20 Questions Directors of Not-For-Profit Organizations Should Ask About Human Resources

Adrienne Campbell, LL.B
How to use this publication

Each “20 Questions” publication is designed to be a concise, easy-to-read introduction to an issue of importance to directors. The question format reflects the oversight role of directors, which includes asking a lot of questions.

The “answers” or comments that accompany each question summarize current thinking on the issue and practices of not-for-profit governance. If your organization has a different approach, you are encouraged to test it by asking if it provides a valid answer to the question.

Directors coming from a for-profit business may find that their experience, although often helpful, may not always provide the best answers in the not-for-profit environment. The material in this document should help them decide how to adapt their experience to the NPO realm.

Although the questions apply to most organizations, the answers will vary according to the size, complexity and sophistication of each individual organization.

WRITTEN BY
Adrienne Campbell, LL.B.

PROJECT DIRECTION
Beth Deazeley, LL.B.
Principal, Risk Oversight and Governance
CICA
20 Questions Directors of Not-For-Profit Organizations Should Ask About Human Resources

Adrienne Campbell, LL.B
DISCLAIMER
This publication is provided for general information and convenience only, and does not constitute legal advice. Readers should seek appropriate, qualified professional advice about any particular situation before acting or omitting to act based upon any information provided through this publication.

Copyright © 2011
The Canadian Institute of Chartered Accountants
277 Wellington Street West
Toronto, ON M5V 3H2

All rights reserved. This publication is protected by copyright and written permission is required to reproduce, store in a retrieval system or transmit in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise).

For information regarding permission, please contact permissions@cica.ca

Printed in Canada
Disponible en français

Library and Archives Canada Cataloguing in Publication
Campbell, Adrienne
20 questions directors of not-for-profit organizations should ask about human resources / written by Adrienne Campbell.

ISBN 978-1-55385-562-0

1. Nonprofit organizations--Personnel management. 2. Boards of directors. I. Canadian Institute of Chartered Accountants II. Title. III. Title: Twenty questions directors of not-for-profit organizations should ask about human resources.
Risk Oversight and Governance Board

Giles Meikle, FCA, Interim Chair
Alexandre Guertin, CA
Bryan Held, FCA, ICD.D
Andrew J. MacDougall, LL.B.
Sue Payne, FCA, C.Dir
Debi Rosati, FCA, ICD.D
Ivor Ruste, FCA
Catherine Smith, ICD.D, F.I.C.B.
John E. Walker, FCBV, CA, LL.B.

Directors Advisory Group

Giles Meikle, FCA, Chair
Hugh Bolton, FCA
John Caldwell, CA
William Dimma, F.ICD, ICD.D
Gordon Hall, FSA, ICD.D
Carol Hansell, LL.B.
Ronald W. Osborne, FCA
Thomas C. Peddie, FCA
Guylaine Saucier, CM, FCA
Hap Stephen, CA
Peter Stephenson, PhD, ICD.D

Not-for-Profit Organizations Task Force

Catherine Smith, ICD.D, F.I.C.B., Chair
Susan Manwaring, LL.B.
Lyn McDonell, CAE, C.Dir
Giles Meikle, FCA
Larry Murray, FCA
Anne Pashley, MBA
S. Harlan Schonfeld, CA, CIRP
Diane Sinhuber, CA
Larry Whatmore, CMA

CICA Staff

Gigi Dawe
Principal, Risk Oversight and Governance
Beth Deazeley, LL.B.
Principal, Risk Oversight and Governance

Preface

The Risk Oversight and Governance Board of the Canadian Institute of Chartered Accountants commissioned this briefing to assist not-for-profit boards in discharging their responsibility for the stewardship of the human resources of their organizations. Some of the issues addressed in this document are similar to those described in the CICA’s 20 Questions Directors Should Ask about Human Resources and Compensation Committees, but are addressed here from the perspective of a not-for-profit organization. Others are unique to the not-for-profit sector.

The board of directors has several key responsibilities in relation to human resources: hiring, evaluating and planning for the succession of the executive director or chief staff person; setting the compensation of the executive director and approving the compensation philosophy of the organization; and overseeing the human resources policies and practices of the organization as a whole.

Not-for-profit organizations (NPOs) are diverse and their human resources needs can vary widely. This document is primarily intended for organizations with an Executive Director and some staff resources and addresses issues relating to paid staff, independent contractors or consultants, and volunteers.

The Risk Oversight and Governance Board acknowledges and thanks the members of the Not-for-Profit Organizations Task Force for their invaluable advice, the author, Adrienne Campbell, and the CICA staff who provided support to the project.

The author would like to acknowledge the assistance of articling student Brittany Benning, and summer student Madalina Toca of the law firm Miller Thomson LLP.

Giles Meikle, FCA
Interim Chair, Risk Management and Governance Board
Contents

Introduction
1. What are the responsibilities of the board of directors with respect to human resources?
2. How should the board organize itself to discharge these responsibilities?

PART A—The Executive Director Relationship
3. How does the board select an Executive Director?
4. What is the board’s responsibility for managing and supporting the Executive Director?
5. How should the board address succession planning for the Executive Director?
6. What happens when the board decides to replace the Executive Director?

PART B—Compensation
7. How does the board approve the compensation philosophy for the organization?
8. How does the board set the compensation of the Executive Director?
9. What is the board’s responsibility for the oversight of pensions?
10. What should the organization disclose about its executive compensation?

PART C—Oversight of Organizational Policies and Practices
11. How does the board set the tone at the top?
12. How does the board oversee the organization’s human resources strategy and policies?
13. What relationships may exist between the organization and individuals providing services?
14. Why is accurate classification and documentation of relationships important?
15. What is the board’s responsibility for compliance with employment laws and regulations?
16. What are the potential liabilities of directors with respect to employees?
17. What should the board of directors know about terminating employment relationships?
18. How is the employment relationship different in a unionized environment?
19. How should the board oversee the organization’s use of independent contractors?
20. How should the board oversee the organization’s use of volunteers?

Appendix 1—The Employment Relationship in a Unionized Environment

Where to find more information
Introduction

The board’s responsibility for the stewardship of human resources (HR) is a key part of its mandate. Human resources are of great importance in the not-for-profit sector. Employees, volunteers, consultants and other service providers make up the “human capital” of a not-for-profit organization, and in many cases, represent its greatest asset. These people are the arms and legs, as well as the brains and heart of the organization, and are critical to the organization’s ability to deliver on its mission.

As well as being an organization’s greatest asset, human resources may also represent one of the greatest areas of risk. The organization’s ability to meet its objectives depends on having a consistent supply of well-trained people, led by a committed, qualified leadership team. Staff and volunteers represent the face of the organization in the community, and their actions directly impact the organization’s reputation. In addition, for a great many not-for-profit organizations, compensation represents their single greatest expense, and employment-related claims represent their area of greatest legal liability.

As the guiding mind of the organization, the board of directors is responsible for the oversight and strategic direction of the organization, and directors have a fiduciary role as stewards of the organization’s assets. The area of human resources should be a key focus of the board’s attention.

