

# Illustrations of Compensation Funding Allocations

For Boards of Directors of  
Legal Aid Clinics

March 2013

# Principles

- + As the funder, LAO provides a transfer of funds to clinics for compensation purposes;
- + Since legal aid clinics are independent corporations, under the law, Clinic Boards are responsible for managing and administering compensation practices and policies;
- + Any excess compensation funding remaining after salary increases provided to employees can be used by the clinic for other compensation related expenditures.

# Purpose of this Presentation

- + Implementing the allocation of salary increases can be straight forward
- + This deck provides illustrations on how the allocation of salary increases can be done easily under normal circumstances.

# Compensation Allocation Illustrations

The following slides outline illustrations of possible approaches for clinic boards as they consider how to allocate the compensation funding increases to its staff;

Three illustrations are provided :

1. Across the board salary increases
2. One-time lump sum payments
3. Combination of these approaches



# 1. Across the board salary increases

## Example:

Apply a percentage increase equally to all clinic staff that have not reached the maximum of the salary range

## What this means

- + All employees who are not at the maximum of the salary range receive the same percentage increase

## Considerations

- + This approach may be used to recognize all employees in the same way, without consideration for performance/merit

# Scenario 1 - 2% Across the board (exclusive of pay equity)

Position	Current Base Salary	Within Funding Cap – eligible for increase?	2% Across the board Increase	New Base Salary	Position Funding Maximum
ED	\$131,000	Yes	\$2,620	\$133,620	\$137,100
Lawyer (1)	\$96,500	Yes	\$1,930	\$98,430	\$115,000
Lawyer (2)	\$117,00	No	\$0	<b>\$117,000*</b>	\$115,000
CLW	\$64,189	Yes	\$1,283.78	\$65,472.78	\$78,873
Office Manager	\$48,000	Yes	\$960	\$48,960	\$65,372

•\*Salary above funding max. No increase is provided



## 2. One-Time Lump Sum Payments

### Example:

One-time lump sum payment based on a percentage of base pay

OR

One-Time Lump sum based on a dollar amount.

### What this means

- + Lump sum or one-time payments are provided to recognize employees for their achievements
- + Payments could be based on a fixed amount or a % of base.

### Considerations

- + For future increases, Clinic boards could choose to put in place a pay-for-performance policy approved by their RVP to provide performance bonus for employees and for employees that have reached the funding maximum.
- + Can be used where ongoing costs are a concern as it does not increase base payroll
- + Recognizes performance

# Scenario #2 - One-Time Lump Sum Payments (exclusive of pay equity)

Position	Current Base Salary	Within Funding Cap – eligible for increase?	One-time Lump sum payment	Base Salary does not change	Position Funding Maximum
ED	\$131,000	Yes	\$2,600	\$131,000	\$137,100
Lawyer (1)	\$96,500	Yes	\$2,000	\$96,500	\$115,000
Lawyer (2)	\$117,00	No	\$0	<b>\$117,000*</b>	\$115,000
CLW	\$64,189	Yes	\$1,200	\$64,189	\$78,873
Office Manager	\$48,000	Yes	\$1,000	\$48,000	\$65,372

•\*Salary above funding max. No increase is provided





## 3. Combination of approaches

### Examples:

Percentage increase to base pay plus a one-time lump sum payment

### What this means

- + A combination of approaches are used to increase pay

### Considerations

- + For future increases, Clinic boards could choose to put in place a pay-for-performance policy approved by their RVP to provide performance bonus for all employees and for employees that have reached the funding maximum.
- + Can be used to keep long-term costs down while providing some salary growth to maintain market competitiveness
- + Especially important if sustaining ongoing salary increases may be financially difficult

# Scenario #3 - Combination (exclusive of pay equity)

Position	Current Salary	Within Funding Cap – eligible for increase?	1.0% Increase to Base Salary	New Base Salary	Plus One-Time Lump Sum payment	Position Funding CAP
ED	\$131,000	Yes	\$1310	\$132,310	\$1,300	\$137,100
Lawyer (1)	\$96,500	Yes	\$965	\$97,465	\$1,000	\$115,000
Lawyer (2)	\$117,00	No	\$0	<b>\$117,000*</b>	<b>\$0*</b>	\$115,000
CLW	\$64,189	Yes	\$641.89	\$64,830.89	\$600	\$78,873
Office Manager	\$48,000	Yes	\$480	\$48,480	\$500	\$65,372

•\*Salary above funding max. No increase is provided.

# Questions & Answers

**Q:** How are clinic employees able to receive pay increases?

**A:** Salary increases are determined by Clinic boards. The examples provided illustrates options available to Clinic Boards as they consider how to allocate compensation funding increases.

# Questions & Answers

**Q:** Can clinics provide pay-for-performance increases?

**+A:** For next fiscal year, pay-for-performance increases can be put in place. Clinic Boards can develop a pay-for-performance policy in order to have it reviewed and approved by their RVP. The pay for performance policy can include a provision for providing pay-for-performance lump sum payments (bonuses) for employees that have reached the funding maximum.

**+Pay for performance (P<sub>4</sub>P)** refers to any pay policy program that links a compensation increase to the achievement of key goals and expectations as previously established. The policy may provide for different rates at which it is paid based on the level of performance. How it is paid (increase to base or lump sum) does not define P<sub>4</sub>P.

# Questions & Answers

**Q:** Is pay equity funding separate from the funding for compensation provided by LAO?

**A:** Yes, pay equity funding is provided to the clinic boards as separate funding for compensation purposes.

**Q:** Are pay increases different from pay equity payments?

**A:** Yes, pay increases are separate from pay equity payments. Clinic boards are required to apply pay equity payments in accordance with their pay equity obligations.