

Volunteer work can sometimes threaten the jobs of paid employees in non-profits

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Economic literature suggests that non-profit organisations have an economic advantage over for-profits because they are able to use volunteers for parts of their activities more easily. In fact, for some non-profit organisations volunteer work can be regarded as a major labour source. The Institute for Volunteering Research estimates that 27 percent of the population 16+ in the UK volunteers regularly and even 42 percent volunteer at least once a year. In Austria, where our research is based, an estimated 28 percent of the population (15 years and older) are active as volunteers in non-profit organizations.

For organizations that use volunteer work, it is of course important to manage the volunteers well. At the same time, it is important to also consider the situation and the well-being of paid employees. Sometimes volunteers work on rather similar tasks and thus, they may replace paid staff. Sometimes volunteers assist and support paid employees (and the other way round) and can then be regarded as performing complementary tasks. Naturally, in the first case the question arises if employees in non-profit organisations have reason to feel threatened by the presence of volunteers.

In light of this, our research examines whether the presence of volunteers increases separations for paid employees in Austrian non-profit organisations. The Austrian non-profit sector can be described as “service-dominant”, which means that most nonprofit employees are active in health and social services. Non-profit organisations in Austria are often heavily dependent on public funding, which presents a serious challenge in times of fiscal austerity. In our analyses we differentiate between organisations that claim to have experienced increased competition and those that operate under unchanged or even reduced competition. We assume that non-profit organisations operating under increased competition are under higher pressure to contain cost or to seek alternative sources of funding in order to maintain service at a certain level.

As many Austrian non-profit organisations operate under tight-fisted government contracts and/or because non-profit organisations aim to offer an affordable service to often underprivileged customers, cutting costs is a more

feasible strategy than increasing prices when responding to increased cost competition. They could do so by resorting to volunteer work more heavily. Hence, an initial reaction of non-profit organisations could be a direct replacement of paid staff by unpaid workers in order to maintain service levels and/or quality while avoiding service disruption. In another variant it is also plausible to assume that more intrinsically motivated workers also leave non-profit organisations due to increased competition. Such a mechanism can be triggered if paid employees are, in the wake of increased competition, forced to concentrate on their core professional activities, while “soft” work is outsourced to volunteers. For example, in health and social services, this could mean that professionals are reduced to medical work, e.g. giving injections, fulfilling documentation obligations, etc., while volunteers engage in more enjoyable interactions with patients.

With these considerations in mind, our quantitative study for the Austrian non-profit sector investigated the potential replacement of paid staff with volunteers. Data for the year 2005 were gathered by means of a mail survey that was sent to all Austrian non-profit organisations with at least one paid employee. We have information for all industries that are relevant to the non-profit world. The questionnaire placed particular emphasis on employment, revenues, expenditure and organisational activities. In total, we contacted 4,590 organisations and 798 questionnaires were returned, yielding a response rate of 17.39 percent. For the estimations we use a subset of 540 organisations for which we have full information concerning the variables used in the econometric analysis. We estimate a Tobit model with the separations rate of employees serving as the dependent variable. As independent variables we use volunteer presence and information about what the volunteers do within the organisation. In addition, we control for the composition of paid employees, the funding situation, and the activity field of the organization.

In summary, our findings point to the existence of a conditional substitution effect. In non-profit organisations with stable or decreased competition we find no statistically significant effect for volunteer presence on separations of paid employees. However, non-profit organisations facing increased competition display a significantly higher separation rate when volunteers are present. Our empirical results substantially support the hypothesis that in these non-profit organisations paid work is replaced with volunteer work. This effect in turn can lead to tensions between the two worker groups.



Notes:

- This post is based on the paper [Paid and unpaid labor in nonprofit organizations: Does the substitution effect exist?](#), co-authored by Astrid Pennerstorfer, Benjamin Bittsch and Ulrike Schneider, in *British Journal of Industrial Relations* (2015), 53 (4): S. 789-815.
- This post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.
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Astrid Pennerstorfer is assistant professor at the Institute of Social Policy at WU Vienna University of Economics and Business. Her current research interests include social service nonprofit organisations, nonprofit growth and volunteer/employee relations.
Email astrid.pennerstorfer@wu.ac.at



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