1. What are the responsibilities of the board of directors with respect to human resources?

The board of directors has three key areas of responsibility with respect to human resources:

1. **The relationship with the Executive Director** - The Executive Director or senior staff person of the organization reports directly to the board of directors, and the board is responsible for all aspects of the relationship, including selection and hiring, support and performance management, succession planning and replacement.2

2. **Compensation** - The board of directors is directly responsible for setting the compensation of the Executive Director. The board also approves the overall compensation philosophy of the organization.

3. **Oversight of human resource policies and practices** - The board is responsible for overseeing the policy framework which governs all of the organization’s human resources to further its HR strategy. Directors should understand what obligations and liabilities the organization has with regard to its employees and other service providers, including volunteers and contractors, and should satisfy themselves that these obligations are being met.3

The human resources field is a challenging one with complex and changing regulation. In addition, not-for-profit organizations face particular challenges including competition for talent, increased public scrutiny of executive compensation, and the need to manage volunteer resources in addition to paid staff. Effective stewardship of human resources is key to the ability to deliver on mission.

Organizations which fail to comply with their obligations may be subject to a variety of legal proceedings and penalties, and directors may even find themselves personally liable. This possibility will be discussed further below. As a result, it is important that all directors have a working knowledge of their organization’s human resources and the relevant legal requirements.

---

1 The term Executive Director is used here to refer to the chief paid staff position in the organization. Other terms could include CEO, etc., depending on the organization and the particular role.

2 The situation of government-controlled not-for-profit organizations may be different. For example, the senior staff person may be appointed by a government ministry, rather than the board, and the board may have little control over executive compensation or some of the other human resources policies of the organization.

3 The role of the board may be substantially different in organizations which are subject to a collective agreement. Further discussion of human resources issues in a unionized environment is included in Question 18 and the Appendix.
2. How should the board organize itself to discharge these responsibilities?

The board of directors provides strategic leadership and governance over the operations of the organization. However, due to the diversity of the not-for-profit sector, the way in which the board operates and the degree to which directors are involved in the management of the organization varies.

In smaller organizations, particularly those which don’t have a designated HR person on staff, board members may be involved in management issues, including the recruitment, management, and compensation of employees, contractors and volunteers. Directors may also be involved in making decisions about terminating those relationships. In other organizations, these functions will be handled by the Executive Director and other staff, and the board’s function is largely one of oversight.

Regardless of the degree of involvement in the organization’s internal HR practices, every board of directors has direct responsibility for the relationship with the Executive Director and the approval of overall human resources policies and practices.

Some boards may choose to create a Human Resources and Compensation Committee (HR committee) to focus on the organization’s human resources issues. The decision as to whether or not to create a committee is one that must be made by each board individually and will generally depend on the size, scope and resources of the organization and the board.

HR committees are often tasked with providing recommendations to the board regarding the recruitment and appointment of the Executive Director and the compensation philosophy of the organization. The committee may also be in charge of overseeing and approving, or actually developing and implementing, policies with respect to recruitment, training, employee relations, health and safety, succession and talent management, compensation, performance management and benefits administration.

Other organizations choose to address these issues at the level of the full board. It is important to recall that even when a human resources committee is established, the board as a whole retains overall responsibility. However these issues are addressed, they should be clearly set out either in the mandate of the board or in the terms of reference of the committee. Responsibility for overseeing policies and practices relating to volunteers may be addressed together with the responsibility for paid workers or may be part of the responsibilities of a separate committee.

When considering which directors should sit on an HR committee, or should be involved in HR decisions taken by the full board, consideration should be given to the following issues:

- **Independence** – any directors who are also members of management should not sit on an HR committee, nor should they take part in decisions relating to HR issues if they are addressed by the board as a whole.

- **Conflicts of interest** – directors should also avoid sitting on an HR committee or taking part in decisions if they have a family member or close friend employed by the organization.

- **Expertise/education** – Human resources is a complex area and one that is continually evolving. Boards should endeavour to recruit directors with expertise in the area, and should provide ongoing training and education in the area of human resources to the HR committee or to the full board as appropriate.
PART A — The Executive Director Relationship

The Executive Director reports directly to the board, and the board is responsible for all aspects of this relationship, which is arguably the most important relationship in the organization.

3. How does the board select an Executive Director?

One of the most important acts the board undertakes is the selection and hiring of the Executive Director. When it is time to select a new ED, some boards strike a special executive search committee, others delegate responsibility for the process to an existing HR committee, and others involve the full board in the entire process.

The use of a committee to take charge of the search process can be very effective, as the hiring of an Executive Director is a time-consuming process. At the end of the process, however, the responsibility for selecting a new ED belongs to the full board, and although the committee involved will make a recommendation, the final decision must be made by the board as a whole.

The ED selection process must start with a thorough analysis of the organization’s strategy and its operating environment in order to determine what skills and experience the organization needs in the incoming ED. It should not be assumed that the same skill set that the previous ED had is necessarily the ideal one. Organizational needs change as organizations and their environments grow and develop. A careful consideration of the organization’s current environment and its future plans should inform the development of a leadership profile which sets out the skills and experience sought in the new ED.

The board’s task when selecting an ED involves determining how well an individual candidate’s strengths and limitations fit with the organization’s needs and requirements. Some organizations opt to retain the services of a professional recruiter to assist in identifying candidates.

Once the leadership profile is in place and a list of potential candidates developed, the board (or committee) will then undertake the process of interviewing candidates and conducting background checks. The goal is to ensure that the candidate has the stated education and background and the necessary experience, and that he or she is a good fit with the mission and culture of the organization.

While a human resources committee or search committee may make its recommendation to the board, the final hiring decision must be made by the board as a whole. The board is then responsible for overseeing the communication of the decision throughout the organization and to its stakeholders, and mentoring the new ED as s/he assumes the role.

FOR MORE INFORMATION, PLEASE SEE THE CICA PUBLICATION 20 QUESTIONS DIRECTORS SHOULD ASK ABOUT CEO SUCCESSION.

4. What is the board’s responsibility for managing and supporting the Executive Director?

The Executive Director reports directly to the board of directors, and one of the board’s key responsibilities is mentoring the ED, managing his or her performance, reviewing that performance regularly against agreed-upon criteria, and contributing to the ED’s development.

Directors should ensure that they are available to support the Executive Director and serve as resources and advisors as necessary. The chair of the human resources committee (where one exists) or chair of the board should be in contact with the ED between board meetings as required to effectively manage the relationship. Some key areas of the board-ED relationship are:

Role clarity – The distribution of responsibilities between management and the board of directors should be clearly set out and adhered to.

Established performance measures – The board should ensure that both the qualitative elements (behaviours) and quantitative measures (objectives and deliverables) that are expected of the ED are clear from the start of the relationship.

Annual performance review – The performance of the Executive Director should be reviewed annually against the agreed-upon objectives and
deliverables. Feedback from this review should be communicated candidly with the Executive Director, and a plan developed for the following year.

ED Development – Areas for improvement identified in the annual performance review can provide the basis for a program of development for the Executive Director. Changes in the organization or its environment may also necessitate additional training or development for the ED. Just as employees and directors should receive regular opportunities for training and development, so should the Executive Director. The human resources committee or the board chair should take a lead role in ensuring that this occurs.

