

# ECONOMIC RELEVANCE OF VOLUNTEER ACTIVITIES ON THE EXAMPLE OF THE CZECH REPUBLIC

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## Abstract

The aim of the paper is to provide an explanation of the economic relevance of volunteer activities using the example of the Czech Republic through an interdisciplinary approach of social science disciplines (economics, financial theory, public economics) and using analytical methods. In this context, it is the creation of values that the mentioned activities create. At the same time, theoretical discussions about the measurability of the mentioned values are also pointed out. Based on the presented theoretical concepts about the direct measurability of the mentioned activities in monetary units, it is possible to estimate the size of public finance savings as a result of the provision of volunteer activities by the non-state non-profit sector. These are mainly activities provided to entities of health and social services, environmental purposes, during extraordinary events (for example, floods in the Czech Republic, the covid-19 pandemic), leisure activities, etc. Due to the growing number of voluntary activities abroad, the specifics of valuing their activities can be considered.

**Key words:** economic concept of volunteering, volunteering abroad, value of volunteer work

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## Introduction

Volunteering in society is a term generally associated with non-profit activities in humanitarian, ecological, cultural, physical education, sports and socially oriented organizations. Upon closer examination, it will be found that its definition and application is far more complex and depends on the angle from which the volunteer activity is viewed. In its recent history, the Czech Republic has witnessed the growth of volunteering and its societal significance. Since the beginning of the 90s of the 20th century, with the onset of the political and economic transformation of Czech society, it has been an integral part of it. From an economic point of view, volunteer activities are associated with a number of benefits both for specific groups of people and for society as a whole. Due to the interdisciplinary nature of the

issue, it can be dealt with by several scientific disciplines at the same time, for example sociology, psychology, demography, pedagogy, andragogy, theory of human resource management, economics, theory of economic and social policy. In particular, as part of the systematization of individual areas of volunteering, some elements from marketing, public relations (for example, in connection with the promotion of volunteering programs), health and social care, ecology, etc. also enter the issue (Šetek, 2015).

Since roughly the 1960s, there has been a debate within professional circles at the level of academia and management of state administration, local government and non-governmental non-profit organizations about the measurability of the value of volunteering and its contribution to the creation of national well-being (Šetek, 2022). It is therefore logical that the mentioned issue is also a subject of interest in the Czech Republic. Here, most theoretical concepts lean toward the view of direct measurability of the economic value of volunteer services in monetary units. On the other hand, opponents give several reasons why it is inappropriate to monetize volunteering. The reason for this is the relatively large difficulty of data collection or the correct determination of the amount of money that should be awarded for volunteering. The main reason given is that it is not right and appropriate to measure the value of volunteering. However, there is no denying the validity and importance of the value of volunteer work, but it is argued that any way and effort to measure this value (especially through monetary expression) degrades it accordingly.

## **1 Data and methodology**

In connection with the nature of the monitored research project, qualitative and quantitative elements are applied within the processing methods. The application of qualitative elements represents the process of investigating phenomena and problems within the monitored system with the aim of obtaining a comprehensive picture of these phenomena based on monitored data and a specific relationship. Quantitative methods consist in the processing and testing of basic input data based on established theoretical concepts regarding the monitoring of volunteer activities within the monitored national economy.

Qualitative elements of research consist in the application of methods of analysis, synthesis, comparison, induction and deduction. Within the framework of the analytical method, the idea is based on the division of reality into its parts, elements, properties, relations and processes. Through the application of the mentioned procedure, it is possible to know the individual aspects of the investigated phenomenon from the point of view of the

established scientific goal. Through the method of synthesis, the criteria for a comprehensive idea of the investigated phenomena are determined, which makes it possible to reveal the structure, mutual processes and relationships between the individual aspects of the investigated phenomenon. Within the framework of the comparative method, it is possible to find out how the investigated phenomenon differs from others or where it is the same. The method of induction makes it possible to proceed from unique phenomena to particular or general findings. Through deduction, reasonable conclusions are drawn under certain assumptions.

