

How cost effective are employee volunteering schemes as a way of improving staff wellbeing?

Analysis for Bank of America in association with Charlie Courtney, Thomas Dooner, Richard James and William Lobo

March 2021





How cost effective are employee volunteering schemes?

An overview of the project

Pro Bono Economics were supported by the Bank of America Charitable Trust to deliver a piece of research focused on the question of:

“How cost-effective are employee volunteering schemes as a way of improving staff wellbeing?”

This project, delivered using the input of our own skilled volunteers, was completed in two phases:

Phase 1 incorporated a rapid evidence review to identify studies that established a link between volunteering and wellbeing.

Phase 2 built on this evidence review to assess how the wellbeing cost-effectiveness of employee volunteering schemes might compare to other initiatives to improve wellbeing.

Key findings from our analysis:

- There is now relatively strong evidence that volunteering improves wellbeing, however, there is insufficient evidence to differentiate the impacts of employer lead volunteering, or skilled volunteering, compared to volunteering in general.
- There is potential for corporate volunteering schemes to be cost-effective ways of improving employee wellbeing once indirect cost savings from reduced absenteeism, presenteeism and staff turnover are incorporated.
- These benefits could be particularly important at the current time when people may be feeling particularly socially isolated.
- However, there is currently significant uncertainty around our estimates and more evidence is required



Summary of Phase 1

Evidence of the link between volunteering and wellbeing



Overview of Phase 1 of the project

Evidence that volunteering improves wellbeing

We completed a rapid evidence review to identify sources of information relevant to three key research questions:

- What impact does volunteering have on wellbeing?
- What factors affect the scale of this benefit?
- What evidence is there specific to employee or skilled volunteering?

25 relevant studies were identified and reviewed with key findings for each question summarised in this section.

We note that since the first phase of this report was completed a more extensive review of the literature has been completed and published by the What Works Centre for Wellbeing¹. The broad conclusions of the two reviews align well.

Key conclusions from Phase 1:

There is now reasonably robust evidence that volunteering leads to improvements in wellbeing (as well as general health)

There is insufficient evidence to distinguish employee volunteering or skilled volunteering from other types

There is some indications that benefits do vary by volunteer characteristics:

- Older people benefit more
- Lower socio-economic groups benefit more
- Those with the lowest levels of initial wellbeing tend to benefit more
- Those with limited social interactions could benefit more

What impact does volunteering have on wellbeing?

People who volunteer regularly tend to have higher wellbeing

There are a number of studies that highlight a positive association between volunteering and wellbeing:

- European Commission (2015)² found that volunteers reported up to a 0.9% increase in subjective well being and up to 2.2% higher self-reported health.
- Casiday et al. (2008)³ and Burr, Tavares and Mutchler (2011)⁴ all found significant improvements in the physical condition of volunteers.
- Meier and Stutzer (2008)⁵, Van Willigen (2010)⁶ and Jenkinson et al. (2013)⁷ all find evidence to suggest that volunteers are more satisfied with life than non-volunteers.

However, it can be very difficult to unpick the causality – **does wellbeing make people happier or do happier people volunteer?**

Binder & Freytag (2013)⁷ and Jump (2019)⁸ have attempted to unpick this problem using longitudinal data from UK Household surveys. Their work provides the most robust evidence yet that volunteering does lead to a small but significant improvement in wellbeing – likely to be in the region of around 0.06 Life Satisfaction points on a 0-10 scale.

