

A Socio-Economic Analysis of Wyoming's Nonprofit Board Members



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A Socio-Economic Analysis of Wyoming's Nonprofit Board Members

This bulletin is the first in a series of publications on nonprofit organizations and volunteering. This report summarizes the results of a study on nonprofit board members. Nonprofit organizations referred to as 501(c)(3) charitable organizations provide services where for-profit and government for one reason or another are not able to provide assistance. Nonprofit organizations are private, self-governing organizations that provide services to a community and function without the purpose of generating a profit. These organizations are as diverse as any other sector in the economy and important to growth and development in the state. They bring dollars to the state from their fund-raising and grant-writing activities, retain dollars that may have otherwise been donated out-of-state and employ a large number of individuals (nonprofits are Wyoming's fourth largest source of jobs, Wyoming Nonprofit Support Initiative, 2004). Additionally, nonprofits provide an opportunity for those individuals who desire to make a positive contribution in society to develop the skills and knowledge to do so.

Nationally, nonprofits are a rapidly growing part of the economy. According to the Independent Sector, a nonprofit organization designed to strengthen and educate humanity and community and citizen involvement, the number of organizations and the number of people volunteering has grown dramatically. The Independent Sector reported a 31 percent increase in the number of nonprofit organizations between 1987 and 1997, growing from 907,000

to almost 1.2 million (Independent Sector, 2002). Statistics reveal that from 1992 to 2001, Wyoming experienced a 61 percent increase in the number of active charitable organizations, from 1,420 to 2,291. Formal employment (salaried as opposed to volunteer labor) by nonprofit organizations also has grown substantially. Nationally, the number of paid employees in nonprofits totaled more than 133.9 million in 1998 and has grown 2.1 percent per year (The Independent Sector, 2001).

Nonprofits provide a number of services performed by both paid staff and volunteers. Nonprofit organizations are classified by activity for tax purposes and functional reasons (Table 1). Classifications include organizations that perform social functions, art and humanities, education, and environmental functions. The common factor for these organizations is the need to have social and/or educational missions.

Nonprofits rely heavily on volunteers performing uncompensated work; therefore, success in attracting volunteers is vital for the success of nonprofits. For nonprofits to continue to be a vital part of the economy and provide opportunities for individuals to volunteer their time, there needs to be a strong core of managers and decision makers. Instrumental in this effort are efficiently managed non-profit organizations and well-staffed boards of directors. It is this group of volunteers that facilitate the opportunities for the larger population to volunteer their time as they define the tasks and motivations of the general volunteer.

Table 1: Nonprofit Categories

Standard Categories (Economic Sectors) of Nonprofit Organizations

Arts, Culture and Humanities: Includes theaters, museums, zoos, performing arts, historical and cultural societies

Education: Includes primary, elementary and secondary schools, higher education, vocational schools, adult and continuing education, and research institutes

Environment and Animals: Includes environmental protection, conservation, cleanup and beautification, animal and wildlife protection, and veterinary services

Health: Includes hospitals, rehabilitation, nursing homes, mental health institutions, preventive health care, emergency medical services, volunteer ambulances

Human Services: Includes crime and legal-related, employment and job-related, food, agriculture and nutrition, housing and shelter, public safety and disaster preparedness, recreation and sports, youth development, children and youth services, family services, residential and custodial care, service clubs (Lions, Rotary, etc.)

Societal and Public Benefit: Includes civil rights and advocacy, community improvement, philanthropy and voluntarism (foundations, volunteer bureaus, fund-raising organizations), science and technology, social science

Religion Related: Includes churches, synagogues, mosques and other places of worship

Other: Includes unknown or unclassified; organizations that do not fit the definition of the previous seven classifications (NPI Handbook Annex 5, pg 26).

