Board Compensation: Discounts vs. Stipends

Recently, Marilyn Scholl put together a solid analysis of the difference between discounts and stipends as forms of board compensation. Based on her years of experience and observation, as well as on conversation with directors at many different co-ops, Marilyn sees some clear advantages to using stipends; below is a summary of the comparison.

Discounts are not a preferred way of compensating directors because:

a) It is an unfair distribution. Depending upon size of family and eating choices some may "earn" 2-3 times others for the same job responsibilities.
b) Discounts cannot be carefully budgeted. One can "guess" 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 drastically alter the actual amount.
c) For most co-ops there is no way to manage or track director discounts at the cash register separate from other types of discounts (like an employee discount). Because discounts make the amount of compensation invisible to directors, the board never actually knows what it is being compensated as a group or as individuals. Discounts can add up, but most people could not answer the question of how much they are compensated for board work. A director could either feel like it's not much or a lot – but in either case the compensation is not strategic.
d) Discounts are easy to abuse. There have been instances where directors have given their discounts to their adult children, to people who they think "need" them more, etc. This could be well meaning, but is not the intention of the discount compensation. And staff only see that directors "cheat."
e) Because the discount is a form of compensation, if discounts total over a certain amount (Is it $600 or has it gone up?) then the co-op has to distribute 1099 forms and the director has to pay taxes. For tax purposes, it is simpler to keep track of stipends.
f) Discounts shield directors from the actual cost most consumers pay and could impact their perceptions of value and needs of consumers.

In deciding on an amount of compensation for board work, Marilyn suggests this guideline: Directors should receive compensation in an amount high enough to recognize and appreciate their contribution, but not so high so that people are motivated by the compensation more than their desire to serve. That amount might be between $1,000-2,000 a year for directors (something like $75-150 per month). The President should be compensated more highly, perhaps receiving double what other directors receive.

One last caution: The board should be aware of their state's law. Some states require that members approve any compensation for directors; some allow the board to set its own compensation.