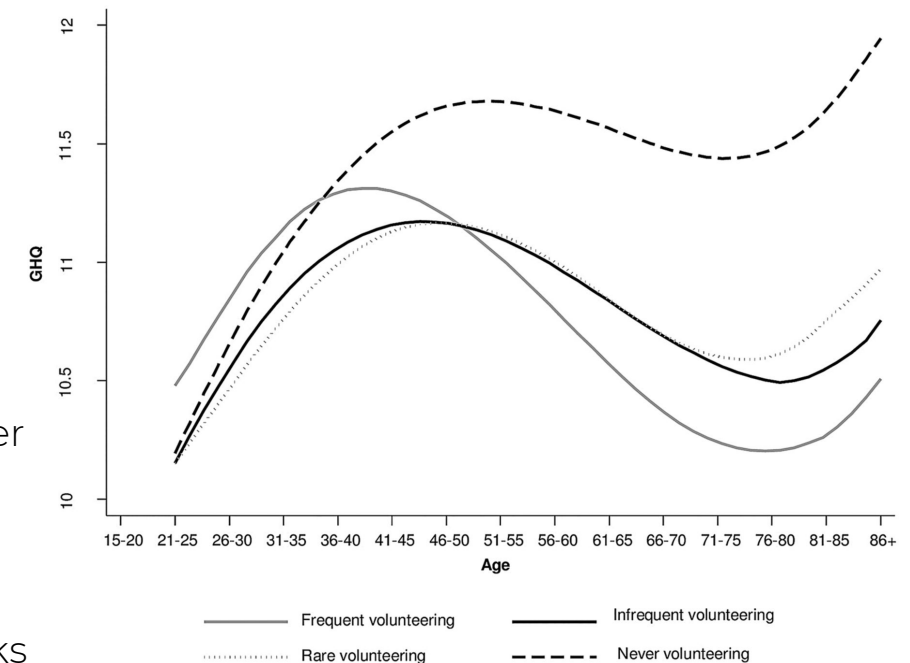
This picture has been underlined by the What Works Centre for Wellbeing (2020) who concluded that although a “definitive conclusion” was not possible these latest studies give us “more confidence that volunteering leads to enhanced subjective wellbeing”.

What factors affect the scale of this benefit?

A number of volunteer characteristics have been linked to increased wellbeing impacts from volunteering:

- **Older people benefit more:** Jump (2019) demonstrates that those over the age of 55 tend to benefit more from volunteering compared to younger people. Whilst evidence from Tabassum et al. (2016)⁹ suggests that volunteering regularly could even be associated with lower health outcomes for those that volunteer regularly below the age of 30.
- **Lower income groups benefit more:** Jump (2019) shows that those with personal incomes below £10k per year tended to experience greater benefits from volunteering than other groups.
- **Those with the lowest levels of initial wellbeing tend to benefit more:** Binder (2015)¹⁰ suggests that the benefits from volunteering decrease for those in the upper parts of the well-being distribution supporting the contention that volunteering can play a protective role for individuals' wellbeing.
- **Those with limited social interactions are likely to benefit more:** What Works Centre for Wellbeing (2020) highlight the important role that increased social interaction has in explaining the link between volunteering and wellbeing. Pilkington et al. (2012)¹¹ shows that volunteering more frequently appeared to promote the development of new social networks.

Impact of volunteering on health over the life-course



Source: Tabassum et al. (2016) shows the association between General Health Questionnaire score across different age groups – a lower GHQ indicates better health.

What evidence is there on employee volunteering?

More evidence is needed on employee volunteering to confidently differentiate its impact

There is insufficient evidence for us to confidently differentiate the impacts of employee volunteering compared to other types of volunteering. Jump (2019) found broadly similar scale of impacts on wellbeing from “formal volunteering” and “employee sponsored volunteering”, however sample sizes were not sufficient to conclude that the effects for the latter category were statistically significant.

However a survey by the NCVO (2019)¹² highlighted that Employer Supported Volunteers tended to be less positive about the volunteer experience than other volunteers. They particularly highlighted the need for employees to have a choice over participation and nature of volunteering activity.

Paull and Whitsed (2018)¹³ and Afridi et al (2020)¹⁴ have also highlighted the need for employee volunteering schemes to be “authentic” in order to engage employees – in other words employees need to feel that there are genuine interests in generating social value behind the schemes as opposed to it being treated as a “tick box” exercise.



NCVO (2019)



Summary of Phase 2

Are employee volunteering schemes likely to be a cost-effective way of improving staff wellbeing?



Overview of Phase 1 of the project

Employee volunteering could be cost effective under certain assumptions

The evidence from Phase 1 suggests that volunteering “a few times per year” is likely to generate around a 0.06 point improvement in Life Satisfaction, on a scale of 0-10. This is a small but meaningful improvement compared to the impact of other factors that affect wellbeing.¹⁵

However, in order to understand whether this makes corporate volunteering schemes worthwhile we need to understand:

“Are employee volunteering schemes likely to be a cost-effective way of improving staff wellbeing?”

We have analysed this question using a “wellbeing cost-effectiveness analysis”.

