or Manager.

#### GENERAL SUMMARY OF VOLUNTARISM SURVEY

With a remarkable consistency and an overwhelming majority, responding Federal credit unions gave a clear and definite answer to the question of the vitality of voluntarism for Federal credit unions. Almost 90% asserted that they have been, and are still, able to attract and retain competent volunteers. Over 80% indicated that they had about the same or even less difficulty now in recruiting qualified volunteers to serve as board or committee members as they did three years ago. A vast majority reaffirmed their belief in the fundamental principle of voluntarism not only by refusing to consider direct payment for volunteer services but also by asserting that voluntarism was a necessary ingredient for the success of credit unions in the future.

Responding credit unions reported a great deal of volunteer activity. Volunteers contributed a range of 15 - 60 total volunteer manhours per week to their credit union. While the number of volunteers per credit union increases slightly with asset size. The typical credit union has from 17 - 25 active volunteers, with some of the larger credit unions having as many as forty members donating services during the year.

This is not to say, of course, that reporting Federal credit unions are not having

difficulties with voluntarism at both the philosophical and practical level. While only representing a distinct minority of those reporting, some credit unions felt that voluntarism was diminishing and that there was a noticeable decline in volunteer spirit. Some credit unions reported that, among those willing to serve, there was a lack of qualifications, as perceived by the President of the Board. Some of these credit unions actually supported direct payment of salaries at prevailing rates to volunteer officials.

Even among those expressing full support and confidence in the volunteer concept, there was a recognition of very real problems. Principal among these problems were the increasing complexity of credit union operations occasioned by new regulations and new services as well as the management complications which accompany rapid growth. A detailed analysis of these topics is presented in the remaining sections of this Report.

#### LEVELS OF VOLUNTEER ACTIVITY

As Table 1 shows, the survey revealed a uniformly active volunteer program in terms of both the average number of volunteers contributing time during the year and the average actual hours contributed. While these averages, when calculated for the sample as a whole, indicated no significant difference by type of membership and asset size, there was substantial variation among credit unions as illustrated by the ranges given for all measure of activity. For example, the average volunteer contributes a little over an hour a week. However, in some credit unions this average is over four hours a week. The broad ranges shown in Table 1 were also uniform by type of membership and asset size: that is, the broad variations were not special to any particular category.

The only apparent differences in these measures of levels of volunteer activity were confined to asset size. As might be expected, the average number of volunteers tends to increase slightly with the size of the credit union. In addition, very small and very large credit unions have a significantly larger number of total volunteer hours contributed.

It should be stressed, however, that even these differences, while reasonable, are not statistically significant. The principle conclusions which we can safely reach from an analysis of Table 1 are (1) that the level of volunteer activity varies widely among credit unions without any particular relationship to broad categories of membership type or asset size; and (2) that the level of activity is, in general, still significantly high among most credit unions.

Table 1—Level of Volunteer Activity at Reporting Federal Credit Unions

Classification	Average hours per week contributed per volunteer	Average number of volunteers per credit union	Average total hours contributed per week by volunteers
Total.....	1.2	20	24
Type of membership:			
Occupational.....	1.2	20	24
Associational.....	1.1	19	21
Residential.....	1.2	20	24
Asset size:			
Less than \$500,000	1.3	17	22
\$500,000—\$1,999,999.....	1.0	18	18
\$2,000,000—\$4,999,999.....	1.1	21	23
\$5,000,000 or more.....	1.4	25	35
Sample range:			
Low.....	.5	11	15
High.....	4.3	38	60

RECRUITMENT AND RETENTION OF VOLUNTEERS

Results from responses relating to efforts by credit unions to obtain and retain volunteers are presented in Table 2. Here again we see an interesting uniformity when responses are categorized by type of membership and by asset size. As might be expected, larger residential credit unions are more likely to have organized youth programs. It seems also that most large credit unions, as well as all sizes of associational credit unions, have lower turnover rates for volunteers. Small credit unions are not quite as positive in asserting their ability to recruit volunteers. A smaller percentage of small credit unions and very large credit unions claim that recruitment of volunteers is not more difficult than it was three years ago when compared to the responses of moderate sized credit unions.