In camera discussions – Every regular meeting of the board of directors should include an in camera session, in which the board meets without the Executive Director or other members of management present. This is a valuable opportunity for directors to informally share their opinions and observations regarding the ED’s performance, and to identify as early as possible areas in which additional coaching or support by the board would be helpful.

Paying careful attention to the development of the Executive Director and being available to support and mentor as necessary is important to the satisfaction and successful performance of the ED in his or her role and to the leadership of the organization as a whole.

5. How should the board address succession planning for the Executive Director?

Succession planning for the role of the Executive Director is a key responsibility of the board of directors but is one that is frequently neglected. The board of directors (or HR committee, where one exists) should ensure that a robust succession planning process is in place, and that the board is prepared to cope with either a planned or an unplanned vacancy in the ED role.

One key to success is monitoring promising internal candidates to develop successors to the ED role. The board should be satisfied that appropriate talent development policies are in place in the organization and should have in-depth discussions with the ED regarding high-potential staff. The board should also conduct its own assessment of the development of potential ED successors. For this reason, it is vital that the board have regular access to members of senior staff other than the executive director.

The board should also be conscious of potential candidates for the leadership role from outside the organization. Directors should periodically pool their knowledge about high-performing individuals in the particular sector or in the professional networks of directors in order to maintain awareness of potential sources of external talent.

Planned succession – Refers to ED succession which is triggered by an anticipated event, such as the planned retirement of the current ED. To prepare for planned succession, the board should have regular (annual) discussions with the ED regarding his or her performance and plans. An “evergreen” list of potential candidates (both internal and external) can be maintained so as to be ready when the Executive Director announces plans to leave the organization. The process by which a successor will be sought and the transfer of leadership handled should be agreed upon in advance in order for the process to transpire smoothly.
Unplanned succession – Refers to the sudden and unexpected departure or incapacitation of the ED. This type of ED succession is much harder to plan for. However, the board can go a long way towards preparing the organization for such a transition by maintaining awareness of potential ED successors (both internal and external to the organization), and by having an emergency succession plan in place. Such a plan is generally designed to address the immediate needs of the organization and may include a list of key functions performed by the Executive Director and a guide as to which key personnel (which may include members of the board of directors) could step in and perform those functions on a temporary basis. It might also set out the procedure for appointing an interim ED.

FOR MORE INFORMATION, SEE THE CICA PUBLICATION 20 QUESTIONS DIRECTORS SHOULD ASK ABOUT CEO SUCCESION.

6. What happens when the board decides to replace the Executive Director?

The decision to replace the Executive Director is likely the hardest one that a board of directors will be called upon to make, and the one that will have the greatest impact on the organization. While the board should not shy away from acting when it is clear that it is necessary to do so in the best interests of the organization, it is not a decision that should be taken lightly.

There are two different types of situations in which the board may be forced to consider replacing the Executive Director.

Sudden crisis of leadership – This refers to the rare but serious situation in which a sudden, unexpected event forces the board to consider replacing the ED. This could involve a situation in which the board becomes aware that the Executive Director has undertaken actions which are illegal or are otherwise so damaging to the organization and its reputation that s/he must be removed.

Ongoing pattern of non-performance – This refers to any number of different situations which may lead the board to determine, over a period of time, that the Executive Director is not the best person for the job. This may involve a failure to live up to the agreed-upon standards of performance, inability to navigate the culture of the organization or lead effectively, or inability to execute strategy or adapt to a changing environment.

In neither situation should the board jump to a quick decision. Rather, the process undertaken should be measured and transparent. That said, the board should also guard against inertia and the temptation to “wait and see” when failure to act could place the organization at risk.

In the case of sudden crisis of leadership, the board will have to undertake a detailed investigation in order to determine the factual basis and veracity of any allegations. While the Executive Director might need to be temporarily placed on leave, a final decision must await a full understanding of the facts. In the case of an ongoing pattern of non-performance, the board should take steps as soon as it becomes apparent that the ED is struggling in order to support and mentor the ED in his or her role.

When considering the replacement of the Executive Director, the board must take into account issues including:

• Legal obligations – The board should understand the organization’s legal obligations as the employer of the Executive Director and the implications of removing the ED in terms of severance, retirement or other benefits, and potential legal liability.

• ED succession – As discussed above, the process of selecting a new ED is a time-consuming one. The board should be prepared to undertake the process and steward the organization through the period of transition.

• Impact on the organization and its stakeholders – The board should consider the impact of replacing the Executive Director both on the organization (including staff and volunteers) and on other stakeholders such as funders, donors and the public. A communications plan should be put in place to address concerns.

FOR MORE INFORMATION, SEE THE CICA PUBLICATION 20 QUESTIONS DIRECTORS SHOULD ASK ABOUT CRISIS MANAGEMENT.
PART B — Compensation

The issue of compensation in the not-for-profit sector is receiving a great deal of attention, and the board of directors has an important role to play. The board is directly responsible for setting the compensation of the Executive Director. The board is also responsible for overseeing the overall compensation philosophy and practices of the organization and determining what information the organization will disclose regarding compensation. If the organization has a pension plan, the board will also have responsibilities as to the governance of the pension fund.

7. How does the board approve the compensation philosophy for the organization?

The board of directors oversees the compensation practices of the entire organization by approving the organization’s compensation philosophy. The compensation philosophy articulates the organization’s goals and desired outcomes, and the way in which the various elements of the organization’s compensation plan support those outcomes.

Compensation varies widely across the not-for-profit sector. Smaller or less complex organizations often spend very modestly on compensation and their overall compensation programs are straightforward and simple to administer. At the other end of the spectrum are large organizations which spend a much greater amount on compensation and which utilize compensation programs which are much more complex. While some organizations may be relatively unfettered in their ability to determine appropriate pay, others may be subject to restrictions imposed by funders or others.

The HR Council for the Nonprofit Sector defines compensation as all of the rewards earned by employees in return for their labour. It may be broken down into direct financial compensation such as wages, salaries, bonuses and commissions; and indirect financial compensation such as benefits, leaves, retirement plans, etc.

An effective pay program should be designed to align the interests of staff (particularly management) with the best interests of the organization, pay for performance, and help the organization attract and retain talent.

When reviewing compensation, the board’s overriding objective should be to ensure that pay is:

- **effective** – in that it achieves the desired goals,
- **responsible** – in terms of value and cost, in that it represents a wise use of the organization’s resources, and
- **defensible** – in that it can be explained and justified to stakeholders.

Elements that the board may take into account when reviewing the organization’s compensation philosophy include:

- **Benchmarking** – How do the organization’s compensation practices compare with those of similar organizations?
- **Internal equity** – Does the compensation philosophy apply equally to all roles within the organization and are similar roles compensated in a similar manner?
- **Pay/performance linkages** – Is compensation designed to motivate particular behaviours or reward achievement of specific goals?
- **Link to organizational strategy** – Can the compensation philosophy be clearly linked to the organization’s strategy?
- **Incorporation of non-financial rewards** – Does the compensation philosophy address non-monetary benefits such as working environment, flexible hours, and opportunities for development?