Key conclusions from Phase 2:

- There is potential for employee volunteering schemes to be cost-effective ways of improving employee wellbeing once indirect cost savings from reduced absenteeism, presenteeism and staff turnover are incorporated.
- This cost effectiveness is likely to be higher if a scheme targets: older members of staff, skilled volunteers are demonstrated to deliver bigger absolute productivity impacts in the workplace or volunteer scheme management costs are spread across more volunteers.
- These benefits could be particularly important at the current time when people may be feeling particularly socially isolated.
- However, there is currently significant uncertainty around our estimates and more evidence is required – we outline a potential approach to strengthening this evidence going forwards.

The wellbeing cost-effectiveness approach

A standardised approach to assessing wellbeing benefits from an intervention

Wellbeing cost effectiveness analysis

The wellbeing cost effectiveness of an intervention can be defined as the £ cost to generate 1 Wellbeing Adjusted Life Year (WELBY) – a standardised improvement in wellbeing equivalent to an increase in Life Satisfaction measure of wellbeing of one point, on a scale of 0-10, sustained for one year:

$$\text{Wellbeing cost-effectiveness} = \frac{\text{Cost of an intervention}}{\text{Improvement in life-satisfaction}}$$

A low wellbeing cost effectiveness implies that an intervention costs relatively little to generate an improvement in wellbeing. Whilst this is a new and evolving area of literature, a wellbeing cost-effectiveness of below £2,500 per WELBY is considered relatively good value for money, based on the average wellbeing cost effectiveness of expenditure in the NHS.¹⁶

In order to complete the analysis we need to combine our assessment of the potential impact of volunteering on wellbeing with an assessment of the net costs to employers that incorporates both:

Direct costs required to administer the programme and the loss of paid staff time that would otherwise be generating income.

Indirect cost savings from changes in employee behaviour from, for example, reduced sickness absence or increased productivity

What are the direct costs of an employee volunteering scheme?

For our core scenario total direct cost per corporate volunteer is assumed to be around £400 per year

There is very little evidence of what a “typical” employee volunteering scheme looks like but we have developed a plausible scenario based on the City of London (2010) “Volunteering – The Business Case”¹⁷:

Costs of managing schemes

These are the central costs incurred by employers in promoting and managing internal volunteer schemes. A survey completed for the City of London (2010) report suggested that a single full-time volunteer manager in a large corporate firm typically supports volunteer placements for around 170 volunteers.

£180
per volunteer

“Opportunity cost” of staff time

To reflect the full cost of volunteering to an employer we also need to consider what the value of staff time would be if an individual wasn’t volunteering. The City of London (2010) report suggested that, on average, this was around 1.5 days of time per volunteer. We value this time to the employer based on median UK daily wage rate.

£180
per volunteer

Total direct cost per volunteer

£360
per volunteer

What about indirect cost savings?

Indirect cost savings could be worth in excess of £300 per volunteer

Krekel et al. (2019) provide evidence that we might expect higher employee wellbeing to be associated with indirect cost savings to employers via three different routes:

Reductions in absenteeism

Evidence on the exact scale is very limited, we draw on high quality evidence relating to the indirect benefits of a wellbeing intervention in the police force (Fitzhugh et al. 2019)¹⁸ to estimate that volunteering schemes could reduce sickness absence by 0.4 days per year.*

£50
per volunteer

Increased productivity

It is very hard to measure productivity for many different types of jobs. We draw on the same police force study used above to estimate that volunteering schemes could generate a 0.9% improvement in productivity.*

£260
per volunteer

Reduced staff turnover

A recent study by Oxford Economics suggests that losing a member of staff costs a typical firm £20,000 to £40,000 so these costs are likely to be considerable. Unfortunately no evidence is yet available for us to estimate the scale of impact wellbeing has on turnover.

**No estimate
possible**

* Improvements in staff absence and productivity are based on the estimates from the Fitzhugh et al. study, scaled according to the relative impact on wellbeing.

Are volunteering schemes likely to be cost-effective?

