

Not-for-profit sector feels salary squeeze

By Craig Donaldson

THE NOT-FOR-PROFIT (NFP) sector is feeling the effects of the skills shortage like many industry sectors in Australia, with voluntary full-time staff attrition rates in community and social services rising by 6 per cent in the past 12 months.

Recent research has found the current rate of attrition across the NFP sector stands at 19 per cent – one factor contributing to pressure on pay rates within the sector.

The average movement in salaries across the industry in the period May 2005-06 was 5 per cent at total remuneration cost, up from 1 per cent the previous year.

Employees directly involved with providing community and social services to clients (such as nursing home managers, recreation officers and volunteer co-ordinators) were the recipients of the largest salary increases (5.6 per cent), followed by those in HR (5 per cent).

"These statistics challenge the long-standing perception that pay is not a high ranking element of the reward proposition within the not-for-profit sector," said Jairus Ashworth, CSI's managing director.

"They provide clear evidence that offering competitive pay rates as well as emphasising the other fantastic benefits involved with working for a non-profit organisation is crucial in the current business environment."

One of the greatest challenges facing NFP organisations is the negative perception that competitive pay rates are not offered to employees. On face value, a dollar for dollar comparison between pay rates within the NFP and the private sectors may reveal higher private sector rates, according to Ashworth.

However, many NFPs are eligible for significant tax concessions/rebates or exemptions in cases where their employees enter into salary packaging arrangements and smart NFPs are breaking down negative perceptions around pay by taking advantage of these tax savings.

By doing this, Ashworth said they are ensuring their remuneration offerings are an attractive proposition to current and prospective employees.

"Whilst there is no direct extra cost to employers in offering benefits within employees' salary packages, there are considerable tax savings for employees as benefit items are paid directly out of pre-tax dollars rather than out of after tax dollars," he said.

A CSI report found 53 per cent of NFPs pass tax savings onto employees in full, a further 29 per cent partially pass them on and 18 per cent do not pass them on at all.

"The government offers not-for-profits the facility to provide employees

with an FBT exempt meal entertainment benefit which is not subject to the \$30,000 grossed up FBT taxable exemption limit," said Frank Sedmak, general manager HR for The Spastic Centre NSW.

"This allowance can be used by employees to pay for their dining out expenses (including drinks and taxi fares to and from their dining venue, but excludes takeaway meals), catering for special occasions, such as wedding, engagement or birthday

party, all in pre-tax dollars. However, implementation of the allowance by NFPs across the country is very low."

Within the Sydney NFP HR Forum, a group of HR directors, managers and professionals, less than 10 per cent of organisations offer this allowance to employees.

"There is a perception within the sector that salary packaging is too complex. This perception has been formed because a small proportion of the

employee population, such as those with HECs debts to pay off and personal investments or those receiving some sort of Centrelink payment, may not receive any benefits from salary packaging and need to carefully consider the ramifications before entering into any packaging arrangements," Sedmak said.

However, advising all employees to seek independent financial advice before proceeding with packaging can overcome this perceived complexity."

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