Measuring Social Valuation: The Case of Local Religious Congregations

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In many corners of the globe politicians assert that religious pluralism and freedom of religion are too costly and inappropriate for their countries.

Similarly, places of worship are assumed to be too draining public funds and functioning as private clubs.

In this presentation, the fiscal advantage of many places of worship is discussed and reported.

Personal note: I am not a religious person and I do not attend any place of worship (unless for work…). My interest is purely academic.
The question regarding congregations as a burden or a contribution to the economy is very complex and ideologically saturated.

Let’s discuss the burden side first.

Congregations in most countries pay no (or little) tax while they use city infrastructure. Will taxing them enhance prosperity?

Congregations produce traffic jams and parking havoc during praying time. (In some cases, there are no parking charges during worship times).

Congregations may produce noise through chanting, broadcasting or parading that may annoy non-believers.
Congregations may teach children and youth to be different than the accepted norm of a given society.

Religion may prevent or delay the progress of science. For example Bertrand Russell (1872-1970) stated: “I say quite deliberately that the Christian religion, as organized in its Churches, has been and still is the principal enemy of moral progress in the world.”

Religion is viewed as conservative regarding the rights of minorities, especially the LGBT community (and before that blacks and before that women).

More?
Are congregations a burden or a contribution? (Cont.)

- It is easy to see the negative aspects of organized religion.
- In this presentation, I would like to focus on the positive contributions of congregations to their local economies.
- I will focus only on economic contributions and will not discuss contributions to values, harmony, and the like.
- Before, I will present my own set of studies in this regard and share some findings from other studies.
- I apologize for being USA-centered, but this is where my data comes from and where my expertise lies.

They found “that storefront churches, while modest and often regarded as less architecturally significant, may be overlooked contributors to the sort of stable urban space where residential population is preserved and investment maintained” (p. 335).

They suggested that “much like small businesses, these users of adaptive space seem to help sustain the rental market and conserve properties for future use” (p. 348).

A study conducted to examine the socioeconomic correlations of church closures in neighborhoods in a Midwestern U.S. metropolitan area provides an important insight.

Utilizing an index of nine measures of social and economic viability, the study aimed to find whether congregational closure affected social economic viability 10 years later (using Census tract data).

The authors found that congregational closure affects viability outcomes. In particular, the closure of geographically based congregations and those characterized by bridging social capital were significantly related to declines in neighborhood viability.

The data from the two studies described previously suggest that congregations are contributing to local/regional economies.

They stand in contrast to the literature on congregational negative impact.

I am interested in the ways and value of congregational contributions to their local economy.

To that end, I would like to discuss valuation and my studies in that field.
What is valuation?

Primer

We know the price of any object or service for which there is a market. [Examples...computer, shirt, sandwich, bottle of water, etc.]

Even in a market economy, assigning fiscal value is difficult. How much should one pay for an airline? (If I want to buy one...)

The first thing is to assess last year profit as an estimate.

But an airline is worth way more than last year earnings as it may have control over certain routes, fleets, gates, special deals on oil, patents, qualified workforce, etc.

These items and many others are also included in the valuation. It is a science that has many soft sides. Yet it is applied in many business instances.
It is harder to assign a value to public goods or to objects or services that are not part of the market.

What is the fiscal value of feeling good? Of feeling in love? Of enjoying nature?

I ask my students what is the fiscal value of love?

I will not get into it here…but as a hint why do men buy flowers, chocolate, a diamond ring, a fancy wedding ceremony?
What is valuation? Cont.

Valuation as a field of study outside the market emerged mostly from environmental sciences.

In environmental sciences, the key question is what is the value of clean air? What is the value of a park? How much should we pay to have them maintained?

So, what is valuation and how is it applied?

I will turn now to some of the key methods of valuation...a primer of sort.
How do you do valuation?