Our core scenario highlights the importance of indirect cost savings

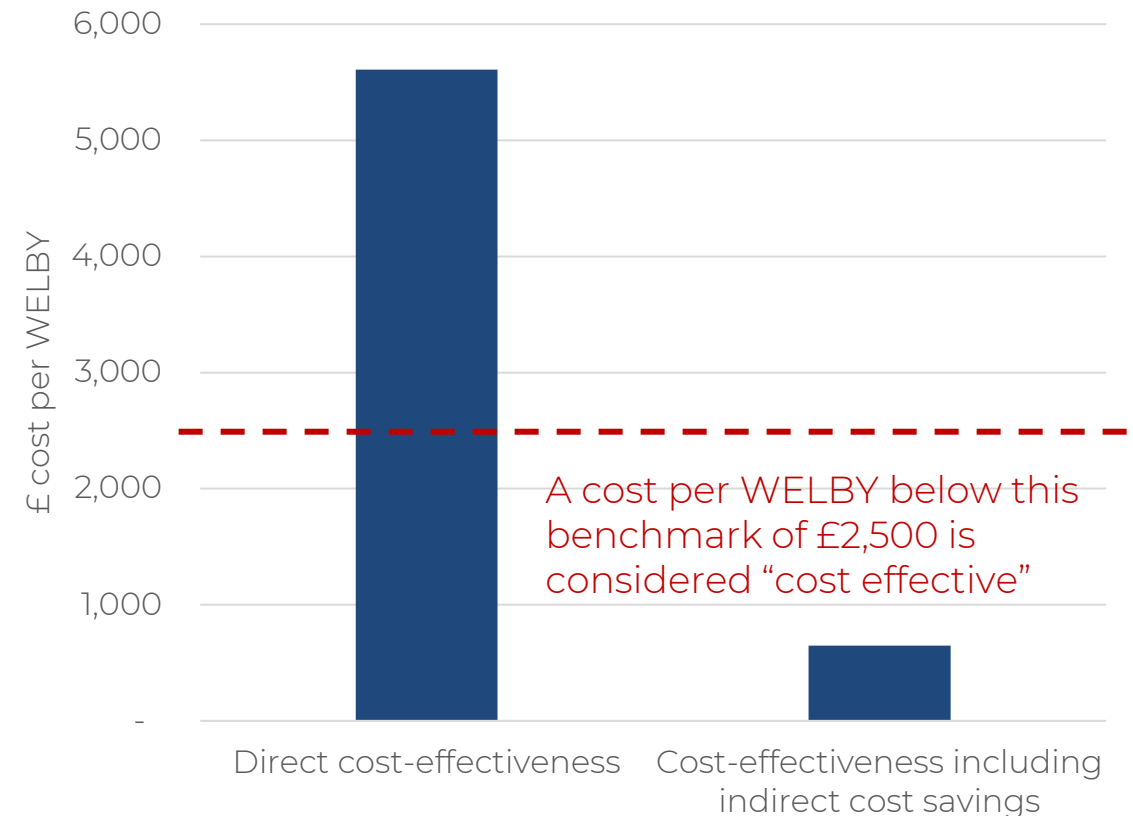
We develop a core scenario by combining our estimates of the life-satisfaction improvements delivered by volunteering with our estimate direct costs and indirect cost savings to explore the wellbeing cost effectiveness of corporate volunteering schemes.

We conclude that:

- In our core scenario it costs firms around £5,500 to generate a one WELBY improvement in wellbeing if we focus on just direct costs and benefits.
- However, once indirect cost savings are included then this cost per WELBY could fall to around £650.
- This cost per WELBY would like fall further if we were able to incorporate the impacts of reduced staff turnover.

Based on an emerging benchmark of a £2,500 cost per WELBY, we conclude that it's plausible that [volunteering schemes could be a cost-effective way of improving staff wellbeing, once indirect savings are incorporated.](#)

Estimated cost per WELBY of volunteering scheme



Limitations to this core scenario

The need for more evidence

Our core scenario suggests that the cost-effectiveness of employee volunteering schemes is highly dependent on the scale of indirect cost savings delivered through reduced sickness absence, increased productivity and, potentially, reduced turnover. In the absence of any evidence to assess the scale of these impacts this remains a critical assumption.

To explore the impact of other key assumptions we have provided a series of alternative scenarios focused around three key questions:

- [What impact do the characteristics of employee volunteers make?](#) We vary the wellbeing impacts according to the age of the volunteer and the skill-level of the volunteer (as measured by their wage rate).
- [What impact do the characteristics of the volunteering scheme make?](#) We demonstrate the impact of varying the assumptions for the number of days spent volunteering each year and scale of over-head costs incurred by employers.

The results of this sensitivity analysis is summarised in the following slides.

What impact do the characteristics of employee volunteers make?