---

4 Excellent material relating to compensation and other elements of human resource stewardship in not-for-profit organizations is available in the online HR Toolkit of the HR Council for the Nonprofit Sector at [http://hrccouncil.ca/hr-toolkit/home.cfm](http://hrccouncil.ca/hr-toolkit/home.cfm). Discussion in this section is based in part on that material.

5 Adapted from the CICA publication 20 Questions Directors Should Ask about Executive Compensation (2nd Ed).
Compensation Red Flags:
When reviewing the organization’s compensation philosophy, the following indicators should trigger extra review by the board:

- **Extensive use of discretion** – in the setting of bonuses and other forms of compensation, or in the ability to override the compensation guidelines.
- **Incenting undue risk-taking** – pay structures that promise big payouts in return for achieving performance targets may encourage excessive risk taking.
- **Undesirable risk exposures** – pay elements that could put the organization at risk by triggering large payouts (e.g., in the case of executive succession) or by damaging its reputation in the eyes of stakeholders and the public.

8. How does the board set the compensation of the Executive Director?

In addition to approving the compensation philosophy of the entire organization, the board is responsible for setting the compensation of the Executive Director. While the board’s human resources committee (if one exists) may do much of the work and develop a recommendation regarding executive compensation, the final decision must be made by the full board. Larger organizations may also consider the use of an independent compensation consultant, although this is not yet a common practice in the not-for-profit sector.

Elements that the board may consider when reviewing the compensation of the Executive Director include:

- **Consistency with the overall compensation philosophy** – The ED’s compensation should fit within the same goals and guidelines that govern the compensation practices of the organization as a whole.
- **External benchmarking and internal equity** – The board may request information on how the ED’s compensation compares with that received by leaders of similar organizations, or how it relates to the compensation of others within the organization.
- **Pay for performance** – Where the ED’s compensation is tied to the achievement of specific goals, the board will need to review the goals and ensure that they are appropriate in terms of achievability and also that there is an appropriate balance between short-term and longer-term goals.
- **Talent retention** – One of the main goals of executive compensation is to recruit and retain talented individuals to lead the organization. Direct monetary compensation should be part of an overall package which may also include compensation in the form of health and retirement benefits and non-financial benefits such as working environment, professional development, etc. For organizations which are limited in their ability to provide monetary compensation, other types of benefits can be an important means of recruiting and retaining leaders.

Directors should ensure that they understand the different elements of compensation packages, and that those obligations are properly captured in the organization’s financial information.

9. What is the board’s responsibility for the oversight of pensions?

An employer is not required to provide any type of retirement savings program to its employees. However, many organizations choose to do so as part of their overall strategy to recruit and retain employees. There are two main types of employer-sponsored pension plans:

- **Defined benefit plan**. The employer and/or employee makes regular contributions over the course of employment, and when the employee has the requisite years of service and age to retire, the employee will receive a monthly benefit that is actuarially calculated based on years of service and earnings. The amount the employee receives is fixed, regardless of how well or poorly the pension investment has performed, provided that the required funding levels have been maintained.
- **Defined contribution plan**. This is similar to a group RRSP, in that the employee and/or employer contribute to the plan over the years, but the amount the employee is entitled to receive on retirement is dependent entirely on the performance of the fund. The employer may select a group of investment funds from which the employee can choose.
Pensions must be registered in accordance with the provincial pension legislation and any funds must be appropriately administered. Pension requirements and governing legislation are highly complex, and pension plans that are not properly managed can lead to substantial liability for both the organization and the directors themselves.

The board may discharge some of its responsibility for the oversight of pensions through committees such as a pension committee, an investment committee, or the human resources committee. However, although the performance of many functions related to the administration and governance of pension funds may be delegated to management, board committees or external administrators, the full board bears ultimate responsibility.

The board must ensure that the pension program aligns with the overall compensation and human resources strategies, that it is properly managed, that the potential obligation to the organization is understood, and that there are funds in place to meet that obligation.

Directors of organizations with a pension plan are encouraged to seek further information on their oversight obligations.

FOR MORE INFORMATION, SEE THE CICA PUBLICATION 20 QUESTIONS DIRECTORS SHOULD ASK ABOUT THEIR ROLE IN PENSION GOVERNANCE.

10. What should the organization disclose about its executive compensation?

Currently the only requirement for public disclosure of executive salaries is that imposed by the Canada Revenue Agency, which requires certain disclosures of registered charities.

However, there is a great deal of public interest in the executive compensation practices of not-for-profit organizations, and every organization will have to make its own determination as to what information it wishes to disclose. Organizations which publish an annual report or make information available to stakeholders on their website should give consideration to including a description of the organization’s approach to compensation, which should clearly explain how compensation is set, who is responsible for determining levels of compensation, what factors are considered and what the organization’s compensation philosophy is designed to achieve.

A clear statement which demonstrates that the board of directors takes its responsibility for the oversight of compensation seriously and approaches the issue within a framework of carefully thought-out principles can help demonstrate to stakeholders the board’s effective stewardship of the organization’s resources, both human and financial.

Larger organizations with significant compensation expenses may wish to consider the compensation disclosure obligations which apply to publicly-listed companies as a model.
PART C—Oversight of Organizational Policies and Practices

The third element of the board’s responsibilities relating to the human resources of the organization is its role in overseeing the policies and practices of the organization. Much of the work of the board in this area will be a supervisory or oversight function. There are some elements, however, such as the tone at the top, for which the board has primary responsibility.

11. How does the board set the tone at the top?

The mandate of the board of directors includes ensuring that the organization’s culture is characterized by ethical practices and behaviour. An organization’s ethical climate is significantly influenced by its leadership. A term often used for this influence is “tone at the top”. Directors set the tone at the top by ensuring that their own behaviour meets the highest ethical standards, and requiring the same of the Executive Director and other senior staff.

The use of a code of conduct is a valuable tool for influencing the culture and practices of the organization. While the initial responsibility for designing a code of conduct rests with management, the board is responsible for reviewing and approving the code and overseeing its implementation throughout the organization.

Codes of conduct are key vehicles for:

• clearly articulating the organization’s values
• helping introduce new employees to the organization’s standards
• attracting and retaining high-caliber employees and volunteers
• setting the boundaries of acceptable behaviour
• informing contractors, suppliers and others doing business with the organization of expectations regarding acceptable behaviour
• reducing the risk and costs of fraud, conflicts of interest and other ethical lapses; and
• providing the basis for sanctions against those that deviate from the code.

An effective code can enhance an organization’s reputation and contribute to its success. It also reinforces an organization’s culture of integrity by emphasizing each individual’s responsibility to observe its principles and requirements. The code of conduct should apply not just to the staff of the organization but also to consultants and volunteers.

Members of the board of directors are subject to the code, and should ensure that their own actions and those of the Executive Director are consistent with the code.

FOR MORE INFORMATION, SEE THE CICA PUBLICATION 20 QUESTIONS DIRECTORS SHOULD ASK ABOUT CODES OF CONDUCT (2ND ED).

