

# Trends & Issues

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## Money matters: Compensation in the nonprofit sector

*In April 2010, HR Council website users completed a survey asking what hot-button HR issues they would like us to research. The results of this survey identified nonprofit salaries as a priority topic. This is not surprising, as compensation in the sector repeatedly comes up as a top HR concern.*

### Key observations

- Overall sector wages have been increasing steadily, but the economic downturn means smaller increases
- Gender gap persists, but it seems to be narrowing
- Salaries are higher in large organizations and organizations with a national or international scope; highest are in Toronto and Ottawa
- Benefits are more prevalent in large organizations; employees in small organizations often have none
- Employers are offering more flexibility instead of raises or more benefits
- The shifting perspective in the sector says, “We need to pay for top talent”

### Why is it important to look at compensation trends in the sector?

Compensation in the nonprofit sector is continually identified as an area of concern. The HR Council’s 2008 Labour Force Study revealed that 67% of employers who had difficulty recruiting employees identified that “the salary offered is too low” as a top reason for these recruitment difficulties. The Study also revealed that salary dissatisfaction is one of the most frequently cited reasons that employees look for a new job. Understanding salary and benefit information is important to address these issues.<sup>2</sup>

Comparative compensation information makes it easier for employers to target salary levels, assess existing salaries, determine their market position, and to determine what the wage gap is relative to

### What does compensation include?

Compensation includes both the indirect and direct rewards that an employee is provided with in return for their contribution to an organization. Direct rewards include salaries, wages, and bonuses. Indirect rewards are the other types of compensation, which include arrangements such as benefits, retirement plans, training, and flexible working arrangements.<sup>1</sup>

other sectors. Access to information about compensation also helps employees negotiate for better wages and benefits and to make informed career decisions.

### What factors affect compensation?

The highest salaries and most extensive access to benefits in the nonprofit sector are in organizations that have a large staff or membership base, a large operating budget and/or are national or international in scope. According to the HR Council’s 2008 Labour Force Study survey, 92% of large organizations (those with 100 or more employees) provide life and/or disability insurance and drug plans; whereas just under 46% of small organizations (those with less than 10 employees) offer them.<sup>2</sup> The same is found in arts organizations. A Cultural Human Resource Council (CHRC) study found that “larger arts organizations are two to three more times likely to offer a comprehensive benefits package than smaller organizations” (p. 14).<sup>3</sup> Other key factors that affect compensation are geography and what employees bring to the job – including their level of education and quality of work experience.

Based on findings from the Canadian Society of Association Executives (CSAE) annual survey,<sup>4</sup> another important factor in executive salaries is whether or not the executive has policy power – the more policy power the executive has, the more they are compensated. The highest executive salaries reported in the sector are continually found in Toronto and Ottawa.

An Association of Fundraising Professionals (AFP) study,<sup>5</sup> along with reflecting positive correlations of compensation and the size of an organization's staff and budget, reflect that there is also a positive correlation with years of professional experience and years of education. Similar to the CSAE findings, the AFP study shows that the central provinces in Canada consistently report having the highest average salaries.

Joseph Courtney, a senior researcher with the Canadian Union of Public Employees (CUPE), observes that the type of funding an organization receives affects the rate of compensation increases. When organizations receive funding solely from the provincial government, they tend to have more consistent year-over-year wage increases than organizations that rely on multiple sources of funding, such as private donations, charitable donations and through fundraising.

### A shift in perspective – We need to pay for top talent!

In general, there is a growing contention that there is a need to pay high salaries in order to attract and retain top talent in the sector. As Dave Cybak of the CSAE explains:

"There once was a time where if you were working for a charity, you almost felt guilty for accepting the salary, because you were taking money away from the charity. I think this has shifted to a more realistic approach that says 'We need the very best people and we have to pay for the very best people.'"

Without making this shift an organization can have a lot of passion but not necessarily the skills to do what needs to be done.

Results from the CHRC study, which focused

on the arts and culture field, reflect a similar shift in perspective. Although the challenge of actually being able to offer competitive compensation and benefits persists, smaller arts organizations are starting to realize the importance that benefits play in attracting and retaining quality employees (p 14).<sup>3</sup>

In a similar vein, findings from the studies completed by Community Foundations of Canada (CFC)<sup>6</sup> show that in order to recruit people for leadership positions in small to medium-sized foundations, those positions need to be salaried and have benefits. This is a change from the previously common practice of the fee-for-service model, which was based on contract positions with little or no benefits.