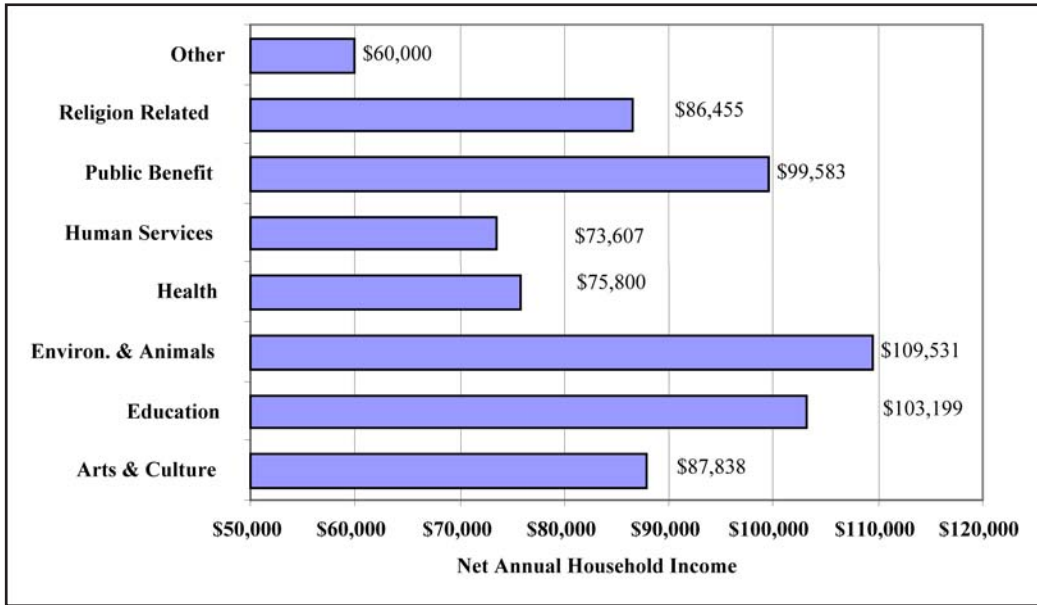
Board members provide the leadership, knowledge, and expertise that organizations, communities and general volunteers need to carry out their mission and goals. Like the value of volunteering in general, there is an economic value for their time. Board members also provide time, financial contributions and technical support, which may suggest a significantly higher degree of commitment and therefore a significantly higher imputed value relative to the average volunteer.

Volunteers are the heart of charitable organizations. Volunteers perform the day-to-day work of the organization. Volunteering in the United States has been growing at a rapid pace over the past 10 years. It is estimated that nationally, 44 percent of adults 21 and over volunteered in 2000 and, of those, 63 percent reported they volunteer on a regular basis (Independent Sector, 2001). The Independent Sector estimated the value of volunteer time at \$15.40

per hour for a total estimated value of \$239 billion nationally. In Wyoming, volunteer time is estimated at \$12.96 per hour. Assuming Wyoming mirrors the number of hours and proportion of population that volunteers 52 hours per year nationally (27.6 percent), this generates an overall value of volunteer time of \$56.5 million.

A socio-economic analysis of Wyoming nonprofit board members was conducted to determine what motivates board members to volunteer their time and how much time they commit. Board members were the focus of this study as they are critical to the success of the organization, and the economic value of their time reflects that importance. The board member survey, modeled after The Johns Hopkins Comparative Nonprofit Sector Project, Key Population Survey Module on Giving and Volunteering (2002), was distributed to collect primary data regarding board members only. The survey consisted

Figure 1: Average Net Annual Household Income



of 29 questions designed to collect information on board member participation on a non-profit organization, general volunteering information, charitable giving information, and socio-demographic background information.

The information collected was used to determine board member characteristics and the value of board member volunteering. Information on board members for these nonprofits was collected from Guidestar [<http://www.guidestar.org>], which is the national database of non-profit organizations. Guidestar provides information about an organization’s mission and programs, goals and results, contact information, financial reports, board of director’s information, and Form 990, which is a compilation of the organization’s revenues and expenses. Board member lists (addresses) were then selected from this database which is within the 990 Form. A random sample was then drawn and categorized into eight non-profit sectors. Surveys were sent to 644 individuals, and 65 surveys were returned due to unusable addresses. This left 579 possible returns, of which 229 responded, which equated to a 40 percent response rate ($229/579 = .3958 = .40 * 100 = 40\%$). Table 2 illustrates the total number of respondents by category.