Quantitative elements are oriented in the area of possible calculation of the value of volunteer activities. The database for calculation is determined by the time of volunteer activities. This time is valued at replacement rates such as minimum wage, average wage, median wage and mandatory employer payroll deductions. The basic input data for processing are the data of the interested bodies of the state administration of the Czech Republic on the mentioned issue, in particular the Czech Statistical Office, the Ministry of Labor and Social Affairs, the Ministry of the Interior.

## **2. Results**

### **2.1 Basic philosophy on the issue of volunteering within the national economy**

Volunteering represents a regular and reliable source of help for organizations of the non-state non-profit sector, which, from the point of view of economic theory, arose as a public response to the failure of the market and the state to provide appropriate services. The basic function of the non-profit sector is to compensate for market failure by offering its services. Therefore, its meaning is seen in the addition of the commercial and public sector in the field of service provision (Šetek, 2016). Emphasis is placed on the stability of the social environment, without which even the greatest conveniences of technology would be meaningless. That is why the development of volunteering is one of the most important current modernization trends. To be effective, volunteerism must fulfill a range of functions (for example, socially integrative, educational, entrepreneurial, innovative, economic and psychological) and thus overall contribute to investments in human capital.

In essence, it is a conscious and freely chosen activity provided free of charge for the benefit of others. Its meaning primarily consists in working for others without financial and material profit on the one hand and moral enrichment on the other (through the acquisition of

new skills, knowledge). Thus, in accordance with the theoretical concept of human capital, it represents a potential "investment resource" to ensure the personal growth of volunteers (Blaga & Jozsef, 2014). This increases the quantitative and qualitative dimensions of human capital, which is greatly reflected in the case of obtaining a permanently paid position, especially within the helping professions. For this reason, a volunteer program can also be the best solution to the situation of the unemployed for employment on the labor market (Novotná & Volek, 2014; Pavelka, 2017). The main goal and characteristic feature of volunteering, as well as the non-state non-profit sector in the development of civil society, is to respond to societal needs and interests through the process of strengthening social cohesion. Currently, the main goals in the field of volunteering include improving society's approach to volunteering, through support for the creation of regional volunteer centers, the implementation of various projects promoting the idea of volunteering, and training for volunteers and their coordinators. Voluntary activities thus provide space for the meaningful use of free time of gainfully employed citizens and, at the same time, opportunities for social inclusion for unemployed and otherwise marginalized sections of the population (Volek & Novotná, 2019).

## **2.2 Volunteering from the point of view of economic theories**

From the point of view of economic theory, the non-profit sector arose as a public response to the failure of the market and the state to provide services to citizens. The role of non-profit organizations is to compensate for failure by offering their services. The meaning of the existence of the non-profit sector is therefore seen in the fact that it only complements the commercial and state sector in the field of service provision (Fiala & Langhamrová, 2021). Social learning helps to understand the question of voluntary work as a real development alternative of the information society. Part of the social learning process is not only the spread of volunteerism, but also the prestige of working for public benefit purposes. In today's society, above all, voluntary civic work brings a social dimension, on which the functioning of modern technologies is vitally dependent. Emphasis is placed on the stability of the social environment, without which even the greatest conveniences of technology would be meaningless. That is why the development of volunteering is one of the most important current modernization trends.