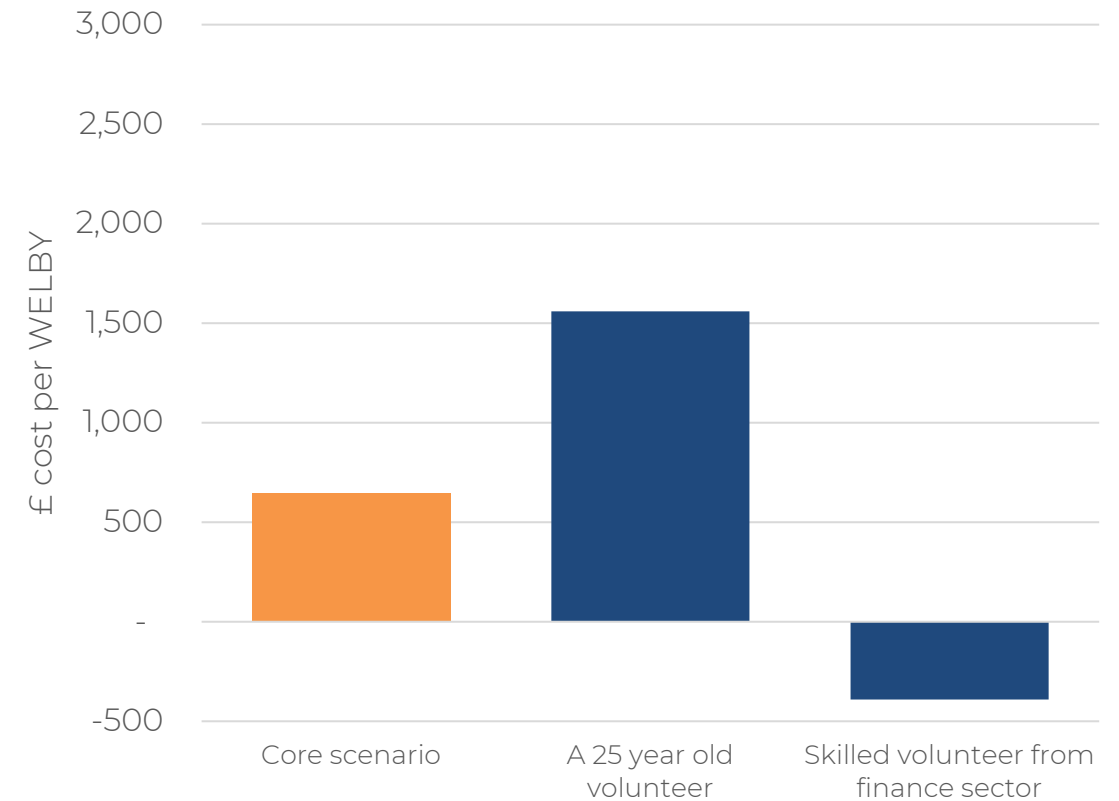
Alternative scenarios demonstrate that targeting corporate volunteering schemes could be critical

We demonstrate how the potential wellbeing cost-effectiveness might change as we vary some of the key characteristics:

- Evidence suggests that younger people may get less of a wellbeing benefit from volunteering and therefore a scheme targeted at 25 year olds may be less cost-effective than our core scenario (which shows the average impact of volunteering on wellbeing across all age groups).
- There is potential for highly skilled volunteers to actually generate a saving per WELBY generated through volunteering. Critical to this conclusion is that volunteering for highly skilled individuals continues to lead to a 0.9% improvement in productivity that, when applied to a high-skilled worker, generates a greater indirect cost saving than we see in our core scenario.

These scenarios demonstrate that greater value could be generated by focusing volunteering opportunities towards older workers who experience greater benefits. It also highlights the need to improve evidence on how productivity benefits may vary by the skills level of members of staff.

Cost per WELBY for alternative scenarios



What impact do the characteristics of the volunteering scheme make?