In view of our stated limitations on the validity of the responses, however, these tabular differences can only be said to be descriptive. The figures on recruitment and retention are uniformly significant for all categories of Federal credit unions, insofar as they indicate that a significant majority share these opinions.

We should interpret variations in volunteer turnover rates by broad categories cautiously. It does appear, however, from the underlying responses, that large credit unions have a reasonably good balance between continuity and turnover. The lower turnover rate for associational credit unions appears to be the result of repeated consecutive terms of officials rather than active competition for volunteer offices.

Perhaps the most revealing implication from a reading of the underlying comments provided with responses to questions on volunteer recruitment and retention is the wide variation in attitude towards turnover. Some credit unions with a 10% turnover rate complain that it is too low and that they want more frequent changes in volunteer officials. Other credit unions, with the same turnover rate, complain that turnover is too high and they want more continuity. Some of this diversity can be explained by the fact that approximately 10% of the credit unions commenting on this questions complained that the same members serve but that they take turns doing so.

Table 2-Recruitment and Retention of Volunteers at Reporting Federal Credit Unions

Classification	Able to recruit and retain competent volunteers	Experiencing same or less difficulty in obtaining volunteers compared to three years ago	Having an organized youth movement	Annual turnover rate of volunteer officials
	Percent			
Total.....	89	80	6	11
Type of Membership:				
Occupational.....	90	83	4	13
Associational.....	87	80	6	8
Residential.....	90	78	9	11
Asset size:				
Less than \$500,000....	83	74	1	12
\$500,000-\$1,999,999...	91	83	4	14
\$2,000,000-\$4,999,999.	94	89	10	8
\$5,000,00 or more	92	72	11	8

There is another difficulty with the interpretation of volunteer turnover data. We could not make meaningful distinctions in turnover rates among different types of volunteer roles, that is elected officials, appointed officials, and other volunteers. This difficulty also applies to variations in turnover rates for board members, credit committee members, and supervisory committee workers.

While the survey attempted to make these detailed distinctions, reported data was inconsistent and unreliable and could not be used. Apparently responding credit unions felt more comfortable with their estimates of turnover data for the grand total of elected and appointed officials rather than detailed estimates for individual roles.

Although almost 90% of reporting Federal credit unions claimed that they can obtain volunteers, this does not mean that they can do so easily. Even the 80% who felt that they experience the same or less difficulty in obtaining volunteers now than they did three years ago, do not uniformly claim that it was easy three years ago. About half of those who supplied additional comments said that it has always been difficult while the

other half claim they have an ample supply of capable volunteers. Generally speaking, the large and/or growing credit unions express relative ease in recruiting capable volunteers.

There were, of course, a minority of credit unions which expressed more difficulty in recruiting volunteers than they did three years ago. Among the more significant reasons which this group gave as explanations for their difficulty were (1) a lack of volunteer spirit; and (2) the increasing complexity of credit union operations. While this response represents a small minority of credit unions (5-10%) they are clear indications that credit unions need to work constantly on the fostering of voluntarism and on the training of volunteers.

ATTITUDES TOWARD TRAINING, GRATUITIES, and COMPENSATION

The survey indicates that credit unions are well aware of this need for training. Indeed, 77% of those reporting currently provide free credit union educational opportunities to volunteer officials. This support for education typically centers on paid attendance at league conferences and seminars. As Table 3

Table 3-Attitudes Toward Education, Future Role, and Direct Compensation of Volunteers of Reporting Federal Credit Unions

Classification	Providing free educational opportunities for volunteers	Predicting same or increased volunteer role requiring more experience and training	Opposed to direct compensation of volunteer officials
Total.....	77	78	75
Type of Membership:			
Occupational.....	86	78	76
Associational.....	67	77	69
Residential.....	77	78	79
Asset size:			
Less than \$500,000.....	62	82	73
\$500,000-\$1,999,999.....	76	68	74
\$2,000,000-\$4,999,999.....	93	81	73
\$5,000,000 or more.....	85	83	80

indicates (item 3), associational and/or small credit unions do not provide this volunteer aid as liberally as the others. However, most of those who do not do so recognize the need, but lack the necessary funds for doing so. Nevertheless, even among small credit unions, a noticeable effort is being made to provide adequate training. In fact, this was the most common gratuity offered to volunteer officials.