1. Willingness to pay (Contingent Valuation Method)
2. Choice experiment method (ask people to assess cost of service at different levels of quality or quantity)
3. Consumers’ surplus criterion (how much is already spent, such as cost of travel, buying goods, etc.)
4. Hedonic price value (variation in value with or without a characteristic such as cost of apartment with or without view; next or away from a homeless shelter, near or far from a garbage dumpster).
5. Replacement value (original congregational study).

6. Cost of illness method: how much we already pay for the problem. For example, in smoking, it is how much the public pays for health care and loss of work.

7. The avertive expenditure method: how much individuals (not the public) pay to solve the problem. For example, in polluted water, it is the cost of buying bottled water or filtering water.
The Challenge with Congregations

- Congregations are known to produce numerous public goods and to carry positive externalities.
- Measuring their valuation is quite difficult.
- We need to agree on what is produced.
- We need to agree on who benefits and how many people benefit.
- We need to agree on basic units of value and their specific worth.
Many congregations find it difficult to obtain grants and donations from nonmembers, who sometimes accuse congregations of being insular and unconcerned with the rest of society.

In asking for permits or concessions from city authorities, religious congregations find it difficult to make a case that they are beneficial to the city.

Congregations, like many NPOs, are good at citing anecdotes about their successes but cannot anchor them in dollar terms that are valued by donors and foundations.

As John Kenneth Galbraith put it, “If you don’t count it, it doesn’t count.”
Can we establish that congregations are helpful regarding suicide? (From Durkheim onward, we assume so).

How many lives are saved in a given year due (in part) to congregational (clergy, faith, and/or members) involvement?

What is the value of a life saved?

Can it all be attributed to the impact of congregations or maybe only partially? If so, how to assess the value of a congregation vis-à-vis other organizations?

Even if it was a congregational-related success, how long-ranged it can be? A person may commit suicide a few years later.
At the risk of self promotion, the work in this field started with two conceptual papers:


And then a pilot of 12 congregations in Philadelphia:

The current study

- We aimed for 100 congregations in three cities: Philadelphia (40), Chicago (40), and Fort Worth (20). [Ended up with 90 – only 30 in Chicago]
- Only congregations that met the category of “historic congregations” (Limitation: Partners for Sacred Places).
- We interviewed clergy (or other leaders) and program directors (where needed). (Limitation: may have more established congregations and no Mosques).
- Three local research coordinators: summer students and staff.
- Training by the PI in all three sites.
Individual Impact

The congregation’s faith leaders, and at times the lay leaders, provide support to individuals, couples, and families that promotes health and well-being and avoids costs (legal procedures, lost productivity, etc.) while increasing benefits (employment, taxes paid, investment in family etc.) associated with decreased drug and alcohol abuse, divorce, domestic violence and other personal problems.

We found values for each such benefit, discounted the congregational contribution, spread it over time and provided a conservative estimate.

If the congregation worked with two people who contemplated suicide, what is the cost of suicide? Can be in the next 20 years, only part is due to the congregation...

This is the controversial aspect of our study. Not all items are agreed upon by all reviewers. We ended up with three versions: 1. with all items (as reported below); 2. with select few that were widely agreed upon; and 3. without individual impact (also reported below).
Direct Spending

Congregations invigorate the local economy by buying goods and services locally, employing local residents and using local vendors.

We used 80% of budget as some is spent outside the local region.


The Magnet Effect

The congregation hosts weddings, funerals, artistic performances and other events and lectures that draw visitors from out of town. These visitors spend money at local restaurants and other small businesses, driving important investment into the city and supporting sustainable local economic development.

We got data from the census and from tourism studies to find these values.
5. Education/Schools & Daycares

The congregation’s preschool provides a local, inclusive, and affordable place for children to learn and relieves the public school system of increased expenditures.

We got, in each city, the cost of public education and how much tax-payers pay for each child that goes to a congregational school.
Open Space
The congregation’s outdoor space provides a rare commodity in the city: green space. Its garden and other open spaces contribute to the aesthetics of the neighborhood and reduce the city’s storm water runoff treatment costs.
We used US Army Corps of Engineers’ assessments.
What did we count? VI

Invisible Safety Net

The congregation provides volunteer and in-kind support that often flies under the radar, but which augments the city’s network of social services, supplementing the limited capacity of local social programs.

