

## DECISION TO VOLUNTEER FROM THE MICROECONOMIC AND MACROECONOMIC PERSPECTIVES

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“Are you a volunteer in any organisation?” is the question we hear the most nowadays. In job interviews, in informal conversations as well as in the media this issue is becoming more and more acknowledged.

Volunteering activity by itself is made without any payment and thus must bring certain advantages for performers, allowing them to get a greater utility from the hours dedicated to the voluntary work than from wages derived from work or from leisure.

From the microeconomic perspective, among the variety of theories that were developed to explain the decision to volunteer, the opportunity cost theory can serve this purpose the best, to my opinion.

Opportunity cost of time implies the benefits that persons involved in these activities could get while being engaged in alternative actions.

The substitution effect that can be seen on the labour supply curve states that with the wage rate increase, individuals will tend to switch from leisure to labour according to the increase in the opportunity cost of leisure time. With an income rise, the price of leisure increases, the hours of work increase. Thus, people with low opportunity cost of leisure time, meaning those with a low-wage rate or even unemployed, are those that should be engaged in voluntary work.

Surprisingly, the statistics show that individuals with high demand on their time – high opportunity cost of time and high earnings potential are more likely to volunteer. Among them – married persons, representatives from large families, highly educated as well as employed, well-paid persons (Richard Freeman, *Working for Nothing: The Supply of Volunteer Labour*, 1997). Moreover, an important part of this group consists of women and elderly volunteers.

Unemployed women are usually those who are engaged in household activities and we assume that they do not have time to have a full-time job. Although, they can be seen as persons with low opportunity cost of time, in fact, it is not correct, as through their household activities, they save money and thus actually create an economic value for their “work”.

To explain these controversies, attention should be devoted to the opposite force in the “labour-leisure” trade-off - income effect on the labour supply. As the dominance of the substitution effect is not proven by statistics, we can see that the income effect comes into force. A higher wage rate means that people are able to work less hours in order to earn the same income as before and this will mean an increase in the time devoted to voluntary activities.

From the macroeconomic perspective, it is necessary to consider demand as important factor that influences the decision to volunteer.

Demand-side theory argue that voluntary organizations efficiently cover the gap between the demand of public goods and the supply provided by the State or the market, acting like an intermediary between these two. This refers to the fact that the supply of public goods provided by the government is often inefficient, because it fails to fulfil customers’ needs as a result of its goal to minimize production costs. This leads to low-quality, standardized output and treating demand as a homogenised dimension.

In reality, the demand is differentiated and the greater the differentiation between customers’ demand is in a society, the greater the size of its voluntary sector that covers the unmet demand. Government failure can arise not only from heterogeneity in tastes, but also from an excess demand. This might be the case of public hospitals, which often face capacity constraints, being unable to serve all its patients, which also leads to the appearance of the voluntary sector.

Volunteers in this case tend to engage in voluntary work because through this they feel they do something useful and produce benefits for the society. In fact, this is true, because they do the activities of some people that would, in other situation, be paid to do this.

To my strong conviction, although combination of economic theories provides good enough explanation for the volunteering phenomenon, without application of motivation theory aspects they can’t be considered as reasonable and grounded.

According to Maslow’s hierarchy of needs, individuals are feeling the internal need in self-respect and respect from others on the Esteem level, which is a fourth layer of needs. Certain needs can be easily satisfied through volunteering activities, because it gives them a sense of contribution or value according to the demand-side theory. Moreover, Maslow’s theory states that basic needs should be satisfied before person can move to the secondary or higher layers of needs and as it is obvious from the statistical evidence, only individuals with a high level of income, educated, well-paid, married persons, meaning those who satisfied their Physiological, Safety and Love/Belonging needs tend to volunteer.

Through the presented above statements it has been evidenced that volunteering phenomenon and its motives is a unique and complex issue. In attempts to explain the incentives that stimulate people to take part in the non-remunerated activities, scientists have developed a variety of models that represent volunteering from different perspectives.

Based on microeconomic, macroeconomic and humanistic perspectives, we can clearly see that separately they are not objective and representative enough to explain volunteers’ motivation. Thus, only with a combination of the most grounded models from each of the perspective we can get an adequate and reasonable answer on the question “What makes people become part of a voluntary activity?”

Using the combination of approaches, it was shown that contrary to the popular belief, people who volunteer have high opportunity cost of time and are influenced by income effect. Their willingness to volunteer comes from the internal need in self-respect and respect from others that easily can be achieved through value production or contribution making, meaning fulfilment of the unmet demand that emerges due to the governmental failure.

1. Freeman R. B: *Working for Nothing: The Supply of Volunteer Labor*, 1997 / *Journal of Labor Economics*, Vol. 15, No. 1, Part 2: Essays in Honor of Yoram Ben-Porath // [Electronic source]: <http://www.jstor.org/discover/10.2307/2535404?uid=3738880&uid=2&uid=4&sid=21103800351691>

2. Dekker P., Halman L. *The Values of Volunteering: Cross-Cultural Perspectives*, 2012. / Springer Science & Business Media, 226 p. // [Electronic source]: <https://books.google.com.ua/books?id=mZl3BQAAQBAJ&printsec=frontcover&hl=uk#v=onepage&q&f=false>

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