Screening of Employees and Volunteers

Appropriate screening of both paid staff and volunteers is extremely important and should be included in the recruiting policies of all not-for-profit organizations. Organizations that provide services to vulnerable populations should ensure that appropriate criminal background checks are required as a condition of working with the organization.

12. How does the board oversee the organization’s human resources strategy and policies?

When overseeing the organization’s HR policies and practices, directors have a key strategic role, both in guiding and approving the organization’s talent recruitment and retention strategy, and in overseeing the policy framework that establishes the way the organization’s human capital will be managed.

Talent Recruitment and Retention

The board of directors is responsible for the long-term sustainability of the organization. Having the appropriate human resources in place (whether paid or volunteer) is key to an organization’s ability to survive and thrive. Recruiting and retaining talented employees can be particularly challenging in the not-for-profit sector, as many organizations are not in a position to use high
salaries to attract employees, and stock-based incentives are not an option. Not-for-profit organizations may feel that they are at a disadvantage as compared to the private sector or government in recruiting employees.

This challenge should not be viewed as simply a staffing or HR matter, but should be reviewed at the board level with a view to the sustainability of the organization over time. The organization should have a clear strategy in place to recruit, develop and retain key employees. There are many elements in addition to compensation which can appeal to potential employees, and organizations should focus on the diverse ways in which they can recruit and develop talented employees.

Organizations that depend on volunteers should also have a clear strategy to help them retain the volunteers they have by providing a rewarding, enriching experience and to recruit new volunteers as necessary to support the organization’s activities. The organization's overall human resources strategy should encompass both paid and unpaid work and should be approved at the board level.

Oversight of Human Resources Policies

One key element which contributes to the retention of staff and employees is the cultivation of a positive work environment. The board plays an important role here in overseeing the policy framework of the organization. Leading organizations don’t wait for problems to develop or regulations to be passed, but rather take a proactive approach to developing policies that support the well-being of their employees and volunteers.

Some key areas which must be addressed include:
- diversity and inclusion
- occupational health and safety
- workplace bullying and harassment
- accessibility
- background checks and screening

Policies should be available for all employees to access, and should address how any complaints will be handled. There should be a clear chain of communication for any concerns, zero tolerance for reprisal for bringing forth a complaint, and a proper investigation process. The board should receive regular updates on complaints made and should be immediately advised of any which cannot be resolved by, or which involve, members of management.

13. What relationships may exist between the organization and individuals providing services?

To discharge their responsibility for overseeing the organization’s human resources policies and practices, directors need to understand the different relationships which may exist between the organization and individuals providing services. The nature of the relationship can have significant implications for the person providing services, the organization and the board. The three most common relationships are those of employee, independent contractor or consultant, and volunteer.

**Employee** generally refers to a person who performs work for an employer in exchange for monetary compensation pursuant to a contract. Employees have protections and organizations have specific obligations in relation to employees under employment standards and other legislation, which will be discussed further below.

**Independent contractors** provide services to the organization for a fee. The relationship an organization has with an independent contractor is a commercial relationship similar to those it would have with other suppliers. It is not an employment relationship, and the organization generally does not have the same types of obligations that exist towards employees.

The line between an employee and an independent contractor can often be blurred. In some cases, organizations may enter into “independent contracts” with individuals who then provide services that may look very much like the services offered by employees. Courts have set out a number of tests for determining whether someone is an employee or an independent contractor.  

---

6 Additionally, courts have also found there can be another category of relationship, known as the **dependent contractor**. This is a contractor who is so dependent on the relationship with the organization that courts are prepared to find that notice of termination of that relationship is required, much like the notice required to terminate an employee.
Volunteers are those who choose to give their time to an organization with the understanding that they will not be compensated for the services provided. These relationships are also not subject to the same rules and obligations that govern the employment relationship.

The line between employee and volunteer may also be blurred. For example, someone may be employed part time for an organization and receive compensation for that work, but may also wish to volunteer free time towards the organization, for which there is no compensation.

14. Why is accurate classification and documentation of relationships important?

The obligations of an organization to individuals providing services will depend upon whether those individuals are employees, independent contractors or volunteers. The board of directors is responsible for overseeing these relationships as well as the organization’s compliance with the law and as such directors should satisfy themselves that relationships are appropriately classified and that there is documentation which supports that classification and makes the rights and obligations of the organization and the individual clear.

Organizations have substantial obligations regarding their employees. They must withhold and make remittances for taxes, Employment Insurance premiums, workers compensation, provincial health premiums, and Canada/Quebec Pension plan. Employers must pay minimum wage and provide paid public holidays to their employees. Any hours worked by eligible employees in excess of the mandated daily or weekly limits must be paid at overtime rates. Employees must be provided notice of termination as required by law.

By contrast, volunteers and independent contractors are not by law entitled to notice of termination, unless this is specifically included in their contract. Additionally, the organization does not make statutory deductions or remit employer taxes on behalf of volunteers and independent contractors. Volunteers and independent contractors are not protected under the organization’s workers compensation coverage and are not entitled to overtime, leaves of absence or paid public holidays.

One significant risk to the organization stemming from its management of human resources is that if an organization wrongly classifies an individual’s work as something other than employment and there is a subsequent finding (e.g., by a court or the Canada Revenue Agency) that the relationship is in fact in the nature of employment, the organization could be found liable for not complying with the appropriate legislation.

For example, if someone is working full time hours, and then is asked to volunteer time to further the organization’s interests, those volunteer activities could later be found to be employment, in which case the organization would be liable for any unpaid wages and overtime for those additional hours, as well as the applicable employer taxes. This is particularly likely when the volunteer activities are the same or similar to the activities performed as part of employment and where there is an expectation that the employee will undertake the volunteer activities.
Example 1: Nafisah is employed as a paid marketing director for an organization. She works 40 hours a week in this role. She agrees to volunteer her time on weekends to attend at various events where she hands out brochures about the organization. There is no specific requirement that she do this, but she feels it is expected. As the volunteer work is directly related to what she does as an employee, it is very likely Nafisah would be entitled to be paid for that additional work, including any required overtime.

Example 2: Marcel works as a marketing director of a national professional association. The association is having a neighbourhood fun fair as a fund raising event to raise money for the local children’s hospital. The charity has no relation to the business of the association. Marcel volunteers to come and paint faces at the event. In that case the work is unrelated both to Marcel’s job and to the core business of the association, and would be properly characterized as voluntary and thus unpaid.

Similarly, where an individual is employed as an independent contractor and the relationship is terminated, a court could find that the relationship was actually one of employment, thereby triggering notice and severance obligations. In addition, fines and interest could be levied against the organization for failure to withhold the required employer taxes and remit employer premiums on behalf of the individual for the duration of the relationship.

As a result, it is extremely important that relationships with service providers be properly documented in writing and signed by both the organization and the service provider, with terms that clearly outline each party’s rights and obligations. Where an individual provides services in more than one capacity, the organization must document the difference in the roles and keep appropriate records with respect to each activity.