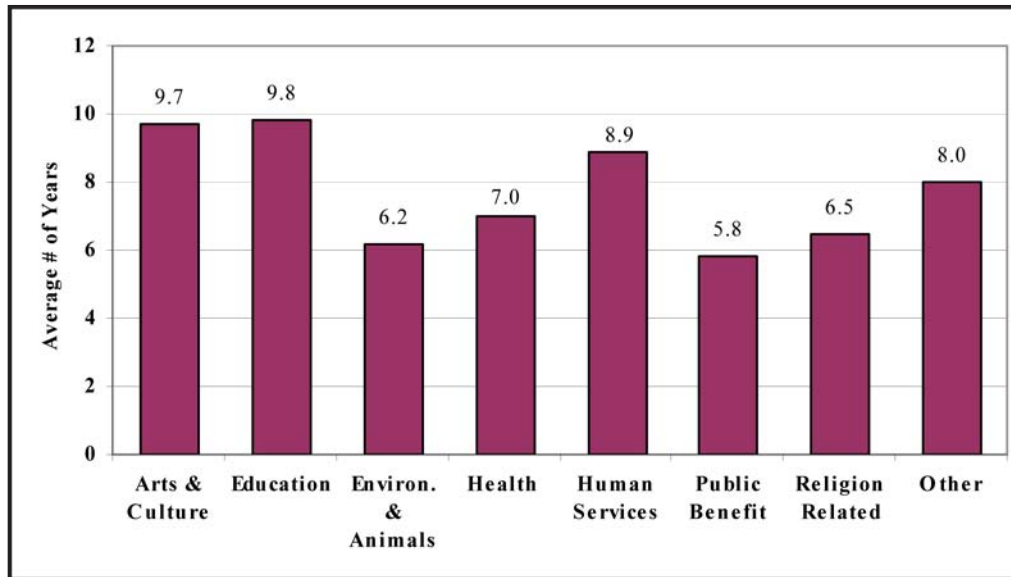
Table 2: Respondent Categories

| Nonprofit Categories | Number |
|-----------------------------|------------|
| Arts, Culture, & Humanities | 26 |
| Education | 35 |
| Environment & Animals | 19 |
| Health | 30 |
| Human Services | 80 |
| Societal & Public Benefit | 13 |
| Religious | 14 |
| Unknown | 12 |
| Total | 229 |

Survey Results

The average age of board members is 58, and they have resided in Wyoming for 36.8 years. They have an average net annual household income of \$87,000. The board member net annual household income is considerably higher than the general population net annual household income of about \$36,013. Figure 1 illustrates the comparison of average net annual household income across all nonprofit sectors. Results show that the Environment and Animals and the Education sectors earned

Figure 2: Average Number of Years Served as Board Member for Current Organization



the highest net annual household income, while Human Services and the Other sectors earned the least. Fifty-six percent of respondents work full-time and 27 percent classified themselves as not being employed. Note that “not being employed” could also indicate that the respondent was classified as retired. Additionally, 72 percent of the respondents work year-around either in full-time or part-time employment.

Across all nonprofit sectors, board members have served on their existing board an average of 7.7 years, perhaps indicating a strong desire to serve the mission of their organization or possibly indicating there are no other individuals willing and able to fill vacancies on boards. Figure 2 illustrates the average number of years served on a board. The Arts, Culture and Humanities sector and the Education sector had the highest board member tenures at 9.7 and 9.8 years respectively. Correspondingly, Environment and Animals and Public Benefit had the lowest at 6.2 years and 5.8 years.

Board members volunteer on average 12.4 hours per month for their current organization and to all other charitable causes 12.2 hours per month. Figure 3 illustrates the average number of hours volunteered per month across all nonprofit sectors for current organization, all other charitable causes

and then total hours for both. Religious and Environment and Animal sectors contributed the most amount of volunteer hours per month at 37.4 and 36.3 while Other and Public Benefit sectors contributed the least amount of volunteer hours at 14.8 and 16.6 hours respectively.

Respondents not only serve as board members, but many serve on committees and have been general volunteers for a number of years as illustrated in Figure 4. Providing general volunteer services and serving on committees also are important components to the success of nonprofits. Arts, Culture and Humanities have volunteered the longest as a general volunteer and as a formal committee member at 13.8 years and 14.4 years while the Other sector volunteered the least at 5.7 years and 3 years. The results suggest that many board members serve as a general volunteer and a formal committee member at the same time (Figure 4). Such service indicates a tremendous dedication to serve the organization in which they are involved. Furthermore, most respondents have held more than one officer’s position on the board and have served on various committees throughout their term such as fund-raising, building, planning and development, personnel, etc.

Figure 3: Average Hours per Month Volunteered for Current Organization and Other Charitable Causes