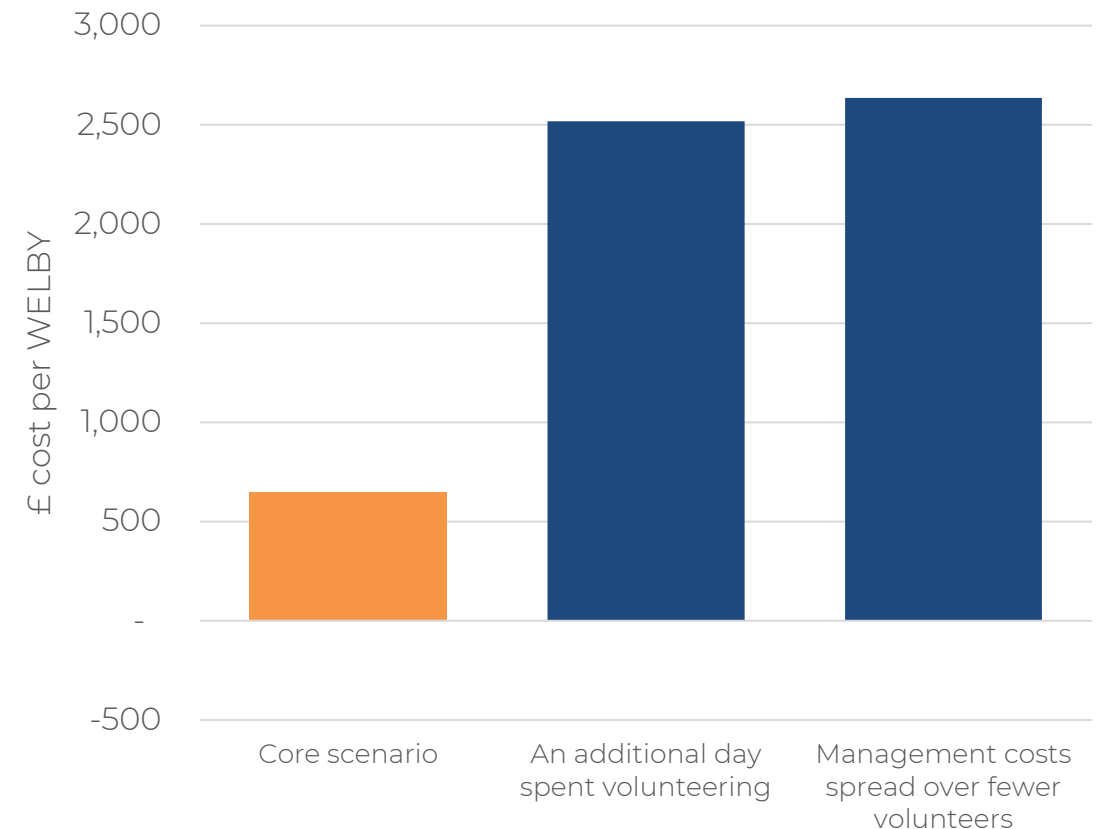
Efficient management of employee volunteering schemes is also critical

The shape of a volunteering programme could have significant impacts on the costs incurred by firms and, therefore, the wellbeing cost-effectiveness:

- The cost-effectiveness is sensitive to assumptions about how many days an individual spends volunteering. If we assume an additional day is spent volunteering compared to our core scenario then the cost per WELBY increases significantly to towards the £2,500 indicative threshold.
- The cost-effectiveness is likely to be significantly lowered if a scheme manager oversees fewer volunteers. In this example we have reduced the number to 100 volunteers and this reduces the cost effectiveness towards the threshold of £2,500 per WELBY.

This demonstrates the importance of using efficient volunteer management processes and considering carefully the impact that the number of days offered could have on the cost-effectiveness of an employer scheme.