Checklist for Documenting Contractual Relationships

Contracts can be as complex or simple as the organization wishes. They can be by way of letter, or by way of a more legalistic document that looks like a formal contract. Regardless of the format, the agreement should address:

- nature of the position
- reporting relationship
- duration
- nature of services to be provided
- compensation and benefits
- required notice of termination
- provisions relating to confidentiality and use of personal information

Issues Relating to Employees

15. What is the board’s responsibility for compliance with employment laws and regulations?

The details of the organization’s compliance with applicable laws and legislation are the responsibility of management. However, the board of directors is responsible for overseeing compliance. As such, directors should have an understanding of the organization’s legal obligations so as to be able to satisfy themselves that those obligations are in fact being met.

There are numerous legislative minimum requirements employers must meet or exceed with regard to how they compensate and treat their employees. Some of these provisions are similar across all provinces and territories, while other provinces may have their own unique provisions with regard to specific areas of employment.
Laws and Regulations Governing an Employment Relationship

1. Employment Standards legislation governs minimum wages, vacation time and vacation pay, public holidays, hours of work, overtime pay, meals and rest breaks, leaves of absence, record keeping, and notice of termination. The provisions differ by province.

2. Human Rights legislation prohibits discrimination and harassment in employment based on any defined prohibited grounds, and protects against reprisal for making any complaint. The provisions differ by province.

3. Workplace Health and Safety legislation requires employers to take precautions and provide appropriate training to maintain a safe and healthy workplace and ensure the health and safety of its workers. The provisions differ by province.

4. Workers Compensation legislation requires that certain employers pay premiums and participate in statutory no-fault insurance scheme that compensates workers who suffer from a work-related illness or injury. The provisions differ by province.

5. Income tax legislation outlines the necessary deductions and withholdings for income tax and Canada Pension Plan. There is federal and provincial income tax legislation.

6. Employment Insurance legislation outlines the necessary forms to be provided on termination of employment and the circumstances in which employees may be allowed or denied employment insurance benefits. This is federal legislation and is the same across Canada (except for Quebec).

7. Pension legislation sets out the framework under which organizations that offer retirement programs to their workers must operate. The provisions differ by province.

8. Immigration Act outlines the basis upon which foreign workers can be employed. This is federal legislation and is the same across Canada.

There are a number of issues directors should be aware of.

Entitlement to work in Canada – Employees must be Canadian citizens, permanent residents, or hold a valid work permit.

Source deductions – Employers are required to make deductions from an employee’s wages for federal and provincial income tax, Employment Insurance premiums and Canada Pension Plan/Quebec Pension Plan contributions and to forward these monies to the appropriate governmental authority.

Employment records – Each province sets out certain specific information which an employer must record and the length of time for which records must be kept. Additionally, each province has specific requirements for when and how to provide written information to an employee.

Employment standards – Provincial employment standards laws set out the minimum requirements for wages, vacation time and pay, public holidays, hours of work, overtime pay, breaks, leaves of absence and notice of termination. Employees cannot ‘contract out’ of these provisions and contracts which purport to exclude these requirements will not be enforced by the courts. Certain types of employees (managers, professionals) may be excluded from some of the provisions.

Human rights legislation

- Discrimination – Discrimination is prohibited throughout Canada on the grounds of
ancestry, place of origin, colour, ethnic origin, citizenship, creed, sex, sexual orientation, age, marital status, family status and disability. Some provinces have additional grounds of prohibited discrimination, such as political belief, language and social condition (economic status). Discrimination is prohibited in all aspects of employment, including hiring, compensation, promotion, lay-off, discipline or termination.

In some provinces, certain religious, philanthropic, educational, fraternal or social organizations that are primarily engaged in serving the interests of persons with certain attributes may be able to discriminate in limited respects, such as with regard to language, sexual orientation or religion. These organizations may only discriminate where it is reasonable to do so because of the nature of the employment. Additionally, the organization must show that otherwise discriminatory practice is necessary, as well as legitimately and directly connected to the nature of the employment.

• Harassment – Harassment (including sexual harassment) is also prohibited. Harassment essentially involves a course of vexatious comment or conduct that is known or ought to be known to be unwelcome. Where an isolated incident is serious enough on its own, it will also be found to be harassment.

• Accessibility – Employers have an obligation to ensure that their employment practices and workplaces are accessible and do not discriminate against candidates or employees with a disability, be it physical or psychological.7

Occupational Health and Safety – An employer is required to ensure the health and safety of its workers by taking every reasonable precaution to maintain a safe and healthy workplace. Provincial laws set out the employer’s obligation to provide training, develop health and safety programs and post health and safety policies in the workplace. Depending on its size, an organization may be required to have a joint health and safety committee made up of workers and management.

• Workplace bullying and violence – In Ontario and British Columbia, workplace harassment and violence are specifically covered under occupational health and safety laws. Employers are required to have specific policies and programs in place and to conduct regular assessments of the risk of violence in their workplace.

Worker’s Compensation – This statutory no-fault insurance scheme compensates workers who suffer from a work-related illness or injury. Membership is mandatory for certain employers and requires payment of premiums.

16. What are the potential liabilities of directors with respect to employees?

Organizations which fail to meet their obligations to employees can face investigations, lawsuits, fines and other penalties, which are levied against the organization. In addition, there are some laws under which directors could be held personally liable for failing to fulfill their responsibilities. Directors of not-for-profit organizations are not held to any lesser standard than directors of for-profit corporations.

Income Tax Act – The Income Tax Act provides that where an organization fails to withhold and/or remit employee taxes on behalf of its employees, directors may be liable for a portion of those amounts, plus penalties and interest.

Courts will consider the actions taken (or not taken) by directors. In one income tax case, the directors of an organization were liable for payroll deductions that they knew had been withheld from employees but had not been remitted by the organization to the Crown. The court found that, as the failure to remit the taxes was known by the directors and was allowed to continue for nearly a year, they had not exercised the degree of care and diligence expected of directors and were therefore personally liable.

Occupational Health and Safety – A failure to implement basic health and safety precautions could result in charges being laid under either the Criminal Code of Canada or the provincial occupational health and safety legislation.

7 In Ontario, this obligation is even more extensive in light of the Accessibility for Ontarians with Disabilities Act, 2005, which will require all organizations to ensure accessibility for all persons with disabilities in the areas of customer service, employment, buildings, information and communication, and transportation. This will include training employees on appropriate ways to provide goods and services to, and communicate with, employees and customers with disabilities.
Employment Standards – Directors’ liability for the organization’s failure to comply with employment obligations differs by province, but may include liability for unpaid wages and vacation pay.

**Safeguard:**
- Some organizations require the Executive Director to certify in writing to the board the payment of all wages, source deductions, tax remittances and pension plan obligations. This may be done monthly, quarterly or annually.
- If there is a concern that the organization is trending towards financial difficulties, boards may consider the creation of a designated trust account to segregate payroll amounts, source deductions, and accrued vacation pay.

Pensions – Negligent administration of a pension plan can lead to fines under pension legislation or civil lawsuits.

Criminal and other offences – Boards that authorize, permit or instruct the organization to commit offences or break laws may be found guilty of offences under the Criminal Code or other legislation.