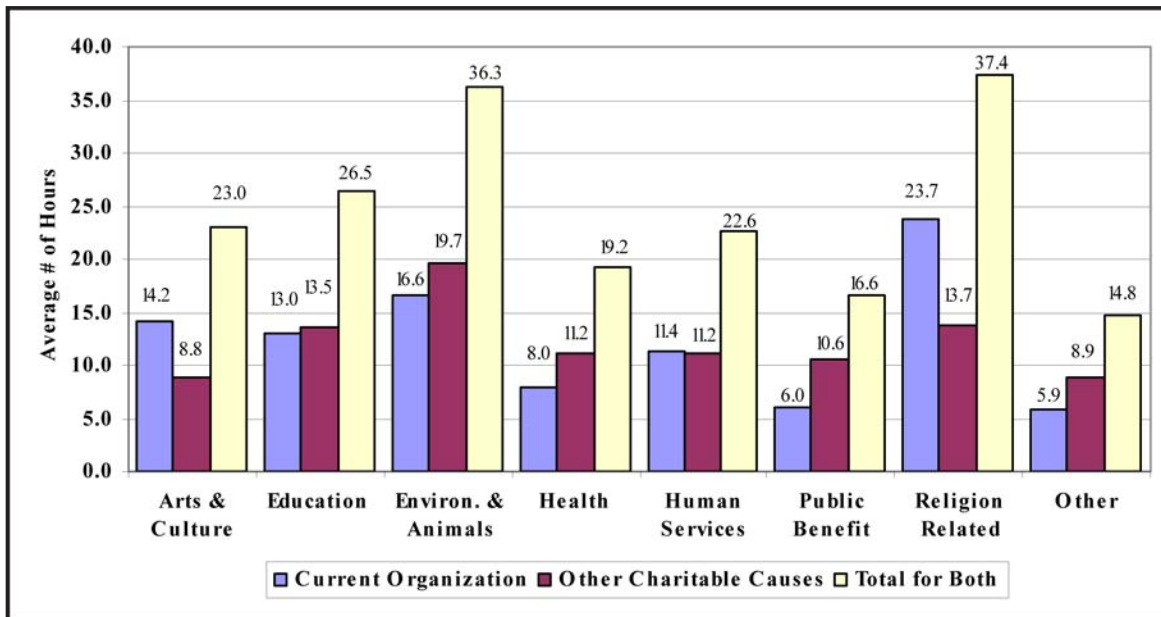
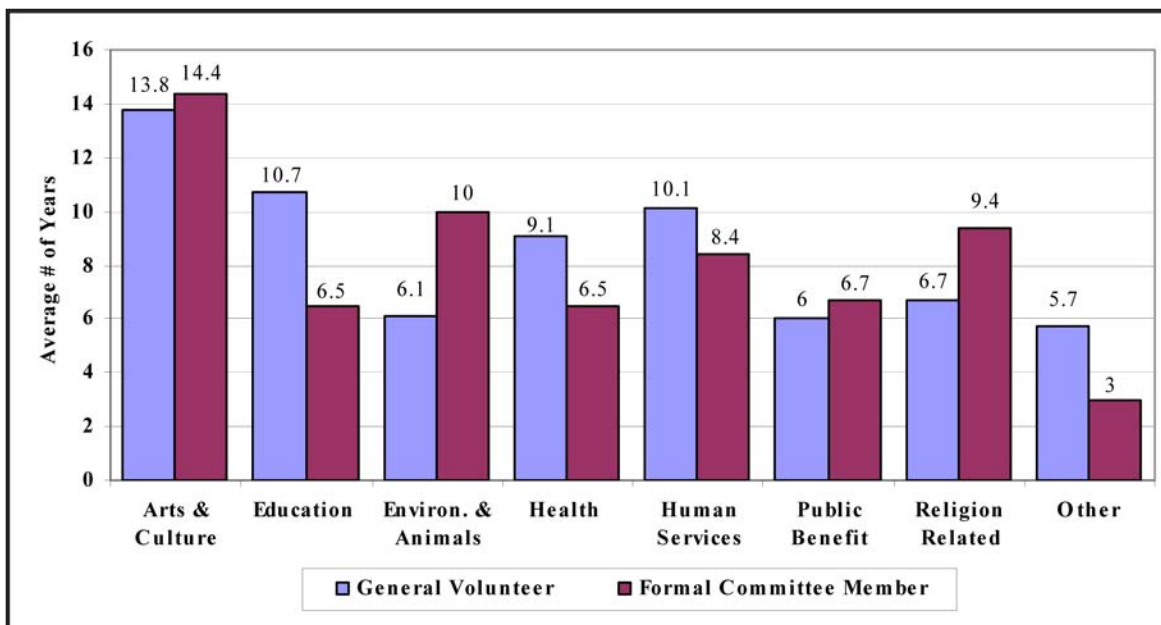


Figure 4: Comparison of Average Number of Years Volunteered as a General Volunteer and a Formal Committee Member



Board member concerns about their affiliated organization relate mostly to funding concerns. Table 3 shows that funding was the number one factor respondents believed was holding their organization

back from achieving its mission and goals ranging from 33 percent to 53 percent followed by volunteers ranging from 7 percent to 25 percent.