We used Independent Sector assessment of volunteer hours, real estate agents assessment of space value, etc.
We did not estimate negative values such as unpaid taxes (assuming most will be replaced by NPOs that are also tax-exempt), parking havoc and unpaid meters, noise, emotional damage due to bad spiritual counseling, etc. So, our findings are focusing on contributions only.

The methodology is still in its infancy and it is expected that in 10 years many more studies will fine-tune the items included and their estimated values. But one cannot ignore the crux of the findings.
For the 90 congregations from Chicago, Fort Worth, and Philadelphia, the average fiscal contribution to their local economy was $2,612,531 (with a minimum of $34,821 and a maximum of $17,210,311).

Combined, the explanatory variables provided an excellent explanation of the variation in contribution to local economy ($R^2 = .47$). Of the various explanatory variables, the most significant ones were congregations with large size membership and being Catholic (which also correlated with having a school or a day care).
We ran the same analysis without the top and bottom 10%. What we found with this more conservative analysis was that the mean was reduced to $2,025,257. Put differently, even when extreme observations are removed the average annual contribution of a local religious congregation to its local economy is at least about two million dollars.

When we ran the analysis without the Individual impact, the average fiscal contribution to their local economy dropped to $1,622,382.

When we did the same for the median 80% of congregations, the sum was dropped to $1,257,685 (the lowest possible estimate).

When we took out the individual impact estimates, the average fiscal contribution to their local economy was $1,515,754.
In all analyses, there were no significant differences between the three cities.

The fact that congregations in Chicago, Fort Worth, and Philadelphia reported similar overall average contribution to their local economy and no significant impact of the six control variables we use (with the exception of size and denomination / having school) suggests that our findings may be generalized to other urban settings.
The average contribution of a congregation in our study through direct spending was $991,244. The range moved between $1,459 and $12,689,639. As a whole, the contribution through direct spending accounted for almost one fifth of the total contribution to the local economy (37.9%).

The average contribution of a congregation in our study through educational programs (day care and schools) was $569,182. The range moved between zero and $4,256,282. As a whole, the contribution to open space accounted to four percent (21.8%).

The rest can be seen in the following chart:
Distribution of fiscal contribution by category
On average; the number of different social programs per congregation was 4.73.

Together, the 90 congregations in the study account for 1,084 full or part-time jobs. Only 16% of these jobs are clergy positions.

Average number of full-time employees (including teachers): 5.09

Average number of part-time employees (including teachers): 6.19

The vast majority of employees at houses of worship are not faith leaders. They are musicians, teachers, accountants, bookkeepers, janitorial and maintenance staff.

Per active member, a congregations contributes on average of $3,746 a year to its local economy (A range of $246 to $24,000).
Where are we?

- We are still writing the report and academic papers.
- Our aim is to provide national and local data.
- We hope for each congregation to be able to assess its own contribution.
- We need to refine the list of what is included in congregational valuation and how much each item should be valued at.
Even if we quantify the cost of congregations to their local economy as was listed above, one simple implication emerges:

- Congregations, by virtue of what they are, contribute greatly to their local economy; financially and substantively.
- Losing them for whatever reason results not in economic vitality but usually in a decline (vacant lots, closed properties, and a sense of decline).
When congregations (and for that matter any NPOs) are called to justify their tax-exempt status, having such data is important.

Policymakers and funders sometimes view congregations (and for that matter any NPOs) as small and irrelevant; data such as this can change perception.

The information obtained is not only relevant in the USA but should and can be used worldwide.

Wherever congregations are facing public criticism, the media, public officials, and the public should be aware of the contributions of congregations.

A replication of this study is now taking place in Toronto.
Finally

Questions and suggestions

For future communication:
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