In light of the potential liabilities, it is vital that directors understand the organization’s obligations with respect to employees and other service providers. The board must satisfy itself that the Executive Director or anyone else responsible for managing human resources fulfills their duties and that the organization is in compliance with its obligations.

Appropriate indemnities and insurance can provide protection for some of the above liabilities. For more information, see the CICA publication *Liability Indemnification and Insurance for Directors of Not-for-Profit Organizations*.

### 17. What should the board of directors know about terminating employment relationships?

When an organization chooses to terminate its relationship with an employee, there are particular issues that directors should be aware of. Although the termination of employee relationships is the responsibility of the Executive Director, the ED may seek advice from the board of directors. In addition, the board may find itself in the position of having to terminate the relationship with the Executive Director. As a result, directors should have an understanding of the organization’s obligations.

**Termination for cause** – When an employee engages in conduct that can be legally justified as cause for termination, an employer has the right to terminate the employment relationship immediately with no notice or payment in lieu of notice. To constitute cause for termination, the conduct must constitute a significant breach of the employee’s contract. For example, serious misconduct or performance problems which have been previously addressed and documented by management can constitute just cause. An organization should always obtain legal advice before moving forward with a decision to terminate an employee on a “with cause” basis.

**Termination without cause** – When an organization wishes to terminate an employment relationship in the absence of behaviour constituting “just cause”, the organization must provide the employee with appropriate advance notice, in writing. Alternatively, the organization can provide payment for the amount equal to what the employee would otherwise have earned over that notice period, known as “pay in lieu of notice”. The required amount of notice may be set out in the employment contract, or else determined based on legal guidelines which take into consideration the employee’s age, years of service, salary and position. These rules may vary by province. In a unionized setting, the required notice is set out in the collective agreement.

A terminated employee can file a complaint under the employment standards legislation, labour relations act, or human rights legislation depending on the nature of the complaint and whether or not the employee is unionized. If a court or tribunal finds that the employer did not provide sufficient notice or otherwise did not meet its legal obligations towards the employee, a monetary amount, interest and possibly reinstatement can be ordered. In cases where the termination is conducted in a manner that shows bad faith on the part of the employer, there may be additional damages awarded against the organization by way of compensation for mental distress or punitive damages to punish the employer for that conduct.

Costs related to these types of claims can be significant so it is very important that any decision
to terminate employment be made carefully and only after a review of the facts leading up to that decision. Any offer of payment in excess of the required notice and severance amounts should always be on the condition that the employee agrees to waive all future claims against the organization.

While directors may have some personal liability for unpaid wages and vacation pay, they are not personally liable for any common law notice or wrongful dismissal damages unless it can be shown that a director has acted improperly and outside his or her duties.

18. How is the employment relationship different in a unionized environment?

In a unionized workplace, the relationship between the organization and its employees will largely be governed by the terms and conditions that are negotiated between the organization and the union in a collective agreement. The collective agreement replaces individual employment contracts, and the organization cannot enter into deals or arrangements directly with its unionized employees. The terms and conditions of the collective agreement can be complicated and can lead to disputes over application or interpretation. The collective agreement will be negotiated on a regular basis between the parties, and whether either the union or the employer is prepared to make any concessions will depend on their relative bargaining strength and appetite to face a strike or lockout if the parties cannot agree.

The minimum standards as established under the employment standards legislation, workers compensation scheme, occupational health and safety requirements, and human rights provisions still apply and cannot be ousted by the collective agreement, but disputes are addressed either between the employer and union or by the provincial labour relations board, not by courts or other tribunals. For the most part, an organization cannot terminate the employment of its unionized employees without just cause.

FOR FURTHER INFORMATION ON UNIONS, PLEASE SEE APPENDIX 1.

Issues Relating to Independent Contractors/Consultants

19. How should the board oversee the organization’s use of independent contractors?

The use of independent contractors or consultants can be an effective way for not-for-profit organizations to access specialized skills and expertise, but also brings the potential for risks to the organization if relationships are not properly managed. The board of directors plays an important role in ensuring that appropriate policies and practices are in place regarding the organization’s use of contractors.

Procurement Policies – The issue of procurement policies has received a great deal of attention in the broader public sector, and the lessons learned there can be valuable to all not-for-profit organizations. Boards of directors should satisfy themselves that:

• the organization has clear written policies around the use of consultants;
• assignments are well defined and properly justified before consultants are engaged;
• procurement practices are fair, open and transparent;
• individual contracts set clear ceiling prices;
• payments to consultants are tied to specific deliverables; and
• performance of consultants is carefully reviewed and managed.

The use of sole-source contracts and follow-on assignments to extend existing contracts without proper review should be avoided.

Documentation – As discussed earlier in this document, appropriate classification and documentation of the organization’s relationships with service providers is important. Relationships with independent contractors should be governed by contracts which clearly set out the nature of the relationship as well as the rights and duties of all parties.
Documenting the Relationship with an Independent Contractor

Since these agreements are not employment agreements, the contract should not use terms that are similar to terms used in an employment agreement.

- The nature of the services should be defined.
- Payment should be defined as fee for services rather than compensation, and should be subject to the provision of appropriate invoices, with the appropriate GST/HST charged.
- Confidentiality and non-solicitation clauses should be included, but non-competition clauses should be avoided.
- A contractor should not be entitled to group insurance or other benefits provided to the organization’s employees.
- There should be express wording regarding who is responsible for the payment of taxes and the contractor should indemnify the organization for any employer taxes that may be found to have been due and not paid.
- It should be clear that the contractor will provide the necessary tools to do the work.
- If possible, it should be left to the contractor to address when, where and how the work will actually be done.
- There should be provisions outlining the amount of notice for termination of the contract.

Issues Relating to Volunteers

20. How should the board oversee the organization’s use of volunteers?

The board of directors is also responsible for overseeing the organization’s use of volunteers. This may be done by the board as a whole, through a human resources committee, or through a separate committee focused on volunteer engagement and management. Similar to the situation with employees and contractors, directors should satisfy themselves that appropriate policies and documentation are in place.

Volunteer Recruitment and Engagement – The process of seeking out and recruiting volunteers, as well as keeping them engaged and ensuring their continued participation is ongoing and is critical to the organization.

Volunteer Screening – An organization should be very careful about whom it selects or approves to provide volunteer services. Although not employees, these individuals may be able or expected to hold themselves out as representative or agents of the organization. As a result, the organization could find itself responsible for wrongful acts done by the volunteer. Depending on the nature of the activity being performed and the population with which the organization works, background checks, including screening for criminal records, should be performed for volunteers.

Job Description – There should be clear descriptions of the roles and responsibilities of volunteers with the organization. These will vary depending on the role played by the volunteer. Some volunteers participate at a single event, whereas others are involved in a long-term commitment to the organization. Volunteer job descriptions should make it clear that volunteers receive no compensation and are under no legal obligation to continue volunteering for the organization.

Contracts/Volunteer Agreements – It is a good practice to require volunteers to sign a document acknowledging that they understand their role within the organization as being that of a volunteer and not an employee. In some cases, it may be prudent to obtain signed releases and waivers of liability. Many organizations also require volunteers to sign codes of conduct and confidentiality agreements.