Table 3: Reasons Why Organization is Not Meeting Mission and Goals

| Factors Holding Organization Back | Arts, Culture and Humanities | Education | Env. and Animal | Health | Human Services | Public Benefit | Religion | Other |
|-----------------------------------|------------------------------|-----------|-----------------|--------|----------------|----------------|----------|-------|
| Volunteers | 17% | 19% | 20% | 25% | 18% | 25% | 20% | 7% |
| Funding | 51% | 33% | 43% | 42% | 43% | 38% | 40% | 53% |
| Unclear mission | 2% | 0% | 3% | 0% | 2% | 0% | 5% | 7% |
| Organizational prob. | 5% | 2% | 7% | 10% | 7% | 13% | 0% | 0% |
| Difficulty finding clientele | 5% | 2% | 0% | 0% | 3% | 0% | 10% | 7% |
| Resources | 5% | 0% | 10% | 2% | 6% | 6% | 5% | 0% |
| Unknown | 7% | 7% | 13% | 6% | 6% | 6% | 5% | 7% |
| None of the above | 7% | 36% | 3% | 15% | 16% | 13% | 15% | 20% |

Results from Figure 4 indicate board members spend a substantial amount of time volunteering. People engage in volunteer work for various reasons, so the question then becomes “What motivates these individuals to volunteer their time?” Reasons for volunteering as outlined by Barker in The Johns Hopkins Comparative Nonprofit Sector Project, Key Population Survey Module on Giving and Volunteering (2002) were grouped into three categories: altruistic reasons, obligation, and instrumental purposes (Barker, 1993). Altruistic reasons are defined as identifying with suffering people, compassion for those in need, and giving dignity to the disadvantaged. Obligational reasons are defined as a moral/religious duty, contributing to the local economy, or political duty to bring about change. Instrumental reasons are defined as gaining experience and new skills, personal satisfaction, or social (meeting people).

Table 4 illustrates the weighted averages of the various reasons respondents engage in volunteer work. Health, Human Services, Religion-Related and the Other sector respondents predominantly strongly agreed they volunteer for altruistic reasons. The overall average across all nonprofit sectors indicates that respondents volunteer for altruistic reasons (51 percent) followed by instrumental reasons (32 percent) and then obligatory reasons (31 percent).

Understanding what motivates individuals to volunteer their time is just one aspect in determining what drives board members to volunteer. How individuals feel about general volunteering is another key component to understanding this complex subject. Given that, respondents were presented a list of statements about general volunteering and were asked to indicate to what extent did they agree or disagree. The results are shown in Table 5. Most respondents strongly agreed that volunteers offer something different than paid professionals can provide. They also strongly agreed that everyone has a moral responsibility to volunteer at some point in their life and that people should volunteer more.

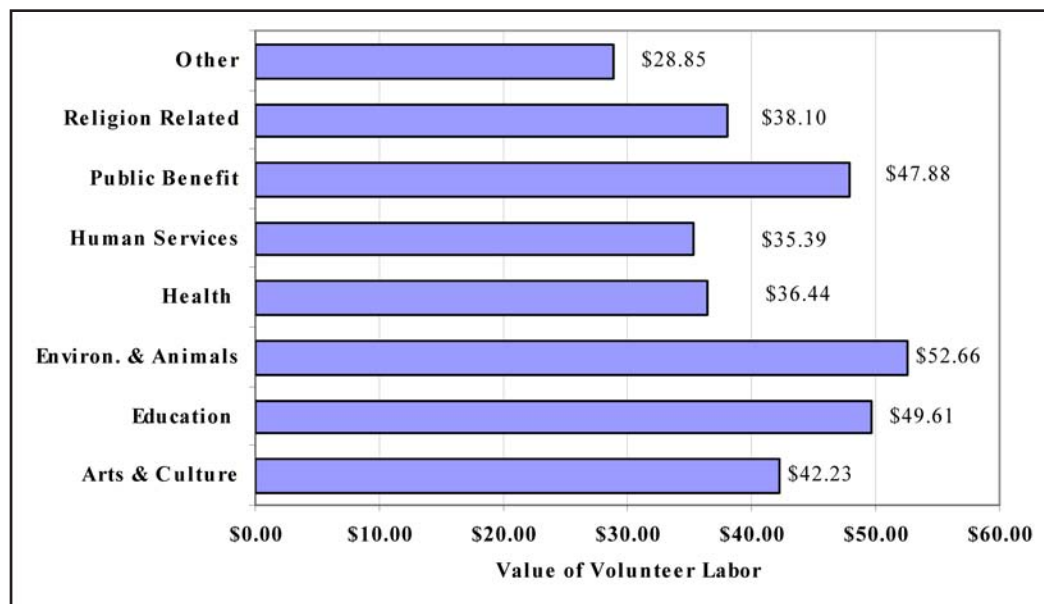
Table 4: Weighted Average of Motivations for Volunteering

| Strongly Agree | Arts, Culture and Humanities | Education | Env. and Animal | Health | Human Services | Public Benefit | Religion | Other | Overall All |
|--------------------------------------------------------------------------------------------------------------------------|------------------------------------|-----------|-----------------------|--------|-------------------|-------------------|----------|-------|----------------|
| A. Altruism: identifying with suffering people, compassion for those in need, giving dignity to the disadvantaged | 29% | 29% | 37% | 69% | 44% | 42% | 79% | 82% | 51% |
| B. Obligation: moral/religious duty, contributing to the local economy, political duty to bring about change | 25% | 26% | 27% | 24% | 23% | 46% | 37% | 43% | 31% |
| C. Instrumental: gaining experience and new skills, personal satisfaction, social (meeting people) | 29% | 34% | 32% | 19% | 28% | 36% | 47% | 34% | 32% |

