

Compensation Policy



Compensation is a fundamental element of employment including base salary, bonus or incentive plans, benefits, and non-cash compensation. Organizations should communicate clear principles by which employees are paid. At a minimum, organizations need to ensure that their compensation policy adheres to employment legislation. The elements which are regulated by provincial employment standards acts include: minimum wage, rate of holiday pay, overtime pay, equal pay, how often employees receive their pay, how payment is made, contents of pay stub or pay sheet (information that must be tracked and reported to employees), deductions, gratuities, payroll records, and vacation pay.

An effective compensation policy is based on objective and up-to-date job descriptions, effective job evaluation and performance management, and relevant salary administration. Salary administration encompasses establishing salary ranges, decision-making criteria for salary increases, and time frames for salary review.

Establishing salary ranges

Organizations must determine where to pay specific job categories in relation to the employment market based on availability of qualified employees, funds available for salaries, and the ability to offer non-monetary attractors.

Periodic reviews of salary ranges should be completed to ensure that they are in their targeted position within that market. While large organizations may conduct their own salary benchmarking on a yearly or on-going basis, smaller organizations can purchase salary surveys when needed. Additionally, organizations must determine the number of salary ranges that are suitable for their organization. Organizations must also decide on the increase from one range to the next, and whether or not the ranges should overlap.

Placement on salary range

Compensation policies will often establish criteria for employee placement on the salary range. Typical criteria include years of experience, years with the organization or in the position, and specific skill sets related to the position. Consideration should be given to how the organization wants to position new hires on the salary range relative to current employees.

Criteria for salary increases

In order to ensure fair and equitable compensation practices, organizations need to clearly establish, communicate and apply decision-making criteria for salary increases. Decisions on salary increases can be based on a number of factors, such as seniority, cost of living increases, or performance (merit) based. The trend in compensation is toward performance-based pay – organizations choosing to adopt performance based pay need to ensure that they have a clear performance management policy that is applied equitably throughout the organization.

Organizations may also implement re-earnable bonuses instead of salary increases. This compensation strategy serves to keep salaries and wages constant over time, however, may result in compensation below industry standards. A re-earnable bonus can be a useful tool to provide salary increases for employees who are at the top of the grid, without impacting the established salary range. Organizations need to establish regular time frames for salary review, typically salary reviews are conducted annually in conjunction with performance reviews.

Bonus and incentive pay

Bonus and incentive pay are not typical components of non-profit compensation policies. However, bonus and incentive pay are considered best practice in other sectors and can be effective tools in motivating and retaining top talent, particularly at the director and executive director levels. As with base salary and salary increases, decision-making criteria should be established and communicated for awarding bonuses and incentive pay. This type of compensation is tied to specific performance results against pre-set goals and objectives at the individual and organizational level. Results that are measured can be quantitative and qualitative, such as quality of service to clients, number of clients served, effectiveness of programs, etc. When establishing bonus schemes, organizations often apply a balanced scorecard approach: looking at financial, human resources and customer results. In the voluntary sector this balanced scorecard approach could translate into examining results of funding goals and objectives, budget management, employee and volunteer recruitment and retention targets, and program development and client service achievements.

Learn more about compensation practices

Two New Workers' Compensation Benefits Policies Took Effect:

- Policy EN-12 (2015)–Permanent Impairment
- Policy EN-07 (2015)–Pre-Existing Conditions.