Training, Supervision and Management – Volunteers should receive training, supervision and management to ensure that they are performing their duties in a safe and effective manner to the benefit of the organization. Appropriate supervision and guidance will also help make the experience more rewarding for volunteers.
Appendix 1—
The Employment Relationship in a Unionized Environment

Union Organization

The unionization of a workplace begins with a union conducting an organizing drive to get employees to sign union cards or otherwise indicate support for joining the union. If enough cards are signed, the union will apply to the Labour Board to be certified as the bargaining agent for a group of employees. Depending on the province, the employees may be given an opportunity to vote by way of secret ballot on whether or not they want to be represented by the union. If the majority of employees who vote choose to be represented by the union, all the employees in the designated bargaining unit will be unionized.

During a union organizing drive, the employer is not allowed to make any changes to the terms and conditions of employment outside changes in the normal course. There are very strict rules around what an employer can and cannot do or say during a union organizing campaign. In some provinces, if an employer breaches those rules, the Labour Board may order that a union be certified as the bargaining agent for the employees even if the union was unable to demonstrate the required level of employee support.

Bargaining & Good Faith

Once the union is certified, the union will be the exclusive bargaining agent for the employees, and the union and employer will enter into negotiation of a collective agreement setting out the terms and conditions of employment. The parties have a duty to bargain in good faith with the union. The employer is required to meet with the union and make every effort to conclude a collective agreement. If an employer and a union cannot agree to the terms of a collective agreement after a certain period of time, the union is legally entitled to stage a strike and an arbitrator will be appointed to either help the parties reach agreement, or impose an agreement on them.

Grievances and Arbitrations

Once the collective agreement is in place, any negotiation about changes to terms and conditions of employment will be with the union. If a unionized employee disagrees with discipline that has been imposed by the employer, the employee can complain to the union, which will take it up with the employer. An employer cannot terminate a unionized employee without just cause by simply paying notice. If the parties cannot reach a resolution, the matter will proceed to a grievance hearing before a third party. This is in the nature of a mini-hearing with evidence and legal argument. Alternatively, the union and employer may disagree about the interpretation of a provision in a collective agreement and how it should be applied. In these situations, if the parties cannot resolve the matter between them, the dispute will be argued and decided at an arbitration hearing. These types of proceedings can be costly and time consuming.

An organization that does not have experience and expertise in dealing with union matters should always consult the appropriate legal advice before taking any steps with regard to the employment relationship with its unionized employees.
Where to find more information

CICA Publications on Governance

The Not-for-Profit Director Series

NPO 20 Questions Series
20 Questions Directors of Not-for-Profit Organizations Should Ask about Board Recruitment, Development and Assessment
20 Questions Directors of Not-for-Profit Organizations Should Ask about Fiduciary Duty
20 Questions Directors of Not-for-Profit Organizations Should Ask about Governance
20 Questions Directors of Not-for-Profit Organizations Should Ask about Risk
20 Questions Directors of Not-for-Profit Organizations Should Ask about Strategy and Planning Liability Indemnification and Insurance for Directors of Not-for-Profit Organizations

NPO Director Alerts
Pandemic Preparation and Response — questions for directors to ask
Increasing Public Scrutiny of Not-for-Profit Organizations — questions for directors to ask
New rules for charities’ fundraising expenses and program spending — questions for directors to ask

Other Publications
Accountants on Board — A guide to becoming a director of a not-for-profit organization

The Director Series

The 20 Questions Series
20 Questions Directors and Audit Committees Should Ask about IFRS Conversions (Revised ed)
20 Questions Directors Should Ask about Building a Board
20 Questions Directors Should Ask about CEO Succession
20 Questions Directors Should Ask about Codes of Conduct (2nd ed)
20 Questions Directors Should Ask about Crisis Management
20 Questions Directors Should Ask about Crown Corporation Governance
20 Questions Directors Should Ask about Director Compensation
20 Questions Directors Should Ask about Directors’ and Officers’ Liability Indemnification and Insurance
20 Questions Directors Should Ask about Executive Compensation
20 Questions Directors Should Ask about Governance Assessments
20 Questions Directors Should Ask about Governance Committees
20 Questions Directors Should Ask about Internal Audit (2nd ed)
20 Questions Directors Should Ask about IT
20 Questions Directors Should Ask about Management’s Discussion and Analysis (2nd ed)
20 Questions Directors Should Ask about Responding to Allegations of Corporate Wrongdoing
20 Questions Directors Should Ask about Risk (2nd ed)
20 Questions Directors Should Ask about the Role of the Human Resources and Compensation Committee
20 Questions Directors Should Ask about their Role in Pension Governance
20 Questions Directors Should Ask about Special Committees
20 Questions Directors Should Ask about Strategy (2nd ed)

**Director Briefings**
Climate Change Briefing — Questions for Directors to Ask
Long-term Performance Briefing — Questions for Directors to Ask
Controlled Companies Briefing — Questions for Directors to Ask
Diversity Briefing — Questions for Directors to Ask

**Director Alerts**
Fraud Risk in Difficult Economic Times — questions for directors to ask
Human Resource and Compensation Issues during the Financial Crisis — questions for directors to ask
The Global Financial Meltdown — questions for directors to ask
Executive Compensation Disclosure — questions directors should ask
The ABCP Liquidity Crunch — questions directors should ask
New Canadian Auditing Standards — questions for directors to ask

**The CFO Series**
Deciding to Go Public: What CFOs Need to Know
Financial Aspects of Governance: What Boards Should Expect from CFOs
How CFOs are Adapting to Today’s Realities
IFRS Conversions: What CFOs Need to Know and Do
Risk Management: What Boards Should Expect from CFOs
Strategic Planning: What Boards Should Expect from CFOs

**Additional Information on Human Resources in the Nonprofit Sector**
HR Council for the Nonprofit Sector — www.hrcouncil.ca
About the author

Adrienne Campbell, LL.B.
Partner, Miller Thomson

Adrienne Campbell is a member of the Labour and Employment Group at Miller Thomson. She has extensive experience in both private practice and as in-house counsel. She has provided legal advice and strategic counsel to multiple business channels including those in the banking and retail sectors, on a variety of national employee relations, employment and labour matters. Ms. Campbell’s background allows her to provide practical, business-oriented advice to federally and provincially regulated clients in both the profit and not-for-profit sectors in areas such as offer letters, executive employment contracts, positive employee relations, progressive discipline, terminations, human rights, attendance management issues, drafting of human resource policies, and the employment implications of corporate reorganizations. In addition, Adrienne acts as employer counsel with regard to employment disputes before tribunals and adjudicators in both the provincial and federal sector, as well as wrongful dismissal proceedings before the court.

Ms. Campbell has presented numerous lectures and seminars, and provided training to human resource and business leaders on a variety of issues both internally and at events sponsored by the Retail Conference of Canada, Kenexa, Conference Board of Canada Shepell-FGI, Canadian Bar Association and InfoNex.

When not at work, Ms. Campbell enjoys dining out (and therefore running), playing golf, and secretly listening to her teenage daughter’s music.