Table 5: Statements about General Volunteering.

| Strongly Agree | Arts, Culture and Humanities | Education | Env. and Animal | Health | Human Services | Public Benefit | Religion | Other |
|------------------------------------------------------------------------------------------|------------------------------------|-----------|-----------------------|--------|-------------------|-------------------|----------|-------|
| Volunteers offer something different, which could not be provided by paid professionals. | 54% | 29% | 56% | 52% | 38% | 50% | 64% | 73% |
| If government fulfilled all its responsibilities there would be no need for volunteers. | 0% | 37% | 0% | 0% | 1% | 0% | 0% | 0% |
| Everyone has a moral responsibility to volunteer at some point in their life. | 69% | 0% | 33% | 39% | 45% | 33% | 15% | 22% |
| People should volunteer more. | 48% | 15% | 44% | 61% | 41% | 73% | 29% | 70% |
| Volunteers replace paid workers. | 8% | 38% | 0% | 0% | 5% | 8% | 15% | 18% |
| I would volunteer more if asked. | 0% | 9% | 13% | 8% | 3% | 9% | 0% | 18% |
| Organizations using volunteers are usually amateurish. | 0% | 0% | 6% | 4% | 1% | 8% | 14% | 0% |
| Organizations using volunteers need help in managing volunteers. | 19% | 63% | 17% | 11% | 15% | 17% | 36% | 20% |

Figure 5: Value of Board Member Volunteer Labor per Hour by Sector



Value of Board Member Volunteer Labor

The value of board member volunteer labor for Wyoming board members was estimated to be \$41.39 per hour (2003). This value can be used to calculate the overall value of volunteering by simply multiplying the estimated hours by the average hourly compensation for paid labor (board members). This calculation is critical in that it will provide the general public a sense of the opportunity costs volunteers encounter. Board member labor is considerably higher than the average value of \$12.96 estimated by The Independent Sector study. The study shows board members value nonprofit work at a substantially higher rate than average volunteers. This estimate represents the replacement cost for a nonprofit organization if that organization had to hire an additional employee because there were not enough volunteers to meet their obligations. Figure 5 illustrates the average value of board member volunteer labor across all categories. Environment and Animals had the highest value, which is understandable given that this sector earned the highest net annual household income (see Figure 1). Figure 6 illustrates the annual total

value of board member volunteer labor: value of board member volunteer labor per hour by sector multiplied by appropriate annual hours volunteered for current organization, other charitable organizations, and total for both.

Charitable Giving

Many small organizations rely on charitable giving as their primary revenue source. Without private donations, it is likely some nonprofits could no longer accomplish their mission and have to close. Another important attribute of board members, besides volunteering time, is their monetary contributions to their organization as well as other charitable causes. Figure 7 shows the average dollar amount donated to the current organization as well as to all other charitable causes on an annual basis. Board members of Public Benefit and Environment and Animals organizations were the sectors that donated the most amount of money to their current organizations, whereas Health and Other sectors contributed the least amount. Human Services and Environment and Animals donated the most amount of money to all charitable causes, whereas Other and Health once more donated the least amount. A possible reason that board members

