



The payoff to work without pay: Volunteer work as investment in Human Capital

Day, K. and Devlin, R. (1998). The Payoff to Work without Pay: Volunteer Work as an Investment in Human Capital. *The Canadian Journal of Economics / Revue canadienne d'Economique*, 31(5), p.1179.

Abstract

Day and Delvin in their paper aim to empirically investigate the widespread belief that volunteer work enhances one's employment prospects using data from the 1987 survey of volunteer activity in Canada. It found that volunteer's incomes were on average 5 times higher than those no non volunteers by using the human capital model as a framework for their investigation.

Theoretical perspective

There is widespread belief that those who volunteer are more employable and are likely to see a premium wage growth than those who do not partake in volunteering activities. This widespread belief is reflected in policy choices of governments such as in the United States where many federal agencies take volunteering experience in lieu of paid employment experience. There is this notion that volunteering leads to employment as a 'well known fact'. Other studies have shown that women are more likely to volunteer if they plan on re-entering the labour market after taking a break for numerous reasons, and other variables such as marriage is also a factor in increasing the chance of volunteering. But as Day and Devlin note, there is no significant piece of evidence which backs up this 'well known fact' which this paper aims to change

Data

The data used in this paper is the 1987 Survey of Volunteer activity (VAS) which was conducted by statistics Canada and commission by the secretary of state. It was commissioned in order to gather detailed information on volunteering activities and the characteristic of volunteers within Canada. It provides a unique opportunity to see the impact volunteering has on income due to income information being provided, however a limitation is that it was at a household level rather than an individual level which restricted the sample size to reflect individuals who were the sole wage earner in the household. Any individual over the age of 65 was also eliminated from the sample size due to the likelihood that employment is low but for the remaining sample the link between income and employment is more clear. The total subsample of individuals used in this paper is 5,147 of whom 3,003 had volunteered in the survey period. The definition of a volunteer in this paper is an individual whose volunteer activities are carried out through a formal organisation (this excludes though who may give up their time to help a neighbour for example)



Human Capital Model and Results

As this paper is looking at the function of the acquisition of skills and experience from volunteering a human capital model is employed as a natural framework. Although, the dataset does not provide significant detail of previous experience or significant factors which may affect income significance this paper employs the use of dummy variables to counter for this and uses an econometric wage equation to ascertain the significance of income and other uncontrolled variables. However, what is discovered in the results is not a significant change; the earnings of males are higher than those of females, and married individuals who are the sole earners have higher income than single individuals and education also plays an important factor with those who are more educated earning higher. This corresponds with existing literature

To answer the question about the link of volunteering and income three different measures are used; OLDVOL, VOL and PASTVOL. The first indicating current or past volunteers, the second looks at only current volunteers and third only past volunteers. However, this paper only looks at the results from VOL. In the survey individuals were asked to name organisations in which they had given up most of their time, however to account from the multicollinearity problem- the overlapping similarities of organisations within the groupings- 7 groupings are then compiled in which the results are based off.

Volunteering in SPORT and RELIGION categories have statistically significant coefficients, however volunteering for a religious organisation has a negative coefficient suggesting that it may have a negative impact on earnings. The only other significant impact on one's income was the OTHER category which includes environmental and international organisations, the coefficient is positive implying it increases earnings.

What this implies is that there is a positive effect overall on earnings but some types of volunteering have a greater impact than others. **The estimate according to this paper is the payoff of volunteering is approximately 7% of individual earnings.**

Concluding remarks

On the whole this paper shows through an analysis of a Canadian dataset from 1987 that volunteering does have an impact on individuals' earnings but not all volunteering activities are created equal and volunteering for some organisations primarily sport related has a greater impact than religious organisations where it negatively affects wage growth. The wage growth payoff is 7%. This paper however doesn't suggest why this is such a payoff or as to why there is a difference in wage growth amongst volunteering organisational categories. This is an area in further need of research.