

Does volunteer work pay off in the labor market?

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Abstract

Focusing on the investment motive for volunteer work, this paper examines whether volunteer work has an economic payoff upon the labor market in France. Using a switching regression model with endogenous switching, we find that in the public sector volunteers receive a positive wage premium that does not influence their involvement, while the premium is negative in the private sector. We also find little evidence of the presence of alternative types of returns on the labor market, such as employment mobility or entry into the labor market. Our findings are more consistent with a consumption motive and we suggest that volunteering is carried out with a relational purpose.

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1. Introduction

It is now well recognized that volunteer activities are quantitatively important in developed countries. The most recent evidence emanates from the Johns Hopkins Comparative Nonprofit Sector Project concerning 24 countries (Salamon and Sokolowski, 2001). According to this survey, the aggregate value of volunteer activities is usually greater than the aggregate value of financial contributions. In developed countries, this type of unremunerated work represents 8.0% of non-agricultural employment in Sweden, 5.2% in France, 4.9% in the United Kingdom and 4.6% in the United States. As an input, the supply of volunteer work is an economic resource that is a vital element in the functioning of the nonprofit sector, and it appreciably contributes to

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the collective well-being. Nevertheless, despite its significance, economists have so far mainly focused on money transfers rather than on time contributions.

Given the zero wage of volunteer labor, understanding why people get involved in such time-consuming activities is a matter of interest. In so doing, one could better predict the development of volunteer work supply with respect to its opportunity cost. It would be useful for nonprofit organizations to know how they may foster individual involvements and for the government how it may intervene to favor such contributions since they are socially desirable. To date, the economic literature on volunteer work has identified two rational motives for these time-related transfers: a consumption model and an investment model (see [Menchik and Weisbrod, 1987](#)). Knowing whether the volunteer motive is relevant from a consumption or an investment perspective is an empirical matter.

According to the consumption hypothesis, the supply of volunteer labor is a utility-bearing good. Hence, volunteer work is negatively related to its price (the individual after-tax wage rate) and positively related to the individual full income if it is a normal good. This model can be shaped in order to distinguish an altruistic motive ([Unger, 1991](#)), a public-goods motive ([Unger, 1985](#); [Schiff, 1990](#); [Duncan, 1999](#)), a private-goods motive ([Schiff, 1990](#)) or a mix of motives such as warm-glow altruism ([Andreoni et al., 1996](#)). Conversely, volunteer work follows an investment motive if it allows acquiring new skills or if it provides potentially valuable contacts or work experience which enhance future earnings perspectives and improve employability.

Given that both motives for volunteer activities lead to certain common predictions, it seems difficult to know which hypothesis is consistent with the data. In numerous surveys concerned with volunteer work, respondents regularly quote an investment motive. Among others, [Hall et al. \(2001\)](#) find that 23% of Canadian volunteers state they take up this activity to improve their chances of obtaining a job. In the United Kingdom, 59% of volunteers consider that their volunteer work provides an opportunity to learn new skills ([Davis Smith, 1998](#)). When focusing on previous econometric investigations about observed volunteer behavior rather than directly questioning individuals about their motives, it turns out that the investment model also receives some support.

[Mueller \(1975\)](#) finds that women who intend to seek a job in the future are more disposed towards volunteer activities.¹ [Menchik and Weisbrod \(1987\)](#) find that volunteer work follows a life-cycle pattern. The age profile, which first increases with age up to 43 years old and then decreases, is interpreted as a means of obtaining on-the-job experience, in accordance with an investment motive. [Carlin \(2001\)](#) suggests that among married women, volunteering can have a positive effect on one's career. Using a Canadian data set, [Day and Devlin \(1998\)](#) test whether volunteer work enhances individual earnings. The dummy variable which is equal to one when individuals provide time contributions is statistically significant in earnings equations, meaning that there exist pecuniary returns from volunteer work. On average, volunteer incomes are about 7% higher than those of non-volunteers and this premium is consistent with an investment model.

However, the interpretation of these previous tests dealing with the investment motive is questionable, and this is sometimes acknowledged by the authors themselves. [Menchik and Weisbrod \(1987, p. 177\)](#) point out that a peaked age profile with a peak in the early forties confirms the investment model, but that there is no explanation for such a delayed peak. The test conducted by [Day and Devlin \(1998\)](#) to determine whether volunteer work increases earnings is rather incon-

¹ However, [Schram and Dunsing \(1981\)](#) observe no similar relationship among married women between their supply of volunteer work and their expectations to work in one or five years.

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