Cost per WELBY for alternative scenarios



Employee volunteering in the context of the pandemic

An approach to protecting staff against the risks of social isolation

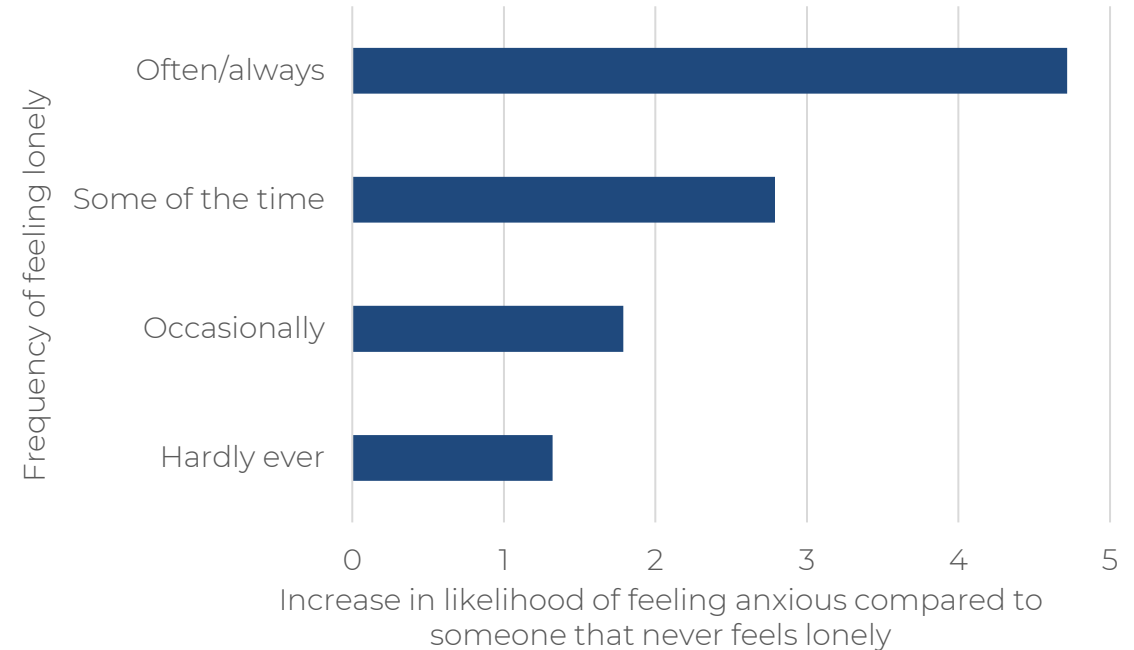
ONS data has highlighted that there was a significant increase in anxiety during the first lockdown in the UK and that “feeling lonely” was the factor most strongly associated with reporting high anxiety.

This could remain an important concern if this pattern is repeated as a result of the second UK-wide lockdown and regional control measures.

Given that evidence has highlighted the critical inter-relationship between volunteering and the development of stronger levels of social interactions, it's plausible that, if they can adapt to the current working environment, employee volunteering schemes could play a valuable protective role in tackling the loneliness and anxiety created by the pandemic.

We assume this would further improve the wellbeing cost effectiveness of such schemes in the near term.

Impact of loneliness on likelihood of feeling anxious during lockdown



Source: ONS (2020)



Conclusions

Are employee volunteering schemes likely to be a cost-effective way of improving staff wellbeing?



Conclusions

Promising results but a need for more evidence to inform analysis

There is now relatively strong evidence that volunteering improves wellbeing, however, there is insufficient evidence to differentiate the impacts of employer lead volunteering, or skilled volunteering, compared to volunteering in general.

Initial scenarios suggest that corporate volunteering schemes have potential to be cost-effective ways of improving employee wellbeing once indirect cost savings from reduced absenteeism, presenteeism and staff turnover are incorporated.

This cost effectiveness is likely to be higher if:

- A scheme targets older members of staff
- Skilled volunteers are demonstrated to deliver bigger absolute productivity impacts in the workplace
- Volunteer scheme management costs are spread across more volunteers

The wellbeing benefits of volunteering appear to be strongly related to their impact on the number of social connections individuals indicating that it could play a particularly critical role during the current crisis to ensure that people maintain social connections at a time when some are finding social isolation a new or increasing problem.

However there is a need to build more evidence on:

- The specific wellbeing impacts of corporate volunteering compared to other types
- The indirect cost savings resulting from the improvement in wellbeing, particularly through reduced sickness absence, reduced staff turnover and increased productivity

What would further work in this area look like?

The design of an observational study within large organisations

In order to fill the evidence gaps highlighted earlier in this report we would recommend that further work in this area incorporates an “observational study” that gathers data on key outcomes for employees over time and compares how these differ for those that participate in volunteering activity compared to those that don’t.

It is essential that these measures are captured both for staff that do participate in volunteering activity as well as those that don’t so that comparisons can be made that associate volunteering activity to sickness absence and staff turnover.

Whilst this would not provide evidence to establish a perfect “causal link” between employee volunteering as those that choose to volunteer may have different inherent characteristics, it would shift the quality of evidence from Level 1 to Level 3 in Nesta’s 5-step framework.²⁰

As a minimum this would include require a firm to capture and analyse staff-level data over the space of 12 months on:

- Frequency of volunteering activity (ideally measured in number of days or hours)
- Sickness absence
- Staff turnover

This could be further enriched by incorporating a baseline and follow-up survey for a sample of staff that captured:

- Subjective wellbeing using the ONS Life Satisfaction measure
- A measure of self-assessed productivity in the workplace

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