### Recent trends in wages and salaries

The total amount the core nonprofit sector spends on labour compensation has been increasing over the 1998 to 2007 period, but the amount of the recent increases has declined (Statistics Canada).<sup>7</sup> The amount the entire sector spends on compensation reflects both the number of people working in the sector and the amount they are paid. Taking these factors into account, the trend to note here is that compensation has been increasing modestly.

This is consistent with the Boland Survey of Not-For-Profit Salaries and Human Resource Practices,<sup>8</sup> which show that salary adjustments in Alberta over the past few years have averaged real gains of about 2% per year over the rate of inflation. At the time, there was an average Consumer Price Index growth of 2.8% and an average salary adjustment in the order of 4.7% (varied by position). For AFP Canadian fundraisers, a positive overall trend holds true, though there is some volatility in their survey findings. AFP reports steady salary increases since 2002, with a slight drop in 2008, and then a comparatively large increase in 2009.<sup>5</sup>

The story is a little different for association executives in the sector. Cybak shares findings from the CSAE Compensation Report, which reveals that the trend of average compensation for nonprofit executives continues and, "executives actually saw gains of 4.2 to 5.9%, exceeding anticipated increases in the 2009/2010 report which were in the 3.5 to 4.6% range"(Executive Summary).<sup>9</sup>

## Gender gap continues

Like other sectors in the Canadian labour force, there is a persistent wage gap between men and women's earnings in the nonprofit sector. Findings from the CSAE report show that female executives are still earning lower average compensation than their male counterparts. However, this wage gap has fluctuated over the past six years with little overall change. In 2006, the average compensation for a male senior executive was 43% higher than it would be for a female, while in 2010 this gap decreased slightly to 42%. The CSAE findings also report that there is a continuing trend toward an increasing presence of women in leadership positions.<sup>4</sup>

## Benefits

While benefits seemed to have remained generally constant over the past five years, there are a few notable exceptions:

- The CHRC study reported that there has been an increase in the frequency of benefits being offered by smaller arts organizations, with the prevalence of extended health, dental, life, and other insurance almost doubling (p 1).<sup>3</sup>
- In Alberta, Peter Boland explains that the incidence of Health Spending Accounts has risen significantly - from 13% in 2005 to 26% in 2009.<sup>8</sup> According to the Canada Revenue Agency, Health Spending Accounts are individual employee accounts that provide for the reimbursement of eligible medical and dental expenses.<sup>10</sup> This trend reflects a rise in one type of health care benefits.
- Findings from the AFP study show there has been a drop in the incidence of matching funds from employers for defined benefits plans. Conversely, for those who continued to receive matching funds (for defined benefits plans) the amount increased. Employees receiving matching funds for defined contribution plans also saw an increase.<sup>5</sup>
- The CSAE survey findings show there has been an increase in employers paying for

conference registration, offering professional dues, giving time off in lieu of over time and a flexible schedule, providing educational assistance, and providing smart phones and laptop-computers.<sup>4</sup>

## Bonus Plans

The incidence of bonus plans for executives has gone up over a five-year period in the nonprofit sector. "Variable pay, in terms of bonuses or other benefits that have a value, have become a larger percentage and a larger dollar value of the overall compensation," states Cybak. He explains that this shift is occurring due to organizations focusing on greater accountability when it comes to business goals. They set particular goals for the position and, if they are met, the organization will give an additional agreed upon amount.<sup>4</sup> Similarly, findings for fundraising professionals show that in 2009 more of them received a bonus than in 2008.<sup>5</sup>

In contrast to the research above, findings from the CHRC survey revealed that in both 2003 and 2008 only 7% of arts organizations offered a form of short-term incentive pay - indicating no change in bonus plans offered (p 19).<sup>3</sup>

## More flexibility instead of more money

Across the sector, more organizations have been offering flexible work arrangements. According to the Boland survey, flex days (sometimes known as personal days) are more common. As Boland says, "If organizations have no cash, additional time off seems to be a good way to work." The percentage of organizations offering a flex day arrangement rose from 29% in 2005 to 54% in 2009. As well, Boland reports that more organizations appear to be offering training and development opportunities as a type of incentive.<sup>8</sup>

The number of arts organizations offering incentives other than monetary bonuses, including paid time off, also increased - from 19% in 2003 to 34% in 2009 (p 19). The CHRC study states that:

“While smaller Canadian arts organizations are finding it difficult to offer comparable compensation programs, they have successfully employed alternative and creative methods to attract and retain top-talent staff. The most popular of these methods are alternative and flexible working arrangements and a positive and supportive work environment and culture” (p 22).<sup>3</sup>

