Columinate

Field Guide: Board Compensation

by Michael Healy and Marilyn Scholl

Directors of food cooperatives have a position of great responsibility. Should directors be reasonably compensated for shouldering this responsibility on behalf the co-op's owners? What counts as reasonable compensation? What is the best way to provide compensation? Here are some ideas to help you in your own decision making.

Why compensate directors at all?

A food cooperative is a business owned by its members. Established and successful businesses do not rely on volunteer labor; they pay employees to do the necessary work of the business. One of the necessary jobs in a food co-op is that of director, and this job should be treated like other jobs in the co-op: the people doing the job should be compensated for their work. While the directors or steering committee of a start-up co-op may forgo compensation until the co-op becomes profitable, there is no reason to consider board work as a volunteer position forever. Governing is a system and like any other critical system, it requires investment, maintenance, and continuous improvement to operate effectively. Director compensation is an investment in governance.

The "right" amount:

What counts as reasonable compensation? As with all such questions, this depends both on the resources that your co-op has available and the expectations of the job. Directors should receive compensation in an amount high enough to recognize and appreciate their contribution, but not so high that people are motivated by the compensation more than their desire to serve. A survey of 85 food co-ops conducted in 2018 found that over a third of those co-ops pay a stipend, whether in cash or in the form of store credit or gift card. The stipend at co-ops with under $2 million annual sales averaged $20/month. At co-ops with over $20 million in annual sales, the average stipend was $180/month.

Due to the extra responsibility and time requirements, consider compensating the President more highly, perhaps as much as double what other directors receive. For the co-ops in the 2018 survey that paid stipends, Presidents of the smallest co-ops received an average $80/month stipend; those at the largest co-ops received an average of $300/month. Depending upon job expectations, it may also be reasonable to provide additional compensation for other officers.

Discounts vs. Stipends
Many food co-ops have phased out a once common practice of providing discounts to members of all types. Discounts for directors have many disadvantages, including:

- Discounts compensate directors according to how much they shop, rather than the quantity, quality or type of work they do. Depending upon size of family and eating choices some directors may "earn" 2-3 times what others earn for the same job responsibilities.
- Discounts cannot be carefully budgeted. One can estimate how much directors might spend and therefore how much discounts would cost the co-op, but a change in board make-up or shopping patterns could significantly alter the actual amount.
- Discounts may make the amount of compensation invisible to directors; the board may have a hard time deciphering exactly how much of the co-op's resources are being used to compensate the whole board or individual directors.
- Discounts shield directors from the actual cost most consumers pay and could impact their perceptions of value and needs of consumers.
- Discounts can put cashiers in the difficult position of enforcement and/or reporting any misuse.

Tips:

1. Be aware of your bylaws and state laws. Some states require that members approve any compensation for directors; some allow the board to set its own compensation.
2. Consider co-op gift cards in set amounts as compensation. Gift cards keep the money cycling through the co-op and can ease a transition from discounts to stipends.
3. Don't tie compensation to meeting attendance – compensation is for taking on leadership, not just for showing up. (Deal with attendance or performance problems by other means).

Questions to Think About:

1. Have you been strategic in your decisions about board compensation? Are you just continuing practices that have been in place for years?
2. Is your current system of director compensation fair and equitable?
3. Does a compensated job carry a different level of expectations than a volunteer job?
4. Do you have some system for accountability, some method for assessing whether the board and individual directors are living up to the expectations of the job?
5. Would compensation help recruit and retain talented candidates?
6. What other forms of recognition or perks do directors receive?