Although not shown on Table 3, responding credit unions also reported strong efforts to provide other gratuities to volunteer officials. Free meals at meetings, head table seating, recognition in their credit union publication, free subscription to other credit union publications - at least one of these gratuities, and sometimes several of them, were being offered by most responding credit unions.

Included among gratuities being offered by some credit unions were out-of-pocket expenses, such as an allowance for mileage to and from meetings or free luncheon expenses while working on credit union business. To focus on the question of direct cash payment to volunteer officials for expenses, or a modest honorarium, or competitive wages for actual work done, the survey directly asked

for detailed opinions on this issue. Indeed it is through a reading of the many comments written on this question, and also on a related question concerning the future role of voluntarism that the general tone of the overall responses emerges. While some credit unions actually subscribed to direct payment to volunteers for hours worked at prevailing wages, three-fourths found this notion unacceptable. Many respondents expressed their opposition quite strongly, most often on the grounds that direct payment to officials (other than the Treasurer) was contrary to credit union philosophy. A minority of those who were opposed to direct compensation to volunteer officials, and who also explained their opposition, gave the pragmatic reason that the credit union could not afford to pay officials.

Of all the issues studied, this question of direct compensation evoked the most discussion, sometimes including rather lengthy comments on the philosophy of self-help. It was interesting to note that credit unions on each side of this issue gave the same justification for their response. For example, many of those favoring direct compensation felt it would attract competent volunteers while those favoring unpaid volunteers felt

this was the only way to attract competent volunteers. The principal significant result is, however, that most of the credit unions felt that paying officials was completely unacceptable, with some (approximately 15%) willing to pay out-of-pocket expenses routinely or some token sum annually to cover expenses.

It should be noted that the responses to the survey were not reliable enough to obtain detailed opinions concerning direct compensation for particular kinds of volunteer roles. This means that some respondents who favored direct compensation for volunteers may have had supervisory committee members in mind since their work, while only periodic, is more labor intensive and routine than for example, a Board Member. A similar conjecture might apply to credit committee members whose work is yet again quite different; there were really not enough credit unions making these distinctions. With a larger sample and a more detailed questionnaire, it might have been possible to make separate estimates of these differences.

#### SPONSOR ASSISTANCE

One other issue surveyed, which falls under the general category of expenses, was the support provided by the sponsor to the credit union. While the wide variety of responses on this issue do not lend themselves to tabular presentation, the survey did verify our expectation that a substantial number of credit unions of all sizes and types of membership receive tangible support from sponsors. The survey indicates that approximately half of the Federal credit unions responding received some form of direct or indirect financial assistance from sponsors.

Because of our previously stated qualifications on the validity of responses which do not clearly support a given estimate, our analysis of this issue must be only descriptive in nature. Nevertheless, a significant number of responding credit unions acknowledge a wide variety of tangible assistance from sponsors. Chief among these were, of course, such things as (1) paid "time off" from regular employment for volunteer officials, (2) physical office space/or utilities, (3) accounting, bookkeeping, and/or computerized services, and (4) supplies and other procurement services.

Variations in the extent to which these types of assistance are provided followed a logical pattern with respect to type of membership and asset size. Thus, smaller occupational credit unions were more likely to receive tangible assistance. However, a

significant number of all types and sizes of credit unions were receiving sponsor assistance.

The wide variety and significant number of credit unions reporting sponsor assistance indicates that this issue needs further study. Responses to this issue will be used by NCUA as a basis for further analysis of the relative importance of sponsor assistance in the success of credit unions.