In connection with the discussion about the measurability of volunteer activities within the non-profit sector, the basic approaches of the theoretical economic discipline in general

cannot be neglected, namely institutionalism and behavioral economics (Džbánková, & Sirůček, 2013). With the institutional approach, institutions through social relations (legal, ethical and customary rules) represent a set of rules governing the conduct of interest groups of the population during the mentioned events. These institutions can be divided into formal and informal, whereby formal institutions can be characterized as, for example, legal norms in areas, civil rights, etc. Informal institutions can then take the form of customs or the general culture of society. Formal institutions are generally considered to be quick and easy to change (e.g. by passing a relevant law), on the other hand, informal institutions can be very rigid as they are subject to long-term social processes. Within the aforementioned institutions, the economic aspects of human behavior can be observed from the perspective of the theory of institutional economics, which has been taking shape since the 1890s and whose psychological concept is derived from institutions (representing the category of socio-economic life) according to traditions, customs, customs and interpersonal relationships. Under the assumption of bounded rationality, behavioral economics traces the manifestations and impacts of socio-emotional and cognitive factors on the economic decision-making of individuals and institutions as it focuses on research on heuristics. In the contexts of volunteer activities, it takes into account the emotions, errors and prejudices that influence human decision-making in these contexts, both at the micro level (especially the family environment and other close communities) and at the macro level (within the whole society).

### **2.3 Controversies and trends in measuring the value of volunteering**

Volunteer activities can be viewed as an alternative to free time without the appropriate direct financial reward. For this reason, the value can be calculated as zero. On the other hand, as a result of the growing social demand (due to the aging of the population, the covid-19 pandemic, refugees after the events of February 22, 2022, etc.) for the aforementioned activities, the concept of the value of volunteering is the subject of theoretical considerations, which (sometimes with difficulty) can be quantified. The value of free time dedicated to volunteer activities is most often determined using opportunity costs, i.e. lost wages or other price for which people give up their free time (Šetek et al., 2019). Despite the growth in popularity of volunteering as such, there are still not many estimates of the value of volunteering. In addition, existing methods for calculating the economic value of volunteering differ in quality. This can already be influenced by the definition of volunteering, which is used in the calculation. In ethical contexts, opinions can also be noted that the measurement of

volunteer activities leads to their degradation. It is based on the argument that this is voluntary aid, which therefore does not need to be measured. Another argument is that measuring the value of volunteering is a difficult and expensive process, especially associated with data collection, where the biggest problem is seen in the identification of the volunteer's share of the organization's output and thus in the difficult monetary evaluation (Šetek, 2022).

Monitoring the value of volunteer activities within economic theories can be considered a relatively young phenomenon. The beginnings of the aforementioned theoretical interest can be dated to the turn of the 1950s and 1960s. According to individual milestones in the professional global discussion, the mentioned historical development from the mentioned period can be divided into three time intervals. The first begins in the second half of the 1960s, when a dispute about the meaning of measuring the value of volunteering and whether it is possible at all resonated within the professional theoretical discussion. From the point of view of other published literature, this dispute still stands out in the late 1980s. The 1980s and 1990s saw some establishment of this concept in the form of using replacement costs based on market equivalents. By the turn of the millennium, a second interval of development can be seen, accompanied by the rise of constructive criticism and the development of the concept. Two studies critical of the dominant replacement cost approach were produced in this period (Brown, 1999; Bowman, 2009). The third stage then begins in 2011, which was also declared by the European Commission as the European Year of Volunteering. At the same time, since this period, estimates of the global number of volunteers and the global value of volunteering have been tracked through replacement wage indicators within national economies (Salamon et al. 2011). The above-mentioned analyses, research and monitoring of volunteering through replacement wage indicators are followed by the Manual of the International Labor Organization for measuring volunteer work. The aforementioned Manual is cited in almost all European Union documents related to volunteering as a suitable model for conducting statistical surveys in this area. At the 19th International Conference of Labor Statisticians in 2013, this Handbook was identified as an adequate basis for the study of voluntary work.

#### **2.4 The development of the replacement wage concept and the rise of constructive criticism to determine the value of volunteerism**

Quantifying the value of volunteering through replacement wages, which is the market equivalent of a given volunteer activity, has long been the target of criticism, despite the fact that it is still the dominant way of quantification (Bowman, 2009). The essence of the criticism lies mainly in the unclear definition of the replacement wage, as it is not entirely

clear what kind of wage it should be - minimum, median, average, including legal contributions, etc. As a result, significant inconsistencies can also arise in international comparisons when monitoring the value of volunteer activities. Clear proof can be presented through the calculation of the macroeconomic amount of the value of volunteer activities in the Czech Republic based on the mentioned indicators from 2021 (shown in Table 1).