Figure 6: Annual Total Assigned Dollar Value of Board Member Volunteer

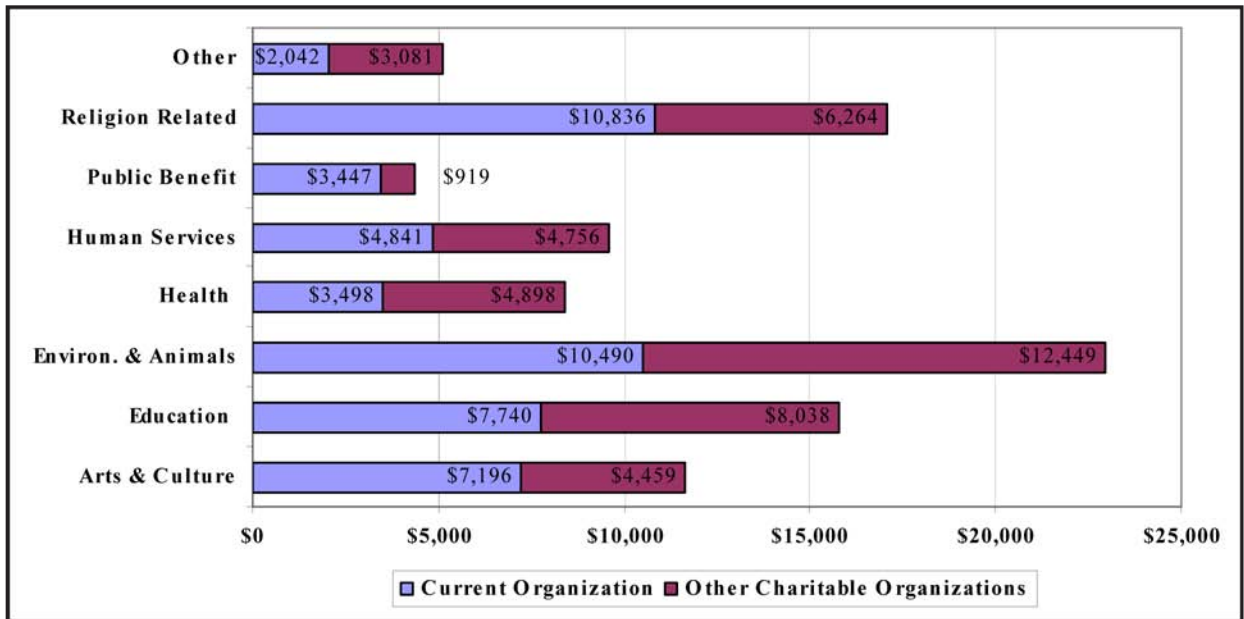


Figure 7: Annual Comparison of Dollar Amount Contributed to Current Organization and All Charitable Organizations

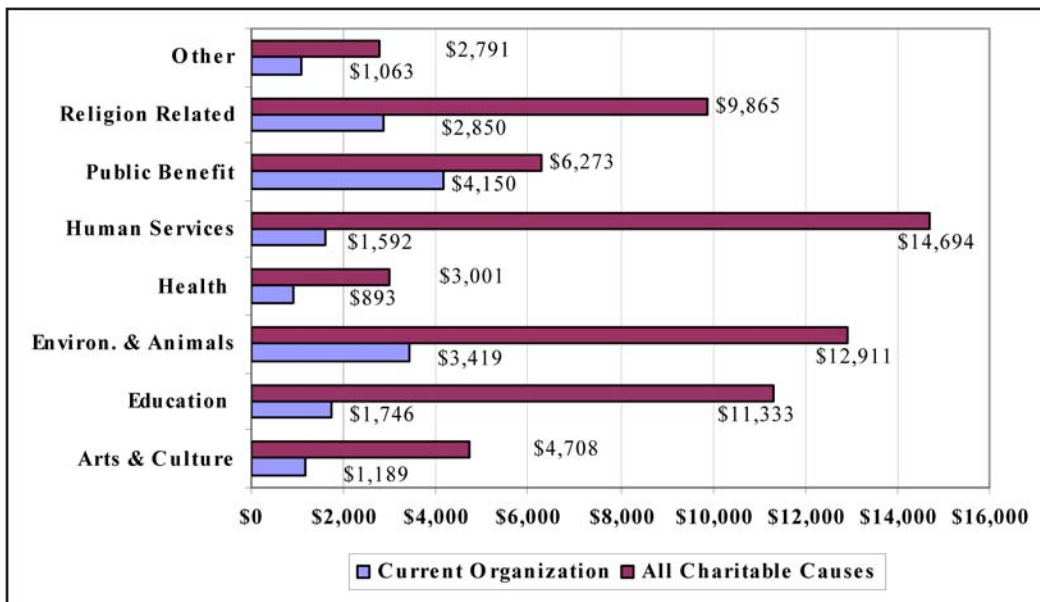
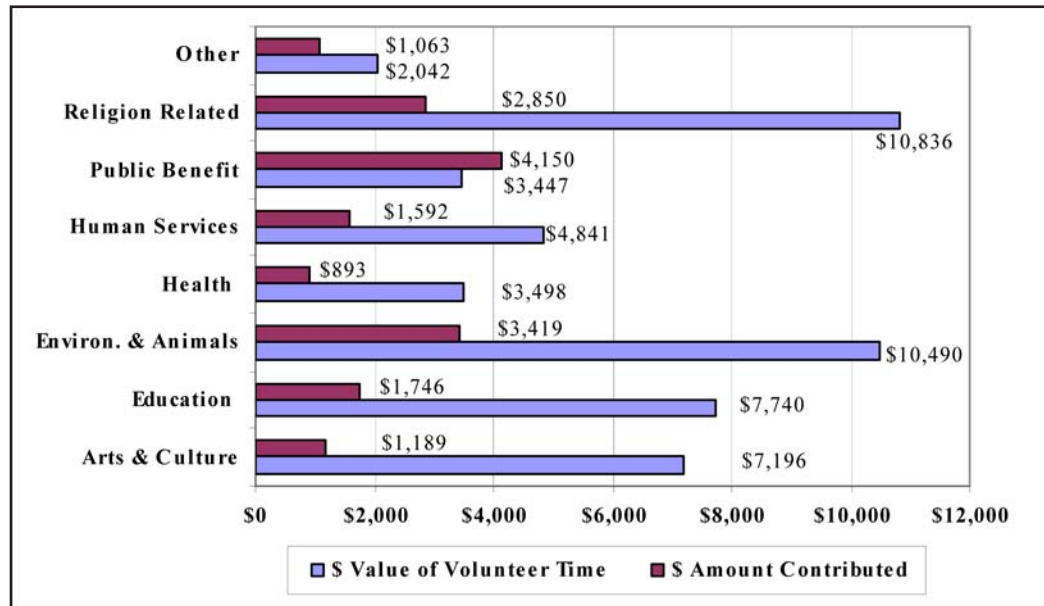


