

# Statement on Employee Compensation in the Charitable and Nonprofit Sector

## Summary

Recently, there has been increased media interest in the compensation of people employed in the charitable and nonprofit sector in Canada. At Imagine Canada, we strongly believe in, and champion the need for, transparency and accountability, as seen in our [Standards Program](#), [Ethical Code](#), and [CharityFocus](#) but we also believe that workers in the charitable and nonprofit sector should be appropriately compensated for their work.

## What are the facts?

- The landscape of the charitable and nonprofit sector is extremely diverse: from very small volunteer-led community-based organizations to highly complex multi-million dollar operations often working at the national or international level. This includes hospitals (not just hospital foundations), universities and colleges, large world-class cultural institutions (museums, symphony orchestras, etc.), organizations funding health research in Canada, international development agencies and many more.
- As of 2009, of the more than 85,000 charities across Canada, 2,072 had one or more employees earning more than \$120,000 a year, this includes 308 organizations reporting positions that were compensated at \$250,000 annually or above. Many of these are hospitals, universities and other very large organizations.

## Why would some charities and nonprofits pay six-figure salaries?

- Although the vast majority of sector employees do not approach six-figure compensation levels, many charities are multi-million dollar organizations, tackling some of the most intractable social, health, cultural and environmental challenges, and dealing with extremely complex management issues. They operate in the same national and international labour market as other employers. If the market dictates that a certain combination of skills, experience, and responsibilities merits a particular level of compensation, then charities need to take this into account when making their compensation decisions.
- Charities face the reality of a high demand for the pool of people with the skills and experiences to successfully manage and operate large and/or complex organizations. Charities do not just compete with each other for staff; they increasingly compete with the private sector, the public sector and with organizations in the U.S. and abroad. If we want to have real impact then we need the right tools and the right people to lead these complex organizations.

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## **How is compensation decided?**

- There is no one answer to the question of how much compensation a charity should offer compared to organizations in other sectors. There are market forces at play and individual organizations have to decide what they need to pay for the skills and results they require, based on their own knowledge and expertise and on their experience in benchmarking compensation. Comparing jobs across different functions within an organization is challenging enough, but trying to compare and manage compensation across different-sized organizations, sectors and regions is a highly complex process.
- These decisions, especially around executive level compensation, are best left in the hands of the Boards of Directors comprised of volunteers from all sectors (nonprofit, government, private sector). These decisions are based on the best information they have available, and on their desire to have real impact through the use of skilled professionals. However, once these decisions are made there needs to be transparency about this information.

## **What are charities already doing to show that they're transparent and accountable when it comes to employee compensation?**

- Imagine Canada strongly believes that all organizations in the sector should operate with transparency and accountability. Charities already adhere to the reporting requirements established by the Canada Revenue Agency, the federal regulator of charities. In 2009, additional requirements were added to include disclosure of the compensation ranges of the 10 most highly paid employees. These new rules create the right balance between privacy and transparency for Canadians. This information is publicly accessible on the CRA website and is available on [CharityFocus](#).

## **What can Canadians do to learn more about a charity?**

- Canadians can find information about an organization they are interested in supporting on the charity's website, by contacting the charity directly, or on the website of the Canada Revenue Agency's [Charities Directorate](#). If they do not find the information they need or are not satisfied with the answers provided then they should think about giving to another charity that meets their expectations for transparency and accountability.

## **What is the most significant compensation issue affecting the sector?**

- The vast majority of charities and nonprofits in Canada are smaller community-based organizations. For many of these organizations, it is a significant challenge to recruit and retain staff due to the lower salaries and fewer benefits (including pension plans) they can offer given their limited financial resources. If there is an issue that needs to be addressed, it is the need to provide more appropriate compensation to those working in the many small and/or community-based organizations.

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## What is Imagine Canada doing for charities and Canadians?

- We are currently piloting a [Standards Program](#), which, among other things, will offer tools and resources that will help organizations build capacity to continuously improve their governance practices including transparency on issues such as compensation. The Standards Program includes a voluntary accreditation program for organizations wishing to publicly demonstrate they have successfully met the standards through a third-party peer review process. To our knowledge this will be the first national accreditation program for charities and nonprofits anywhere in the world. This will ultimately result in better practices for the charitable and nonprofit sector as a whole and more confidence on the part of Canadians.
- The [Ethical Code](#) program provides a set of standards for charitable organizations to manage and report their fundraising and financial affairs responsibly. The [400 plus charities](#) that belong to the Ethical Code are committed to transparency and ethical fundraising. The Ethical Code's [Guide to Giving](#) addresses some of the most common questions put forward by Canadian donors including charity salaries and fundraiser compensation.
- [CharityFocus](#) is a one-stop charity information portal for use by both charities and the public. CharityFocus gives Canadians better access to all of the information disclosed by charities to the Canada Revenue Agency, as well as supplemental information provided by the charities themselves. Canadians have easier access to the information that they need in order to make decisions about the charities they want to support.

Updated: February 28, 2012

Released: July 19, 2011

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**Imagine Canada** is a national charitable organization whose cause is Canada's charities and nonprofits. We strengthen the sector's collective voice, serve as a forum and meeting place, and provide a supportive environment for organizations to build stronger communities. [www.imaginecanada.ca](http://www.imaginecanada.ca)