**Tab. 1: Basic input data for calculating the replacement wage in the Czech Republic for 2021**

Number of volunteer hours worked per day	Working time fund (in hours per year)	Minimum hourly wage (in CZK)	Median monthly salary (in CZK)	Average monthly salary (in CZK)	Employer contributions to social and health insurance (in %)
450,000	2,088	130.80	33,601	37,839	33.8

Source: Czech Statistical Office. Population statistics. 2021; Ministry of Labor and Social Affairs , Employment and Labor Market Statistics. 2021; Ministry of the Interior, Basic information about volunteer service 2021

Based on the use of the above-mentioned input data (Table 1), replacement wage calculations for the macroeconomic value of volunteer activities in the Czech economy for 2021 can be constructed (Table 2).

**Tab. 2: Construction of the calculation of the macroeconomic value of volunteer activities in the Czech Republic for the year 2021**

Wages	Hourly wage (in CZK)	Annual value of the performance of volunteer activities (in billion CZK)	Annual value of the performance of volunteer activities including legal contributions (in billion CZK)
Minimal	130.80	21.5	28.77
Median	194.00	31.9	42.68
Average	226.00	37.1	49.64

Source: Czech Statistical Office. Population statistics. 2021; Ministry of Labor and Social Affairs, Employment and Labor Market Statistics. 2021; Ministry of the Interior, Basic information about volunteer service 2021 and own processing

As part of the comparison of replacement wage calculations for the evaluation of volunteer activities in the Czech economy for the year 2021, it can be stated that this indicator ranges from CZK 21.5 billion to CZK 49.64 billion. Given the reality that, according to foreign experience, the most common method of calculation consists in using the average salary without an increase by mandatory contributions (for social and health insurance

according to the example of the Czech Republic), it can be stated that the value of volunteer activities for the year 2021 is approximately over 37 billion CZK.

Based on the factors mentioned above, four basic problem factors can be specified in connection with research to determine the value of volunteering (Salamon et al. 2011). The first of these factors is a uniform definition. Volunteering does not have a uniform definition and it is therefore difficult to determine the range of activities that are its content. The second factor is the focus on inputs and outputs. In the context of volunteering, it is possible to measure the input that is put into volunteering (volunteer time) or the output of volunteering, which is the economic value of products and services created by volunteers. The third issue that needs to be addressed is the right choice of method for evaluating the inputs or outputs of volunteering. In a market environment, this problem is solved by wage evaluation at the input and the price of products and services at the output. These monetary values determine how much their producers and consumers value them. The fourth problematic factor in measuring the economic value of volunteering is the level of analysis.

## Conclusion

The macroeconomic level of the value of volunteering is the most challenging in terms of data availability. At the same time, it is an area of interest for the media, the creators of the state's economic and social policy, and possibly the entire volunteer community. When focusing on the value of volunteering from a macroeconomic point of view, an indicator of the economic value of well-being can be applied. In essence, it is an alternative measure of value in the macroeconomic dimension. Unlike the gross domestic product indicator, it does not only measure the level of total national production, but also includes the economic value of leisure time, the environmental damage caused by industrial production, and the value of unpaid work in the economy (Blaga, & Jozsef, 2014).

Based on the above-mentioned facts, it can be stated that a more favorable indicator for measuring the standard of living in a given country is precisely the indicator of the economic value of well-being, which, compared to the indicator of gross domestic product, can also include the economic well-being of the country. However, its application is also related to the appropriate non-transferability associated with the appreciation of such performances in the economy, to which the field of volunteering belongs.

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