

Participant Compensation

Compensating participants fairly and generously for their time and lived experience should be standard practice. Below are resources to help you handle common issues, identify good practices, consider the appropriate financial and legal issues, and reflect on the tangible and non-tangible benefits of compensation.

A note on paying participants from authors Katy Love and Winifred Olliff

When we began our work as participatory philanthropy practitioners 15 years ago, it was rare for funders to pay participants for their contributions to participatory processes. We are encouraged that over the past several years, as more funders begin to center equity in their work, their practices around compensation have changed and grown. And as the sector continues to embrace participatory approaches that include people impacted by the work of philanthropy, we would like to see equitable compensation for participants become the norm.

Compensating participants equitably benefits not only participants, but also funders. It may help funders live up to their equity and inclusion principles. Because it reduces barriers and increases incentives for participants, funders have better opportunities to attract a range of qualified participants. For these reasons and more, funders should not see compensation as an extra expense, but as a productive part of the decision-making mechanism that moves resources to the people and communities at the heart of their work.

We believe that monetary compensation is necessary in most cases, but is insufficient on its own. Funders' participatory practices should be designed to offer other tangible and intangible benefits, as well. We suggest funders consider "[radical hospitality](#)" to create inclusive, accessible, and welcoming environments. We also recommend funders consider a range of alternatives to cash payments, such as gift cards and reimbursement for education expenses. Whatever funders choose, we suggest they make sure to understand their time and money commitments upfront, reviewing this new tool and taking advantage of other resources, such as the Participatory Philanthropy Toolkit's "[operating budget checklist](#)."

In this resource, we focus on the practical aspects of compensating participants. We start with tips to handle some of the trickier issues that might arise, then we offer checklists of good practices; summarize different legal frameworks for offering compensation; and provide ideas for alternatives to cash payments and what kinds of intangible benefits participants might also experience.

[Paying Participants: Compensation in Participatory Philanthropy](#)



[Go to this blog post at Insights for Change](#)

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Paying Participants: Tips for Funders



Calculating compensation

A fixed stipend may not amount to a sufficient hourly wage once you count the full amount of time participants work. Instead, take the hourly rate you typically pay an expert consultant for similar work, multiply that rate by a realistic estimate of the number of hours you expect a participant to spend on the process, and plan to pay that amount.

Think of compensation as a necessary cost of good grantmaking. Funders likely wouldn't launch a grantmaking program without a budget that covers staff costs. Similarly, don't launch participatory processes without a budget that would cover the cost of compensating participants.



Identifying an appropriate compensation plan

Be sure participants understand that most forms of compensation should be reported as taxable income, and encourage them to assess how it could affect their eligibility for any public benefits. Consult with them about adjusting the timing of payments or amounts to fit their circumstances. Offer these options upfront so participants don't need to request alternatives.



Reducing steps to receive compensation

Funders often have cumbersome payment processes that require recipients to create accounts with usernames and passwords and submit extensive personal information. Participants may find the systems unfamiliar, uncomfortable, or overwhelming, and, if a payment is to be relatively small, they might even choose not to pursue payment. These administrative hassles are not only a practical burden, but they can also further entrench harmful power dynamics among funders and their participants.

Work with your administrative team to understand exactly what participants will need to do in order to receive compensation. Walk through the process yourself, if possible. If there are steps you can remove or take on yourself to reduce the burden for participants, do so. Consider providing additional compensation to cover participants' time spent on administration. Also, share information about how to receive payments with participants at the time you reach an agreement with them and not after the work has been completed.

Other thoughtful takes and resources around participant compensation

By Urban Institute

**Equitable Compensation for
Community Engagement
Guidebook**

Georgia Booth's

**10 Thoughts About
Compensating Girls &
Youth Activists**

By LeapAmbassadors'

**How Foundations Can
Compensate Stakeholders**

and Melinda Tuan's

Shared Insight's approach

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Good Practices for Compensating Participants

Determining appropriate compensation

- ✓ Develop an accurate estimate of the time and effort required of each participant
- ✓ Use what you pay an expert consultant doing similar work as a benchmark
- ✓ Monitor the time and effort participants are spending and make adjustments if needed
- ✓ Be aware of power dynamics; participants are likely not to feel empowered to negotiate
- ✓ Err on the side of providing too much compensation rather than too little