## What is the impact of the economic downturn on nonprofit sector compensation and what does the future hold?

As salaries are a trailing indicator of the economic downturn, it will take some time to see the full impact. Evidence to date from both the CSAE and the AFP reflect that since the recession, nonprofits have exercised cost savings by putting constraints on hiring, rather than on compensation. On the other hand, Courtney observes that it has become increasingly common for organizations to come to the bargaining table with CUPE seeking concessions in compensation. While there have been steady increases until recently – the tide may be turning. The social services sector in Ontario, including children’s aid societies and developmental service agencies, has had a steady 3% compensation increase per year in recent years. However, this trend has started to drop in the last two years, with collective agreements being settled with an average compensation increase between 2 and 2.5%. Compensation increases in the community social services sector have lagged behind the larger social services sector for decades. This trend continues with many organizations, such as children’s mental health employers, providing their employees with between 0% and 1% net compensation increases due to flatlined government funding. Courtney noted there is also the possibility of the proposed two-year wage freeze from the Ontario government on the broader public sector workers as one example that brings such uncertainty in the future.

In response to a list of measures taken to address the economic downturn, findings from Imagine Canada’s first Sector Monitor (2009 survey) show

that 24% of charities reduced the number of paid staff and that 10% reduced salaries and/or benefits (p 7).<sup>11</sup> The second Sector Monitor reported that the average number of paid staff for charities decreased by 4.4% in the first half of 2010, compared to an average increase of 1.8% in 2009 (p 7).<sup>12</sup>

As for the future, there is considerable optimism. When survey respondents in CSAE’s latest survey were asked, “Going forward what do you expect?” they, on average, anticipate gains of about 3-4% in the coming year. Similarly, findings from the latest Sector Monitor report that charities have “a remarkable degree of confidence in the future,” even in the face of increased challenges and an unimproved financial situation (p. 8).<sup>12</sup>

Future Sector Monitors from Imagine Canada and other sources will tell us more as time goes on about how nonprofits and, in particular, the wages and benefits of employees, are responding to the economic downturn.

## Where can I find more information?

- Check out the HR Council Toolkit section on Compensation and Benefits and/or keep an eye out for related upcoming workshops
- Sign up for the Boland Survey of Not-For-Profit Salaries and Human Resource Practices to have access to national salary information
- Look for upcoming Sector Monitors, released by Imagine Canada

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—Dave Cybak  
Executive Vice-President, CSAE

## THANK-YOU TO THE CONTRIBUTORS OF THIS ARTICLE:

Dave Cybak, Executive Vice-president, Canadian Society of Association Executives (CSAE). The CSAE publishes an Annual Survey of Benefits and Compensation in the Not-For-Profit Sector. Cybak discussed the trend findings from this survey specific to registered charity executive associations.

Peter Boland, Peter T. Boland and Associates. Boland produces the annual Survey of Not-For-Profit Salaries and Human Resource Practices, a survey that has a 13-year history in Alberta and is now national in scope. Boland discussed isolated findings specific to Alberta in the past 5 years for this report, as comprehensive historical data for trends are currently unavailable for other provinces.

Cathlene Williams, Ph.D., CAE, research consultant and former staff member of the Association of Fundraising Professionals (AFP). AFP produces an annual Compensation and Benefits Study for fundraising professionals. Williams shared the most recent trend observations specific to Canadian fundraising professionals.

Joseph Courtney, Senior Researcher at the Canadian Union of Public Employers (CUPE) National in Ottawa. Courtney shared collective bargaining trends in the social services nonprofit sector in Ontario.

Cindy Lindsay, Director of Member Services, Community Foundations of Canada. Lindsay contributed information from the CFC Compensation Studies.

## Endnotes

1. Definition from HR Council Toolkit – [Compensation & Benefits](#).
2. [Report #2: Findings from Canada-wide Surveys of Employers and Employees](#). HR Council for the Voluntary and Nonprofit Sector 2008.
3. Deloitte & Touche LLP. The Cultural Human Resources Council National Compensation Study-2009. Update for Management and Administration in Not-for-Profit Arts Organization 2009.
4. Association Executive Benefits and Compensation Report 2010/2011. Canadian Society of Association Executives, 2010.
5. Williams, Cathlene. Salaries Rebound, But are Benefits at Risk? Highlights of the AFP 2010 Compensation and Benefits Study. *Advancing Philanthropy*. July/August 2010. pp. 36-43.
6. These findings come from the CFC Compensation Studies (unpublished).
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12. Barr, Cathy and Lasby, David. *Imagine Canada's Sector Monitor*. Imagine Canada. Vol. 1. No. 2. August 26, 2010.