#### THE FUTURE ROLE OF VOLUNTEERS

While most credit unions recognized the increased complexity of credit union operations and its relationship to voluntarism, there was little evidence to indicate pessimism concerning the future of voluntarism. About 30% were concerned about the amount of experience and expertise which is likely to become necessary. However, they felt this was a challenge which would be met as volunteer officials focused more and more on policy in contrast to a concern for operations.

What little pessimism there was in response to this issue, appeared more often in credit unions falling in the asset size class of \$500,000-\$1,999,999 and not in the larger to very large credit unions. As a matter of fact, contrary to some expectations, large credit unions appear to be just as enthusiastic about voluntarism as small credit unions are.

It appears that most large credit unions have been able to modify the volunteer role to a policy orientation and, that some moderate size credit unions have not, as yet, completely rationalized the volunteer role in representing the needs of member-the responses show moderate size credit unions in a stage of transition with respect to the role of volunteers.

This perception, however, should not be overstressed. Even with this mild hint of pessimism, the majority of moderately sized credit unions still expressed confidence in voluntarism.

In addition to the encouraging support given to voluntarism by large credit unions, there was a great deal of support for voluntarism from residential credit unions. Although the tabular data do not show this clearly, the comments from residential credit unions in support of voluntarism were often more strongly worded in comparison to occupational and associational credit unions. This difference, however, does not override the considerable enthusiasm expressed by all types of credit unions for voluntarism.

## FINAL SUMMARY OF RESULTS

In summary, then, the Voluntarism Survey indicates that most Federal credit unions consider the concept of voluntarism as vital and basic to credit unionism. They express enthusiasm concerning present volunteer activity and optimism concerning the future role of volunteers.

Moreover, most Federal credit unions recognize the emerging problems of voluntarism as operations become more complex both because of increased regulation and as a result of rapid growth. Federal credit unions attempt to recognize these problems by providing recognition to volunteer officials and, wherever possible, continued training opportunities. These attitudes are held uniformly by credit unions with different fields of membership and varying asset size.

Despite these encouraging findings, the fact that a small but significant minority of responding Federal credit unions had a negative attitude toward voluntarism cannot be ignored. Some of these credit unions were finding it more difficult to recruit and retain competent volunteers. They were pessimistic about the future of voluntarism and felt that the volunteer spirit was diminishing. Furthermore, a small but significant minority favored the direct payment of wages at prevailing rates to "volunteer" officials.

While the exact extent to which these negative attitudes towards voluntarism prevail among Federal credit unions is not measured by the survey, the evidence for their very existence, even on a small scale, should alert the majority to a renewed effort in affirming and defining the role of volunteers in the credit union system. One indication that credit unions are aware of these problems is the strong willingness to offer volunteers the training they need in order to represent adequately the interests of the members in the policies and practices of the credit union.

This ability to recognize problems and to help each other solve them is characteristic of voluntarism in credit unions. It is quite clear from the survey that members themselves feel that voluntarism is essential to the success of credit unions and that the volunteer spirit is the key difference between credit unions and other financial institutions. Participants in the survey feel that the giving of one's self in both knowledge and strength has made it possible for credit unions to reach their present status of recognition in the financial world.

The survey shows that credit unions want to proceed cautiously with direct payment for volunteer work. They fear it will do away with the underlying concept of self-help. Many small credit unions could not afford direct payment anyway. Large credit unions compensate their volunteers with full payment for conventions, seminars, dinners, travel, etc. However, small credit unions can offer the same type of compensation on a smaller scale and increase it as the credit union grows.

The future of voluntarism looks bright. It is viewed as becoming more mature and adaptable, and certainly not as being threatened. Encouraging others to generosity of spirit is not always easy, but as long as we have well operated credit unions meeting the needs of members, enough of those members will step forward as volunteers to help credit unions occupy their unique and helpful role in our society. This is the message from the survey.