For paying participants

- ✓ Provide participants with options for how they can be paid and when
- ✓ Offer information about how and when payments will be administered in advance
- ✓ Avoid unnecessarily burdensome administrative practices, especially for small payments
- ✓ If the process to receive payment is time-consuming, compensate participants for the additional time
- ✓ Offer alternative forms of compensation (see examples below) up front, in case participants deem the cash payment process too burdensome

For communicating with participants

- ✓ Recognize that conversations about compensation may be uncomfortable for some
- ✓ Do not set false expectations for future payments
- ✓ Provide as much information as you can in advance about how your process will work
- ✓ Commit to making timely payments and keeping participants informed
- ✓ Make the purpose of the compensation and your expectations clear in writing
- ✓ Notify participants whenever they will need to report compensation as income

Determining who should be paid

- ✓ Offer to compensate individuals or organizations based on their preference
- ✓ Compensate participants who spend time on your work
- ✓ Compensate participants who are offering their expertise
- ✓ Consider any legal restrictions, such as your conflict of interest policy

For monitoring

- ✓ Trust that participants are doing their part
- ✓ Avoid making compensation contingent on meeting certain milestones
- ✓ Observe the time and effort of participants and increase compensation if needed
- ✓ Request feedback from participants about how compensation works for them

For budgeting

- ✓ Fully secure the funding before you contact any participants
- ✓ Recognize that compensation is a necessary cost of doing business, not an extra
- ✓ Recognize that compensation is yet another tool for supporting communities and achieving your mission

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Frameworks for Compensation

This table is specific to funders funding from the U.S. Other countries may have different options for compensation. This table is intended as a general information tool. Always seek professional legal and financial advice when evaluating these options for your specific circumstances.

Frameworks for Compensation				
	Honorarium	Stipend	Grant	Contract
Frequency	One-time	Recurring	One-time or multiple disbursements	One-time or multiple disbursements
Purpose	Recognition of one's general contribution	Expenses and training (not work performed)	Public benefit	Payment for work performed
Restriction	Often capped by organizations at \$599 due to IRS requirements to file a 1099	Few restrictions but not provided by many nonprofit organizations	Subject to many complex and eligibility requirements (covered in IRC Section 4945)	Flexible but requires legal supervision and is often subject to internal processes
Recipients	Individuals, companies, 501(c)s	Individuals only	Often 501(c)s but may be offered to individuals and companies with certain restrictions	Individuals, companies, 501(c)s
Taxable for the recipient?	Taxable income for the recipient (even if under \$600)	Usually taxable income for the recipient	Varies depending on the status of the recipient	Taxable income for the recipient
Requires a written agreement?	Does not require a written agreement	Does not require a written agreement	Type of contract (generally requires a written agreement by definition)	Generally requires a written agreement by definition

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Beyond Monetary Compensation

We are sure that these lists of benefits are not exhaustive! If you've used other creative ways to compensate participants, we'd love to hear from you.

Please also note that some of the tangible benefits included here may be considered "cash equivalent items" by the IRS (such as gift cards) and must be reported to the IRS as taxable income. Make sure that participants are adequately informed of this, and that all parties seek the professional legal and financial advice needed.

Tangible benefits to offer participants in addition to cash payments

Note: Some of these items could be "cash equivalent items"

- ✓ Providing gift cards
- ✓ Paying for educational expenses
- ✓ Paying for or providing training
- ✓ Providing technology equipment
- ✓ Providing access to software that participants can continue to use
- ✓ Providing quality internet access
- ✓ Paying for dependent care
- ✓ Providing quality food, refreshments, and accommodations
- ✓ Funding travel or networking opportunities that benefit participants directly

Benefits, beyond monetary compensation or other tangible benefits, that participants might experience

- ✓ Having an impact on a cause they care about or on their communities
- ✓ Feeling of service to their communities or a cause they care about
- ✓ Feeling more connected to others
- ✓ Building relationships and connecting with other participants or funders
- ✓ Expanding and strengthening their networks
- ✓ Building new skills and strengthening existing skills
- ✓ Enhancing their profile or building their reputation
- ✓ Learning something new
- ✓ Gaining inspiration from the work of others
- ✓ Receiving recognition for their work and feeling a sense of accomplishment

**Have questions about the toolkit?
Or want to learn more?**

Please reach out to Katy Love (katy@fundforsharedinsight.org), the toolkit's co-author with Winifred Olliff, both consultants with experience and expertise in participatory grantmaking.



[Contact Katy](#)