

Case study: developing pay equity policies with your board

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A key strategy in MCN's work toward equity is ensuring accessible and sustainable pathways into nonprofit careers, and that nonprofits are led and staffed by communities who have expertise and mission-aligned experiences. Compensation is a key component to accessibility, recruitment, retention, and sustainability.

Yet increasing wages isn't as simple as shaking the proverbial money tree (*"Just go get a grant!"*). Staff are often nonprofits' largest expense and increases to wages raise the baseline of expenses for years to come. "As employers with limited and often restricted resources, nonprofits leaders and boards can feel wedged between equity goals and budget constraints," [writes former MCN executive director Jon Pratt in *Nonprofit Quarterly*](#).

As nonprofits grapple with these conditions, a meaningful step is to update and create transparent internal policies and practices toward pay equity.

Developing transparent internal compensation policies and practices can help lead toward pay equity, including:

- Holding decision-makers accountable to a set of board-reviewed guidelines grounded in organizational values and market data;
- Equipping staff with information that can support self-advocacy and broader organizational accountability; and
- Helping with the ever-changing math equation of funding, organizational priorities, and varying levels of positions to achieve business goals and mission.

In 2022, MCN's board personnel committee and a few staff partnered to update and/or develop four guiding documents available to all employees.

The purpose of sharing this case study of pay equity policies and practices is not to position MCN as a perfect example, but rather as a fellow nonprofit wrestling with complex issues that often have no universal 'right' solution.

Pay scale: An overview of all pay grades and salary ranges for the organization; [this document is intended to bring transparency to the organization's general approach to determining compensation](#). Individual positions are grouped into pay grades according to varying levels of responsibility, years of experience, and specific skills and expertise. Each salary range includes starting, mid, and maximum points that

define the boundaries of compensation for individual positions.

Pay grade definitions: [A supplementary document to the pay scale that further clarifies differences among pay grades and provides context as to why some pay grades have higher ranges than others](#). The document outlines basic requirements related to federal labor law exemptions on overtime, union eligibility, supervisory responsibilities, minimum years of comparable work experience, educational attainment, budget accountability, board and/or governance relations, departmental oversight, hiring and termination authority, and other duties.

Organizational financial literacy and staff empowerment: [This document is our opportunity to set an expectation and commitment that all staff have a baseline knowledge of MCN's operating budget](#), including size, how we're financed, and how staff roles contribute to the larger budget. Financial literacy is power and equipping staff with information, language, analysis, and support to understand and engage with MCN's budget builds a stronger organization that can better support other nonprofits.

Compensation philosophy: [A high-level, aspirational, guiding document that articulates goals related to how compensation is set and determined](#). We make explicit a few commitments that reflect organizational values, including:

- Providing a total compensation package for employees (competitive salary and generous benefits) that strives to meet or exceed a living wage defined using local market data;
- Midpoint of pay grades are at least at the 50th percentile of comparable positions in local nonprofits of similar budget size and location;
- Assigning a fixed relationship between the highest and lowest pay grades for regular employees (midpoint of highest cannot be more than four times greater than lowest);
- The pay scale is updated every year informed by the national Cost of Living Adjustment (COLA), and a more thorough review is conducted every two years;
- Starting compensation is listed on all job postings; and
- Guidance for annual reviews, process for lateral promotions (within a pay grade) and vertical promotions (into a higher pay grade), employee bonuses, and merit pay.

We hope these examples support you and your board's work developing policies, practices, and procedures that are right for your communities and based in your unique organizational values and goals.