

ECONOMIC SCENE

The president wants Americans to volunteer to pick up the slack in social services. But will that be enough?

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FROM an economic perspective, the most interesting proposal in last week's State of the Union address was President Bush's call "for every American to commit at least two years -- 4,000 hours over the rest of your lifetime -- to the service of your neighbors and your nation." That works out to around 80 hours a year for every adult. Although that sounds like -- and is -- a lot, by some counts the average American is already volunteering that much. Why do so many people give away so much of their time?

Richard Freeman, a Harvard economist, has studied why Americans -- 44 percent in 2000, according to a recent survey -- volunteer for charities, youth development programs, religious organizations and other causes. He concludes that voluntary labor is best thought of as a "conscience good or activity -- something that people feel morally obligated to do when asked, but which they would just as soon let someone else do."

By contrast, the standard economics treatment is to view volunteer work as the outcome of a trade-off among competing uses of time: working for pay, volunteering or enjoying leisure. The "price" of volunteer work is the opportunity cost of individuals' time -- the earnings one forgoes. As a person's wage rises, he or she finds volunteering more expensive; this should discourage volunteering compared with donating money.

Professor Freeman finds, however, that the standard model goes only so far in explaining why people volunteer. Although a high opportunity cost discourages some people from volunteering, on average those who volunteer are better paid and more likely to be employed than those who do not. Higher pay is associated with only a small, statistically insignificant shift from volunteering to writing tax-deductible checks.

Over all, there is little evidence that people cut down on volunteer work when their labor market opportunities improve or that they view cash contributions and volunteer time as substitutes.

Will the president's call have an effect? Mr. Freeman is skeptical. Most people seem to volunteer only when asked, and particularly when asked by a member of their community, close friend or relative.

Recruiting volunteers will require more than preaching from the bully pulpit. According to Mr. Freeman, a grass-roots campaign is required. Unless the president engages organizations that need volunteers in his effort and provides them with the necessary support to recruit from their communities, his call is likely to go unheeded.

Remember America's Promise, an initiative begun with much fanfare five years ago to channel volunteers to improve the lives of youth, headed by Colin L. Powell with the support of four former presidents? So far, there is little indication the program has lived up to its promise. An evaluation by Public/Private Ventures and the Search Institute concluded, "Though there are some programmatic successes, they are scattered and modest in scope and size."

President Bush's call for a minimum of 4,000 hours is likely to be met with the same fate unless his administration

devotes energy and resources to develop a grass-roots coalition of service organizations to recruit and deploy volunteers. There are already signs that the outpouring of volunteers after Sept. 11 has tailed off, and the frequency of volunteering has returned to normal.

Jean Baldwin Grossman, vice president for research at Public/Private Ventures, also stresses that for charities, "voluntary labor is not free." Resources are needed to screen, train and monitor volunteers. Indeed, nonprofits often find it cheaper to hire full-time employees with appropriate skills than to train volunteers.

Some volunteer jobs, like mentors and tutors, have been found to have a high social benefit, while others, like teacher aides, have a low benefit. In most cases, however, little evidence exists on the social payoff.

In her paper "Making the Most of Volunteers," Dr. Grossman estimates that infrastructure costs around \$300 a volunteer mentor. Thus if an additional 100 million or so people participate in voluntary activities, as the president has requested, the management costs would increase by around \$30 billion.

Where will service organizations find the financing to provide the necessary infrastructure?

Mr. Freeman says the Bush administration "would do better to copy the old Reagan approach, which was to hit up the superrich and corporations to give more."

Applying the theory of "comparative advantage," it does not make sense for Bill Gates or Larry Ellison to spend time helping out their local fire department, or even writing computer code for the United Way. Their comparative advantage lies in donating money so service organizations can hire people with requisite skills and buy equipment for them to perform their tasks. (It is worth noting that progressive taxation achieves exactly this result. Instead of exhorting Mr. Gates and Mr. Ellison to sit around the fire department, one wonders why President Bush would not prefer to tax them more heavily to pay for modern fire trucks.)

According to a survey by the Independent Sector, in 2001 the average American, including nonvolunteers, donated 81 hours to voluntary activity. Volunteer hours have trended down since 1989 but are still substantial. Charitable contributions soared with the stock market in 2000 but are likely to return to normal levels.

This is cause for concern. The United States has come to rely on volunteers and charitable contributions for many social services. Counting the value of voluntary labor, the nonprofit sector accounts for around 6 percent of national income -- 65 percent more than President Bush's slimmed-down budget spends on nonmilitary discretionary programs, like education, job training and workplace safety.

"It is not from the benevolence of the butcher, the brewer and the baker that we expect our dinner," Adam Smith famously observed, "but from their regard to their own interest." Increasingly, however, American society depends on the generosity of its citizens for social services, a need that will intensify as government shifts resources toward national security and away from social programs.

If not dinner, benevolence provides a snack between meals for those who have difficulty putting food on the table. This makes carrying out the president's call for volunteer work -- as well as increased charitable contributions -- all the more important.