Figure 8: Annual Comparison of the Value of Volunteer Time vs. Amount Contributed



of the Health category contribute the least could be due to the fact that more money comes from government contracts to aid organization missions. Consequently, donations may be considered lower because those organizations have a different kind of revenue source.

Additionally, the Independent Sector reported the average household in 2000 contributed \$1,620, or 3.1 percent, of household income. More importantly, though, is that average contributions from giving households was \$2,295 from volunteers and \$1,009 from non-volunteers (Independent Sector, 2001). Findings from this study suggest that, in 2003, the average annual contributions from giving respondents was \$8,197, which is significantly higher than the 2000 statistic reported by the Independent Sector; however, keep in mind this study consisted of only those who were board members and not the general public as a whole.

The relationship between board member volunteering and board member charitable giving also was investigated. Literature suggests the value of volunteering may replace the desire for a board member to make bigger monetary contributions. A comparison was made between the value of volunteer time (calculated as the dollar value per hour multiplied

by the number of hours volunteered on an annual basis) and the annual value of the voluntary contribution of money (comparison is only for current organization and not a total overall comparison). Figure 8 shows the results. All sectors except the Public Benefit sector illustrate that voluntary contributions are substantially greater than monetary contributions. The results suggest that board members may possibly feel their contribution of time serves as a proxy for a monetary donation to their organization. In spite of this, approximately 70 percent reported they did give a monetary contribution to the organization.

Conclusions

Nonprofit enterprises are an important part of Wyoming's economy and the state's social and political institutions. Instrumental in this work are the contributions by the board members who perform the strategic and functional work required to implement an organizational objective. It is this work that provides the opportunity for residents to engage in volunteering and charitable giving in the state. Board members are very often the organization's core group of volunteers who perform a significant amount of the work as well as the strategic functions.

In summary, the average board member is 58 years old, has lived in Wyoming 37 years and has an average net household income of about \$87,000. Arts, Culture and Humanities and Education had the longest board member participation at 9.7 and 9.8 years. Correspondingly, Environment and Animals and Public Benefit had the lowest at 6.2 years and 5.8 years. Volunteer motivations are a key aspect in determining what drives board members to volunteer their time. Results indicate that board members volunteer mostly for altruistic reasons (51 percent) followed by instrumental reasons (32 percent) and then obligatory reasons (31 percent). Moreover, board members volunteer on average 12.4 hours per month for their current organization and to all other charitable causes 12.2 hours per month. The value of board member volunteer labor for Wyoming board members is estimated to be \$41.39 per hour.

With the continued increase in the number of nonprofits, more volunteers will be needed to cover all aspects of organizations. Since volunteers receive no direct monetary compensation and are not counted in labor force or employment statistics, their contributions of time and expertise is typically not recognized from an economic and statistic standpoint. As a result, even though the value of volunteering is often acknowledged and promoted, there is little information on its economic contribution to society.

In an effort to better understand the public good aspect of nonprofits, a separate study should be conducted using a contingent valuation method. A comparison can then be drawn from both studies to determine any similarities and/or differences. Additionally, another study can be conducted using a sample from the general population and compare those results to that of the board member survey results. Furthermore, conducting an economic impact analysis would estimate the total jobs and income nonprofits produce and the amount of money re-spent in the Wyoming economy, which will supplement work previously researched by the Wyoming Nonprofit Support Initiative.

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