

# Compensation

## ELEVATOR SPEECH

*Charities are dealing with some of the most important issues facing society. Many smaller charities operate exclusively with volunteers — for those large enough to include paid staff, it's important they invest enough to ensure they have the right people in place. All staff, whether front-line or behind-the-scenes, support an organization's mission and are vital to its success. Competitive compensation is an investment in impact and will help our sector attract its next generation of leaders.*

## CONTEXT

Compensation of employees in the charitable sector is under increasing scrutiny – from donors, the media and charity watchdogs. At Imagine Canada, we strongly believe in, and champion the need for, transparency and accountability but we also believe that employees in the charitable sector should be appropriately compensated for their work.

## KEY MESSAGES

- Studies show organizations that “resort to the strategies of *low pay, make do, and do without...* diminish organizational effectiveness.”<sup>1</sup>
- Low pay can be costly — leading to excessive turnover resulting in extra expenses in hiring/training and a loss of institutional knowledge.<sup>2</sup>
- Compensation for a charity's president is decided by a board of directors comprised of volunteers who need to consider the realities of the labour market. However, charities need to be transparent and accountable for these decisions.
- Salaries are often viewed mistakenly as overhead and not program expenses. Staff time, whether front-line program delivery, senior leadership or behind-the-scenes support, is typically spent on mission-related activities.

## WHAT ARE THE FACTS?

The charitable sector is extremely diverse: from small volunteer-led community-based organizations to large multi-million dollar operations often working at the national or international level. This includes hospitals (not just hospital foundations), universities and colleges, large cultural institutions (museums, symphony orchestras, etc.), organizations funding health research, international development agencies and more.

In 2012 (data for the year is not quite complete at time of writing — 83,000 of about 86,000 charities reporting to date), T3010 data indicates that 2,517 charities had one or more employees earning \$120,000 or more a year. This includes 432 organizations that had positions compensated at \$250,000 or more. Roughly half of these charities are hospitals, universities and colleges and the remainder tend to be other types of large and complex organizations.

<sup>1</sup> [The Nonprofit Fundraising and Administrative Cost Project, Indiana University, 2004.](#)

<sup>2</sup> [Debunking Charity Salary Myths, Charity Rating Guide & Watchdog Report, The American Institute of Philanthropy, 2008.](#)

## HOW IS COMPENSATION DECIDED?

Executive level compensation is decided by the Boards of Directors comprised of volunteers. Just as in the private sector, charities must consider what the market dictates for a certain combination of skills, experience and responsibilities. Once these decisions are made, transparency about this

information is essential.<sup>3</sup> For additional information about leadership issues in the sector, including nonprofit organizations, see the Ontario Nonprofit Network's report [Shaping the Future: Leadership in Ontario's Nonprofit Labour Force](#).

## LOW SALARIES AND POOR BENEFITS

When looking at compensation in the charitable sector a significant issue is often under- rather than over-compensation. Many organizations report finding it difficult to recruit and/or retain staff due to the challenge of offering competitive salaries and benefits.

## AN INVESTMENT IN IMPACT

Compensation is an investment in impact and mission delivery. "High salaries should not signal a red light to *not* give just as low salaries should not signal a green light to give. Charity salary levels ought to be based on the skill, experience and education necessary to forward the work of the organization. Charities compete with businesses and the government for employees and must therefore offer reasonable wages in order to attract, hire and retain competent people. Many charity employees are willing to sacrifice the higher pay in the private

sector for the psychological rewards of working for a good cause. But underpaying employees could sabotage a charity's programs if the only people willing to accept such low wages are unqualified to do the job. Underpaying lower level employees may be more damaging to an organization than paying top level executives too much. Charities that pay so little that they can't retain their staff waste a lot of money by repeatedly recruiting and training new crops of employees, and losing valuable institutional knowledge in the process."<sup>4</sup>

<sup>3</sup> Financial information about all Canadian charities can be found on the [Canada Revenue Agency website](#) and [CharityFocus](#).

<sup>4</sup> [Debunking Charity Salary Myths, Charity Rating Guide & Watchdog Report, The American Institute of Philanthropy, 2008](#).

Imagine  Canada

the  
narrative

A NEW CONVERSATION ABOUT  
CHARITIES AND NONPROFITS

## IMAGINECANADA.CA/NARRATIVE

Imagine Canada, as the next stage of its National Engagement Strategy, is working with a broad cross section of organizations to create a New Narrative about the role and contributions of the charitable and nonprofit sector in Canada. In addition to contributing to the fabric of society we are a significant economic force and our organizations have played a pivotal role in building and defining our nation. The sector reflects Canadians' values and helps to implement shared visions. Yet we have not always been successful in sharing this story with Canadians. For more information please see the [Narrative Tool Kit](#).